ANNEX B

SEC Form 17-Q for the Quarter Ended March 31, 2024

COVER SHEET

2	3	7	3	6						

S.E.C. Registration Number

STENIEL MANUFACTURING CORPORATION

(Company's Full Name)

GATEWAY BUSINESS PARK,
BRGY. JAVALERA, GENERAL TRIAS
CAVITE

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

Eliza C. Macuray
Contact Person

+632361-9061
Company Telephone Number

12 31
Month Day
Fiscal Year

17-Q
FORM TYPE

Last Tuesday of April
Month Day
Annual Meeting

Secondary License Type, If Applicable

CFD
Dept. Requiring this Doc.

Amended Articles Number/Section

3626
Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign
-	–

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SEC Number 23736
File Number ______

Steniel Manufacturing Corporation
(Company's Full Name)

Gateway Business Park, Bgry. Javalera, General Trias, Cavite
(Company's Address)

(046) 433-0066
(Telephone)

December 31
(Fiscal Year Ending) (month & day)

Form 17-Q
Form Type

Not Applicable
Amendment Designation (If applicable)

March 31, 2024
Period Date Ended

Not Applicable
Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

**QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND
THE REVISED CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **March 31, 2024**

2. Commission 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: **Metro Manila, Philippines**

6. Industry Classification Code: (SEC Use Only)

7. **Gateway Business Park, Brgy. Javalera, General Trias, Cavite**
   Address of issuer's office

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

9. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	1,418,812,081

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

    Yes [✓] No [ ]

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

11. 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 [ ]

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SIGNATURES

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

Registrant	:	STENIEL MANUFACTURING CORPORATION
Signature	:	Nixon Y. Lim
Title	:	President
Date	:	May 13, 2024

SIGNATURES

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

Registrant : STENIEL MANUFACTURING CORPORATION

[redacted]

Signature : Eliza C. Macuray
Title : Chief Finance Officer
Date : May 13, 2024

Exhibit 1

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

	31-Mar-24 Unaudited	31-Dec-23 Audited	31-Mar-23 Unaudited
Revenues			
Service Income	P28,466	P97,445	P62,151
Product Sales	770,488	3,309,422	676,526
Total revenues	**798,954**	**3,406,867**	**738,677**
Cost of sales and services	(661,144)	(2,983,980)	(633,758)
Gross profit	**137,810**	**422,887**	**104,919**
Operating expenses	(58,448)	(341,846)	(74,712)
Finance charges	(20,725)	(81,578)	(15,241)
Other income (expenses), net	8,641	174,743	(6,444)
Income provision for income tax	**67,278**	**174,206**	**8,522**
Income Tax Expense	11,130	56,424	-
Net Income (Loss)	**56,148**	**117,782**	**8,522**
Other Comprehensive Income (Loss)			
Item that may be reclassified to profit or loss			
Unrealized gain(loss) on financial assets at fair value through other comprehensive income	-	18,956	-
Remeasurement of defined benefit obligation	-	-	-
Income tax expense	-	-	-
Effect of changes in tax rate	-	-	-
	-	**-**	**-**
Total Comprehensive Income (Loss)	**P56,148**	**P136,738**	**P8,522**
Basic and Diluted Earnings (Loss) Per Common Share	**P0.0396**	**P0.0830**	**P0.0060**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	31-Mar-24 Unaudited	31-Dec-23 Audited	31-Mar-23 Unaudited
ASSETS			
Current Assets			
Cash	P81,015	P113,041	P87,550
Receivables - net	931,842	852,708	817,987
Inventories - net	1,755,267	2,040,582	2,533,251
Prepaid expenses and other current assets - net	406,300	267,941	246,806
	3,174,424	3,274,272	3,685,594
Asset held-for-sale	-	47,896	120,600
Total Current Assets	**3,174,424**	**3,322,168**	**3,806,194**
Noncurrent Assets			
Property and equipment - net	756,787	775,385	843,905
Right-of-use asset - net	19,308	19,308	24,870
Investments in equity instruments	137,757	135,229	95,837
Deferred tax assets	4,580	4,580	-
Other noncurrent assets	1,737	1,737	1,675
Total Noncurrent Assets	**920,169**	**936,239**	**966,287**
	4,094,593	**4,258,407**	**4,772,481**
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities	2,101,390	1,869,811	2,625,882
Amounts owed to related parties	47,883	47,883	53,558
Current portion of borrowings	531,884	942,134	714,074
Current portion of lease liabilities	9,403	9,403	6,677
Income tax payable	9,192	3,210	-
Total Current Liabilities	**2,699,752**	**2,872,441**	**3,400,191**
Noncurrent Liabilities			
Borrowings, net of current portion	468,231	468,231	576,695
Lease liabilities - net of current portion	12,812	12,812	20,876
Retirement benefits liability	14,563	13,940	10,636
Deferred tax liabilities - net	-	-	1,316
Total Noncurrent Liabilities	**495,606**	**494,983**	**609,523**
Total Liabilities	**3,195,358**	**3,367,424**	**4,009,714**
Equity			
Capital stock	1,418,812	1,418,812	1,418,812
Additional paid-in capital	408,423	408,423	408,423
Reserve for retirement benefits liability	204	204	204
Net unrealized loss on investments in equity instruments	6,003	6,003	(3,346)
Deficit	(934,207)	(942,459)	(1,061,326)
Total Equity	**899,235**	**890,983**	**762,767**
	P4,094,593	**P4,258,407**	**P4,772,481**

Please refer to the accompanying Notes to Unaudited Interim Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	31-Mar-24 Unaudited	31-Dec-23 Audited	31-Mar-23 Unaudited
Capital stock			
Authorized – 1 billion common shares P1 per share			
Issued and outstanding	**P1,418,812**	**P1,418,812**	**P1,418,812**
Additional paid-in capital	**408,423**	**408,423**	**408,423**
Reserve for retirement benefits liability			
Beginning	204	204	204
Reserve for retirement benefits liability	-	-	-
	204	**204**	**204**
Net unrealized loss on investments in equity instruments			
Beginning	6,003	(3,346)	(3,346)
Changes in fair value of investments in equity instruments	-	18,956	-
Transfer of fair value reserve of equity instruments designated at FVOCI	-	(9,607)	-
	6,003	**6,003**	**(3,346)**
Deficit			
Beginning	(942,459)	(1,069,848)	(1,069,848)
Prior period adjustments for written off cost of disposed investment	(47,896)		
Net income(loss) during the year	56,148	117,782	8,522
Transfer of fair value reserve of equity instruments designated at FVOCI	-	9,607	-
	(934,207)	**(942,459)**	**(1,061,326)**
Total Stockholders' Equity	**P899,235**	**P890,983**	**P762,767**

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

	31-Mar-24 Unaudited	31-Dec-23 Audited	31-Mar-23 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P67,278	P174,206	P8,522
Adjustments for:			
Depreciation	37,970	249,378	38,152
Interest expense	20,725	77970	15,241
Dividend income	(340)	(5,550)	(237)
Interest on lease	-	3,608	-
Retirement expense	623	4,036	732
Interest income	(11)	(51)	(7)
Reversal of provision for losses on receivables	(19,407)		
Reversal of provision for inventory obsolenscence	(15,409)		
Gain on disposal of invesment	-	(117,295)	-
Operating income before working capital changes	91,429	386,302	62,403
Decrease(increase) in:			
Receivables	(59,727)	8,563	43,284
Inventories	300,724	(152,122)	(644,791)
Prepaid expenses and other current assets	(149,489)	(129,657)	(49,412)
Increase(decrease) in:		-	
Trade payables and other current liabilities	237,561	(167,422)	588,649
Net cash generated from operations	420,498	(54,336)	133
Interest paid	(20,725)	(77,970)	(15,241)
Dividend received	340	5,550	237
Benefits paid	-	-	-
Interest received	11	51	7
Net cash provided by operating activities	**400,124**	**(126,705)**	**(14,864)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	(19,372)	(80,426)	(8,740)
Proceeds from sale of property and equipment	-	-	-
Proceeds from sale of investments in equity instruments	-	69,421	3,252
Additions to investments in equity instruments	(2,528)	(86,605)	-
Decrease in other noncurrent assets	-	1,882	1,944
Net cash provided by (used in) investing activities	**(21,900)**	**(95,728)**	**(3,544)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan availment	-	3,732,865	71,725
Payments of borrowings	(410,250)	(3,360,858)	(9,314)
Increase (decrease) in amounts owed to related parties	-	(11,737)	(6,062)
Payment of finance lease liability	-	(70,797)	
Interest paid on leases	-	(3,608)	
Net cash provided by (used in) financing activities	**(410,250)**	**285,865**	**56,349**
NET INCREASE(DECREASE) IN CASH	**(32,026)**	**63,432**	**37,941**
CASH AT BEGINNING OF YEAR	**113,041**	**49,609**	**49,609**
CASH END OF YEAR	**81,015**	**P113,041**	**P87,550**

Exhibit 2

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND YEAR ENDED DECEMBER 31, 2023

1. Corporate information

Background

Steniel Manufacturing Corporation ("STN" or the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 13, 1963. The 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 Company is listed in the Philippine Stock Exchange Inc. (PSE).

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

Following a decision made by the Company's Board of Directors (BOD) in 1996 to reorganize the Group, the 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 Company's principal activity now limited to holding of investments.

Shareholdings

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

Consequent to the restructuring of the loan in 2010 as will be discussed in Item 1 (H) below, the Company issued a total of 123,817,953 shares to Roxburgh Investment Limited (Roxburgh) through the conversion of debt to equity. The conversion resulted to the reduction of the Company's outstanding debt and recognition of additional paid in capital. As a result, Roxburgh became the owner of 12.3818% of the Company, while the ownership of SNHBV and the public was reduced to 72.0849% and 15.5333%, respectively.

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

On January 25, 2012, the Company received a tender offer report from SNHBV offering to purchase the 279,151,088 shares of minority investing public or 27.92% of the total issued shares at a price of P0.0012 per share or an aggregate price of P334.9 million. On February 25, 2012, 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 June 26, 2019, the Company approved the reacquisition of Steniel Mindanao Packaging Corporation ("SMPC"), as described below, through a share swap transaction involving the transfer of 100% of the outstanding capital stock of SMPC in favor of the Company in exchange for STN shares. The Company also approved the conversion of the loans extended by Greenkraft Corporation ("Greenkraft") and Roxburgh into equity. These approvals were made in view of the need to address the negative equity of the Company.

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

On October 7, 2020, Greenkraft Corporation (Greenkraft), Golden Bales Corporation (Goldenbales), Corbox Corporation (Corbox), Rex Chua and Clement Chua, as purchasers (collectively, the Buyer Group) 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%

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

Following the completion of the tender offer, SNHBV and the Buyer Group executed the deed of sale on November 23, 2020 involving the 649,908,308 shares of the Company. The relevant taxes were paid and the corresponding CAR was secured. The transfer reduced the shareholding of SNHBV to 5% of the Company's outstanding capital stock.

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

On October 6, 2023, SNHBV and Greenkraft sold a total of 130,940,604 shares in compliance with the backdoor listing rule which required the Company to comply with the minimum public ownership requirement of at least 20% of the outstanding capital stock. With the aforesaid sale, SNHBV ceased to be a shareholder of the Company.

The relevant taxes were paid and the corresponding CARs were secured. The Company's public float increased from 13.09% to 22.27%.

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

Subsidiaries

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

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

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

*** SMPC was reacquired on December 29, 2020.*

1. *Steniel Cavite Packaging Corporation (SCPC)*

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

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

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

On June 15, 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 filed with the SEC on April 10, 2017 and was approved on May 30, 2018.

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

2. *Steniel Mindanao Packaging Corporation (SMPC)*

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

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

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

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

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

As at March 31, 2024, the operating subsidiaries of the Company are SCPC and SMPC.

Debt Restructuring

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

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

- The outstanding principal and accrued interest expense as at September 30, 2010 was restructured for 25years.

- 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 the Parent Company 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.

- The restructured accrued interest expense prior to loan restructuring will be subject to interest of 8% per annum.

- Restructured outstanding principal will be subject to interest of 6% per annum for 15years and 8% per annum on the sixteenth (16th) year and onwards.

- 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 the Parent Company and in each of its subsidiaries.
    b. A merger, reorganization or dissolution of certain subsidiaries in line with the Busines 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.

Dacion en pago and Equity Conversion

The dacion en pago of the Group's idle machineries, spare parts and the equity conversion through the issuance of the 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 improvements has a total value of P290.0 million. In 2012, certain certificates authorizing registration were issued and reduced the total value from P290.0 million to P289.88 million. The assignment of shares was completed in 2023 after the issuance of the CAR. The change in ownership and management in early 2012 and the issuance of CAR generally caused the delay in the implementation of dacion en pago.

Pursuant to the Amended Agreement, the Company's outstanding principal and accrued interest was reduced through the conversion of a portion of the debt due to Roxburgh into common shares of the Company. The Company issued a total of 123,817,953 shares to Roxburgh which resulted to the conversion resulted to the reduction of the Company's outstanding debt and recognition of additional paid in capital.

Restructuring of Subsidiaries

In 2011, following the provisions in the Amended Agreement, the Company filed a merger application with the SEC to absorb TPC. On August 12, 2013, following management's assessment, the Board of the Company and TPC approved the withdrawal of the merger application filed with the 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 has occurred at the beginning of 2010.

The Company had 39.71% direct and indirect (through SCPC & TPC) interest in SLC. In 2010, all of the ownership interest of TPC and STN was assigned to Greenkraft, and the remaining interest of SCPC in SLC was 29.21%.

In September 2023, the dacion en pago was completed relating to the Group's shares in SLC. The Group assigned its 727,050 preferred shares in SLC to Greenkraft to fully settle its remaining balance of borrowings to Greenkraft amounting to P190 million. As at December 31, 2023, Greenkraft holds 100% interest in SLC.

Interest Payments

On December 2, 2011, the current creditors/lenders agreed to waive the payment of interest for the first 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 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 2 years extension of principal repayment, reduction of interest rate from 6% to 2% for the first 5 years and further waive interest charges annually until 2019. Consequent to the BOD approval of the conversion of debt to common shares of the Parent Company in 2019, principal and interest payments on long-term debt was suspended beginning July 2019.

Status of Operations

The Group has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P934 million and P942 million, as at March 31, 2024 and December 31, 2023, respectively.

To improve this condition, 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 and Roxburgh 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.

On December 29, 2020, upon the SEC's approval of the Company's application for 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 resulting to a provisional gain of P158.27 million from the acquisition of a subsidiary. The realization of these transactions resolved the capital deficiency position of the Group in 2021 and 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.

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 accompanying unaudited interim 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 preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited interim consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited condensed consolidated financial statements. Actual results could differ from such estimates.

The unaudited interim consolidated financial statements include the accounts of Steniel Manufacturing Corporation and its subsidiaries. The unaudited condensed consolidated financial statements are presented in Philippine peso (Php), and all values are rounded to the nearest thousands except when otherwise indicated.

Basis of Measurement

The unaudited interim 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 unaudited interim 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 unaudited interim 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 unaudited interim 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.

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

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

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

3. Summary of Significant Accounting Policies

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

<u>Adoption of Amendments to Standards and Interpretations</u>

The Financial Reporting Standards Council (FRSC) approved the adoption of amendments to standards and interpretations as part of PFRS. The following standards are relevant to the Group and have been adopted starting January 1, 2023.

Amendments to PAS 1, Classification of Liabilities as Current or Non-current – the amendments provide a more general approach to the classification of liabilities under PAS 1 based on the contractual arrangements in place at the reporting date. The amendments affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. To:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to PFRS 17, Insurance Contracts – the amendments' purpose is to address concerns and implementation challenges that were identified after PFRS 17 'Insurance Contracts' was published in 2017. The main changes are: deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023; additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk; recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination; extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives; amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held; simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts; and several small amendments regarding minor application issues.

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Disclosure of Accounting Policies (Amendments to PAS 1, Presentation of Financial Statements, and IFRS Practice Statement 2, Making Materiality Judgements), continues the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include:

- requiring companies to disclose their material accounting policies instead of their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material.

The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures.

Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors), clarifies how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively.

The amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

PAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific PFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, Income Taxes), clarifies how companies account for deferred taxes on transactions such as leases and decommissioning obligations, with a focus on reducing diversity in practice.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

PAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.

New and Amended Standards Effective Subsequent to 2023 but not Early Adopted

Pronouncements issued but not yet effective as at December 31, 2023 are listed below. The Group intends to adopt the following pronouncements when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new pronouncements to have a significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2024

Lease Liability in a Sale and Leaseback (Amendments to PFRS 16)
The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognized no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. For example, the seller-lessee could determine the lease payments to be deducted from the lease liability as expected lease payments or as equal periodic payments over the lease term, with the difference between those payments and amounts actually paid recognized in profit or loss.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Under PAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of PFRS 16.

Classification of Liabilities as Current or Noncurrent – 2020 amendments and Non-Current Liabilities with Covenants – 2022 amendments (Amendments to PAS 1, Presentation of Financial Statements).
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 twelve months after the reporting period to be unconditional and instead required that the right must have substance and exist at the end of the reporting period;
- Clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
- Provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and
- Clarified that settlement of a liability includes transferring an entity'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 will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retained application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

The amendments are not expected to have a significant impact on the preparation of consolidated financial statements.

Effective beginning on or after January 1, 2025

PFRS 17, Insurance Contracts
PFRS 17 replaced the interim standard, PFRS 4, Insurance Contracts. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering that fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

(a) Combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
(b) Presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
(c) Requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfillment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfillment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measure using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. These is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 Financial Instruments on or before the date of initial application of PFRS 17.

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

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification.

An asset as current when it is: (a) expected to be realized or intended to be sold or consumed in normal operating cycle; (b) primarily held for the purpose of trading; (c) expected to be realized within twelve 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 twelve months after the reporting period.

A liability is current when it is: (a) expected to be settled in normal operating cycle; (b) held primarily for the purpose of trading; (c) due to be settled within twelve months after the reporting period, or (d) There is no unconditional right to defer settlement of the liability for at least twelve 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.

A 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.

Regular way purchases or sales of financial assets are accounted for at settlement date, i.e., the date that an asset is delivered to or by the Group. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

A financial asset (unless a receivable without a significant 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 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 managers 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 the 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 salary activity.
- Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely 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. The assessment includes 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. 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 amounts 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.

The Group has no financial assets at FVPL as at March 31, 2024 and December 31, 2023.

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 at FVPL:

- it is held within a business model whose objective is to hold 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, receivables and refundable deposits are included under this category.

Cash in banks are stated at face value.

Financial Assets at FVOCI. Investments in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling 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 OCI. This election is made on an instrument-by-instrument basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measure at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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 instrument at FVOCI is derecognized, the related accumulated gains and 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 statement of comprehensive income when the right to receive the payment has been established, unless unless the dividend clearly represents a recovery of part of the cost of the investment.

When investment in equity instruments at FVOCI is derecognized, the 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 it 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 March 31, 2024, and December 31, 2023, 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 as 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, lease liabilities and borrowings are included under this category.

Derecognition of Financial Assets and 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 derecognized when:

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

- the Group has transferred its right 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 asst 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 or 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 loss allowances for ECLs on financial assets measured at amortized.

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 event, current conditions and forecasts of future economic conditions.

The Group measures loss 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 loses experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI 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;

(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 acquires; 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.

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 fosses 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. Land is stated at cost less any impairment in value.

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

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

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

Depreciation, 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
Building and improvement	5

Leasehold improvement	2 to 10 or lease term, whichever is shorter
Transportation equipment	3 - 5
Furniture, fixtures and 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 Company 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 paint 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:

Revenue from Product Sales

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

Service income

Service income is recognized at a point in time when the performance of contractually agreed task has been rendered and control over the service has been transferred to the customer. General payment terms are on an average of 30 days from invoice date.

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 is recognized when incurred. Cost and expenses are recognized when incurred are presented in profit or loss using function of expense method.

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.

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 (NICIT) 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 beutilized, 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.

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.

Operating Segments

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

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

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.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (Le., 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.

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

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

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

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

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

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 March 31, 2024 and December 31, 2023.

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

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

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

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

<u>Estimates and Assumptions</u>

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.

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.

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 rot 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 March 31, 2024 and December 31, 2023. The carrying amounts of other financial assets at amortized cost are as follows:

	31-Mar-2024	31-Dec-2023
Cash in banks	**P80,925**	P112,951
Receivables	**931,842**	852,708
Refundable security deposits	**14,892**	13,099
	P1,027,659	P978,758

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

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.

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.

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

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

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

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

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 of STN and SCPC have not been recognized as at March 31, 2024 and December 31, 2023, because management believes that it is not probable that future taxable profit will be available against which the deferred tax assets may be utilized.

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 2024 and 2023.

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 16).

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

	Provisional Amount	Fair Value Adjustment	Final Amount
Assets			
Cash	P34,257	P-	P34,257
Receivables	336,333	-	336,333
Inventories	671,367	-	671,367
Prepaid expenses and other current assets	27,822	-	27,822
Property and equipment	323,705	155,924	479,629
Right-of-use asset	5,767	86	5,853
Advances to third parties	1,060	-	1,060
Deferred tax assets	19,779	-	19,779
Input value-added taxes	12,847	-	12,847
Refundable security deposits	1,343	-	1,343
	1,434,280	156,010	1,590,290
Liabilities			
Trade payables and other current liabilities	537,666	-	537,666

Loans payable	346,247	-	346,247
Amounts owed to related parties	108,653	-	108,653
Lease liabilities (including current portion)	6,283	(217)	6,066
Income tax payable	114	-	114
Deferred tax liability	-	46,777	46,777
Retirement benefits liability	7,858	-	7,858
	1,007,021	46,560	1,053,281
Total identifiable net assets	**P427,259**	**P109,450**	**P536,769**

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

	Provisional Amount	Fair Value Adjustment	Final Amount
Consideration transferred:			
Capital stock	269,250	-	269,250
Total identifiable net assets	427,259	109,450	536,709
Gain on acquisition	**158,009**	**109,450**	**805,959**

As a result of adjustments to correct the fair values of properties and equipment acquired, the resulting gain in acquisition increased by P109.450 million. Accordingly, the gain on the acquisition of SMPC amounted to P267.459 million and recognized as "Gain in acquisition of a subsidiary" in the 2020 consolidated statement of comprehensive income.

Since SMPC was acquired on December 29, 2020, SMPC's results of operations in 2020 were considered as pre-acquisition. For the year ended December 31, 2020, the consolidated revenues and net income of the Group would have increased by P1,276.50 million and P15.94 million, respectively, had the acquisition been completed at the beginning of the reporting period.

6. Cash

This account consists of:

	31-Mar-2024	31-Dec-2023
Cash in banks	**P80,925**	P112,951
Cash on hand	**90**	90
	P81,015	P113,041

7. Receivables

This account consists of:

	31-Mar-2024	31-Dec-2023
Trade receivables	**960,858**	906,524
Non-trade receivables	**29,100**	23,707
	989,958	930,231
Less allowance for impairment losses on:		
Trade receivables - third parties	**(58,116)**	(77,523)
	931,842	852,708

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.

The movements in the allowance for impairment losses is as follows:

	31-Mar-2024	31-Dec-2023
Balance at beginning of year	**P77,523**	P77,523
Reversal of provision for loss on receivables	**(19,407)**	-
Allowance during the year	**-**	-
Balance at end of year	**P58,116**	P77,523

8. Inventories

Inventories stated at lower of cost and NRV consist of:

	31-Mar-2024	31-Dec-2023
Raw Materials	**P1,458,178**	P1,768,884
Work-in-process	**33,664**	33,916
Materials and supplies	**199,825**	193,263
Finished goods	**75,010**	71,338
	1,766,677	2,067,401
Less allowance for inventory write-down	**11,410**	26,819
	P1,755,267	P2,040,582

The movements in the allowance for for inventory write-down is as follows:

	31-Mar-2024	31-Dec-2023
Balance at beginning of year	**P26,819**	P26,819
Reversal of provision for loss on receivables	**(15,409)**	-
Allowance during the year	**-**	-
Balance at end of year	**P11,410**	P26,819

9. Prepaid Expenses and Other Current Assets

This account consists of:

	31-Mar-2024	31-Dec-2023
Input VAT – net	**P91,700**	P53,860
Creditable withholding taxes	**73,093**	63,200
Prepaid importation charges	**208,064**	123,729
Refundable security deposits	**13,155**	11,362
Advances to suppliers	**1,863**	1,863
Prepaid insurance	**9,668**	5,340
Other prepayments	**10,600**	10,430
	408,143	269,784
Less allowance for impairment losses and unrecoverable prepaid taxes	**1,843**	1,843
	P406,300	P267,941

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.

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.

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

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

Cost		
January 1, 2010	₱	417,779
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		
Carrying amount reclassified as asset held-for-sale in 2010		134,611
Assigned/written-off in 2012		(13,762)
Disposal		(249)
Carrying amount as of January 1, 2023		120,600
Assigned in 2023		(72,705)
Asset Held-for-Sale as of December 31, 2023		**47,895**
Impairment/Written-off		(47,895)
Asset Held-for-Sale as of March 31, 2024	₱	**-**

11. Property and Equipment

The movements and balances of property and equipment as at March 31, 2024 and December 31, 2023 are as follows:

Particulars	Land	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Furniture, Fixtures and Equipment	Building and Improvements	Construction in Progress	Total
Cost								
December 31, 2022	185,587	607,931	40,411	18,736	12,636	344,876	5,653	1,215,830
Additions	-	29,435	1,970	4,261	3,760	1,392	39,608	80,426
Disposals	-	-	-	(288)	-	-	-	(288)
December 31, 2023	**185,587**	**637,366**	**42,381**	**22,709**	**16,396**	**346,268**	**45,261**	**1,295,968**
Additions	-	13,061	1,536	1,177	2,285	1,307	6	19,372
Disposals	-	-	-	-	-	-	-	-
March 31, 2024	**185,587**	**650,427**	**43,917**	**23,886**	**18,681**	**347,575**	**45,267**	**1,315,340**
Accumulated Depreciation and Amortization								
December 31, 2022	-	262,588	23,533	7,020	6,594	42,778	-	342,513
Depreciation	-	101,347	7,434	3,896	2,953	62,728	-	178,358
Disposals	-	-	-	(288)	-	-	-	(288)
December 31, 2023	**-**	**363,935**	**30,967**	**10,628**	**9,547**	**105,506**	**-**	**520,583**
Depreciation	-	19,733	923	852	692	15,770	-	37,970
Disposals	-	-	-	-	-	-	-	-
March 31, 2024	**-**	**383,668**	**31,890**	**11,480**	**10,239**	**121,276**	**-**	**558,553**
Carrying amount								
December 31, 2023	**₱185,587**	**P273,431**	**₱11,414**	**₱12,081**	**₱6,849**	**₱240,762**	**₱45,261**	**₱775,385**
March 31, 2024	**₱185,587**	**₱266,759**	**₱12,027**	**₱12,406**	**₱8,442**	**₱226,299**	**₱45,267**	**₱756,787**

The land and improvements thereon in San Vicente, Davao del Norte and land in Carmen, Davao del Norte are subject to mortgage under the Omnibus Loan and Security Agreement (OLSA) entered by the SCPC, SMPC and another affiliate in 2021 (Note 15). As at March 31, 2024, the aggregate carrying amount of mortgaged land and improvements amounted to P185.587 million.

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.

The movements in investments in equity instruments are as follows:

	31-Mar-2024	31-Dec-2023
Cost		
Balance at beginning of year	**P129,226**	P102,435
Additions	**2,528**	86,605
Disposals	**-**	(59,814)
Balance at end of year	**131,754**	129,226
Changes in Fair Value		
Balance at beginning of year	**6,003**	(3,346)
Changes in fair value	**-**	18,956
Transfers of fair value reserve for investments in equity instruments designated at FVOCI	**-**	(9,607)
Balance at end of year	**6,003**	6,003
	P137,757	P135,229

13. Other Noncurrent Assets

This account pertains to refundable security deposits.

14. Trade Payables and Other Current Liabilities

This account consists of:

	31-Mar-2024	31-Dec-2023
Trade payables	**P284,025**	P403,780
Payable to bank	**423,317**	382,335
Advances from customers	**661,830**	424,158
Accrued expenses	**563,947**	544,003
Deferred output VAT	**145,852**	103,376
Payable to government agencies	**22,179**	11,922
Others	**240**	237
	P2,101,390	P1,869,811

15. Loans and Borrowings

This account consists of:

	31-Mar-2024	31-Dec-2023
Local bank loan:		
Short-term loans	**P531,884**	P942,134
Net of current portion	**468,231**	468,231
	P1,000,115	P1,410,365

Short-term Loans

Short-term loans from local banks are unsecured, peso-denominated promissory notes intended for additional working capital requirements of the SMPC.

Omnibus Loan and Security Agreement (OLSA)

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

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

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

a) The Borrowers are entitled to a grace period on principal payments for the first 12 months reckoned from the initial drawdown and shall pay only interest on the loan amount. At the end of the 13th month from the initial drawdown date, the Borrowers shall commence payment of the principal and interest. The principal payments shall be made in 72 equal monthly amortizations beginning on the 13th month from the initial drawdown date.

b) The Borrowers shall pay interest on the outstanding advance monthly in arrears at the interest rate on each interest payment for the interest period. The interest rate on the advance payment shall be the prevailing market rate as of the repricing date.

c) The Borrowers shall not sell, lease, transfer, grant or otherwise dispose all or substantially all of its properties and assets, except for leases entered into with any of the Borrower's affiliates for the lease of DPI Box Plant and Printing Plant.

d) Cross default and cross acceleration provision as an event of default. This is when the Borrower defaults in the payment of principal or interest or commits violation of any terms and conditions, or accelerate or permit acceleration, of any agreement and the lender believes that the breach or violation will adversely and materially affect the Borrower's operations or ability to perform its obligation under the OLSA.

e) No new borrowing, unless with consent of the lenders.

f) Creditor's consent for change in material ownership in the borrowers and mortgagors.

g) Standard covenants, representations and warranties

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

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

As at November 29, 2022, the loan has been fully drawn by the SCPC and an affiliate.

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

As at December 31, 2021, the Borrowers have not received any notice of default from the lender that will trigger the non-compliance with financial ratios an event of default. On November 3, 2022, upon the request of SCPC, SCPC received a letter from the lender confirming that the bank did not declare SCPC in default under the OLSA notwithstanding their non-compliance with the required financial ratios as at December 31, 2021.

Transaction cost on loan availment pertaining to documentary stamp tax paid in 2021 amounted to P4.522 million, of which P1.002 million relates to initial drawdown in 2021 and recorded as deduction from loans payable, and the remaining balance of P3.520 million relates to final drawdown in January 2022 recorded as part of Prepaid taxes (Note 9).

Omnibus Agreement (Amended in 2010)

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

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

Furthermore, the Amended Agreement provides for certain affirmative and negative covenants subject for compliance by the Company and payment terms as discussed in Note 1. The dacion en pago was completed in 2023.

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 annually until 2019.

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

On December 29, 2020, the Parent Company issued 149,562,081 shares to Greenkraft and Roxburgh effecting the debt-to-equity conversion following the SEC approval of the Parent Company's increase in authorized capital stock on the same day (Note 16).

16. Equity

Capital Stock

Capital stock as at March 31, 2024, and December 31, 2023 consists of:

	No. of Common Shares	Par Value Per Share	Amounts in Thousand
Authorized	**2,000,000,000**	**1**	**P2,000,000**
Issued and Outstanding	**1,418,812,081**	**1**	**P1,418,812**

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for shares of the Parent Company. On the same date, the BOD and Stockholders also approved the conversion of loans from Greenkraft and Roxburgh into common shares in STN (Notes 1 and 15). The said approvals were reconfirmed on November 19, 2020.

To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the AOI to increase the authorized capital stock from 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 Parent Company issued 269.250,000 shares to the shareholders of SMPC in exchange for all of their shareholdings to the latter. The Parent Company also issued 149,562,081 shares to its lenders effecting the debt-to-equity conversion.

Expenses incurred that are directly attributable to the issuance of shares. net of related tax benefit, amounted to 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 123,817,953 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

Basic earnings per common share in centavos for the 3 months ended March 31, 2024, and year ended December 31, 2023 is calculated as follows:

	31-Mar-2024	31-Dec-2023
Net income(loss)	**P56,148**	P117,782
Divided by weighted average number of common shares, in thousands	**1,418,812**	1,418,812
Basic and diluted earnings(loss) per share	**P0.0396**	P0.0830

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.

17. Cost of Sales and Services

This account consists of:

	31-Mar-2024	31-Dec-2023	31-Dec-2022
Cost of sales	**P655,547**	P2,862,344	P1,653,233
Cost of services	**5,597**	121,636	170,401
	P661,144	P2,983,980	P1,823,634

Cost of Sales

Details of the account as follows:

	31-Mar-2024	31-Dec-2023	31-Dec-2022
Cost of sales			
Raw materials, beg	**P1,495,351**	1,729,512	549,309
Add: Purchases	**503,123**	2,550,446	2,630,557
Total raw materials	**1,998,474**	4,279,958	3,179,866
Less: Raw materials, end	**(1,458,178)**	(1,768,884)	(1,729,512)
Raw materials used	**540,296**	2,511,074	1,450,354
Direct labor	**9,307**	41,968	15,528

Factory overhead	**104,038**	345,563	221,704
Total manufacturing cost	**653,641**	2,898,605	1,687,586
Add: Work-in-process, beg	**35,623**	24,573	13,427
Total goods available for manufacturing	**689,264**	2,923,178	1,701,012
Less: Work-in-process, end	**(33,664)**	(33,916)	24,574
otal goods manufactured	**655,600**	2,889,262	1,676,438
Add: Finished goods, beg	**74,956**	44,419	21,214
Total goods available for sale	**730,556**	2,933,681	1,697,652
Less: Finished goods, end	**(75,009)**	(71,338)	(44,419)
	P655,547	2,862,344	1,653,233

Cost of Services

Details of the account as follows:

	31-Mar-2024	31-Dec-2023	31-Dec-2022
Cost of services:			
Materials used	**P1,649**	31,732	39,819
Rent	**1,098**	-	-
Indirect labor	**840**	18,159	30,231
Depreciation and amortization	**584**	23,142	62,123
Supplies	**460**	3,531	2,443
Utilities	**374**	32,203	5,948
Salaries, wages and benefits	**328**	7,978	16,822
Outside services	**64**	1,255	4,919
Warehousing cost	**41**	695	1,861
Insurance	**22**	2,490	5,204
Fuel and oil	**5**	111	477
Taxes and licenses	**1**	40	113
Others	**131**	300	441
	P5,597	P121,636	170,401

Details of factory overhead for the years ended

	31-Mar-2024	31-Dec-2023	31-Dec-2022
Indirect materials used	**P31,342**	P70,980	P36,756
Indirect labor	**23,829**	79,691	40,614
Depreciation and amortization	**16,561**	141,717	85,954
Supplies	**13,056**	2,737	14,964
Utilities	**10,605**	8,461	18,197
Repairs and maintenance	**3,423**	19,003	11,766
Outside services	**1,809**	6,600	4,540
Warehousing cost	**1,157**	2,480	3,155
Insurance	**616**	13,097	4,804
Fuel and oil	**153**	585	441
Taxes and licenses	**20**	212	105
Others	**1,467**	-	408
	P104,038	P345,563	P221,704

18. Operating Expenses

This account consists of:

	31-Mar-2024	31-Dec-2023	31-Dec-2022
Depreciation	**P20,828**	P84,517	P84,121
Salaries, wages and employee benefits	**19,462**	71,581	56,328
Delivery expense	**15,365**	58,330	43,017
Professional fees, outside services and legal fees	**13,405**	21,755	15,087
Insurance, taxes and licenses	**10,177**	46,477	18,041
Utilities	**7,656**	24,379	16,043
Representation and entertainment	**1,670**	16,806	3,717
Office and Computer supplies	**997**	4,206	2,819
Transportation and travel	**918**	4,706	6,504
Repairs and maintenance	**811**	2,112	1,687
Listing Fees	**250**	261	250
Provision for impairment	**-**	-	12,582
Reversal of previously recognized inventory write-down	**(15,409)**	-	(3,960)
Reversal of impairment losses of receivables	**(19,407)**	-	-
Miscellaneous	**1,725**	6,716	3,977
	P58,448	P341,846	P268,133

19. Other Income (Charges)

This account consists of:

	31-Mar-2024	31-Dec-2023	31-Dec-2022
Dividend Income	**P340**	P5,550	P4,759
Interest Income	**11**	51	38
Realized gain/loss on change in foreign exchange rate	**(936)**	5,624	(51,432)
Gain on disposal of investment	**-**	117,295	-
Gain on sale of property and equipment	**-**	-	4,000
Others	**9,226**	46,223	5,913
Total	**P8,641**	P174,743	P(36,722)

20. Significant Agreements

<u>Tolling Agreements</u>

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

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. Following the acquisition of SMPC in 2020, intercompany rent has been eliminated upon consolidation.

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.

Asset Sale Agreement

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

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

Long-term Supply Agreement

In January 2022, in relation to the Asset Sale Agreement, SMPC entered into a long-term supply agreement with DPI to supply boxes, packaging materials, including parts thereof such as cartons, dividers, pods, lids, joints, walls, slots, panels, labels and other printed materials, made of paper, kraft, corrugated boxes and other paper related products. The long-term supply agreement has a term of nine years and six months beginning from August 24, 2022 until February 23, 2032. The agreement can be renewed subject to discussion of the parties.

The transition initiated on February 24, 2022, taking over operations under a tolling arrangement for six months. This period was extended to aid DPI in depleting its substantial inventory of paper rolls. Despite the extension, DPI continued to hold a considerable inventory, leading to an agreement with the Group to further extend the tolling arrangement until depletion or reaching an acceptable inventory level, albeit with liquidation fees considerations.

21. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

Liquidity Risk

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

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

In December 2020, significant amount of the Group's borrowings 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.

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.

	31-Mar-2024	31-Dec-2023
Cash in banks	**P80,925**	P112,951
Receivables	**931,842**	852,708
Refundable security deposits	**14,892**	13,099
Total	**P1,027,659**	P978,758

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

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

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

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

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

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

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

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

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

March 31, 2024	**High Grade**	**Medium Grade**	**Low Grade**	**Total**
Cash in banks	**P80,925**	**P-**	**P-**	**P80,925**
Receivables	**-**	**873,726**	**58,116**	**931,842**
Refundable deposits	**-**	**14,892**	**-**	**14,892**
	P80,925	**P888,618**	**P58,116**	**P1,027,659**

December 31, 2023	High Grade	Medium Grade	Low Grade	Total
Cash in banks	P112,951	P-	P-	P112,951
Receivables	-	775,185	77,523	852,708
Refundable deposits	-	13,099	-	13,099
	P112,951	P788,284	P77,523	P978,758

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 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.

<u>Market Risk</u>

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 and loans payable that are denominated in US Dollars. The Group regularly monitors the outstanding balance of its cash in banks and loans payable that are 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.

Interest Rate Risk

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

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

<u>Fair Value Estimation of Financial Assets and Liabilities</u>

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

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

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

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

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

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

<u>Capital Management</u>

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.

Exhibit 3

Part 1: PERFORMANCE INDICATORS

The following key performance indicators have been identified in measuring the performance of the Company: a) sales revenues, b) operating expenses, c) income from operations, and d) financial ratios. Key performance indicators are expressed in absolute peso amounts. These indicators are monitored on a periodic basis and are compared against targets set at the beginning of each year.

Revenues Consolidated revenue for the 1st quarter of 2024 was recorded at Peso 798.954 million consisting of Peso 770.488 million products sales and service income of Peso 28.466 million.

Operating expenses Operating cost expenses on a consolidated basis was kept sustainably controlled at its minimum.

Financial ratios Consolidated total assets as at March 31, 2024 amounted to Peso 4,095 million while current assets as at the same reporting date totaled Peso 3,174 million. Consequently, consolidated total liabilities as at March 31, 2024 amounted to Peso 3,195 million while current liabilities as at the same reporting date last year totaled Peso 2,700 million. Principal obligations are being settled as they fall due in accordance with the amortization schedule. Working capital ratio for the current quarter is 1.18. Working capital ratio is computed as the ratio of current assets over current liabilities. Debt-to-equity ratio is at 3.55. Below are the Financial Highlights and Key Performance Indicators of the Group.

Financial Highlights and Key Performance Indicators

Consolidated Balance Sheet (amounts in thousands)

		As at March 31		As at December 31		Increase (Decrease)	
		2024		2023		Amount	%
Total Assets	₱	4,094,593	₱	4,258,407	₱	(163,814)	-3.85%
Current Assets		3,174,424		3,322,168		(147,744)	-4.45%
Total Liabilities		3,195,358		3,367,424		(172,066)	-5.11%
Current Liabilities		2,699,752		2,872,441		(172,689)	-6.01%
Interest-bearing Loans		1,000,115		1,410,365		(410,250)	-29.09%
Equity		899,235		890,983		8,252	0.93%

Consolidated Statements of Comprehensive Income

		For the 3 months ended March 31				Increase (Decrease)	
		2024		2023		Amount	%
Revenues (gross)	₱	798,954	₱	738,677	₱	60,277	8.16%
Gross Profit		137,810		104,919		32,891	31.35%
General & administrative expenses		58,448		74,712		(16,264)	-21.77%
Earnings Before Interest, Taxes, Dep'n. & Amort.		125,973		61,915		64,058	103.46%
Profit / (Loss) before tax		67,278		8,522		58,756	689.46%
Profit / (Loss) after tax		56,148		8,522		47,626	558.86%
Total Comprehensive Income (loss)		56,148		8,522		47,626	558.86%

Consolidated Cash Flows

		For the 3 months ended March 31				Increase (Decrease)	
		2024		2023		Amount	%
Net Cash from Operating Activities	₱	400,124	₱	(14,864)	₱	414,988	-2792%
Net Cash from Investing Activities		(21,900)		(54,168)		32,268	-60%
Net Cash from Financing Activities		(410,250)		(8,664)		(401,586)	4635%

Key Performance Indicators	For the 3 months ended March 31, 2024	As at Dec. 31, 2023
Current Ratio	1.18	1.17
Quick Ratio	0.38	0.31
Solvency Ratio	1.28	1.27
Debt Ratio	0.78	0.78
Debt-to-Equity Ratio	3.55	3.64
Interest coverage ratio	5.77	1.48
Asset to Equity Ratio	4.55	4.64
Gross Profit Margin	0.17	0.12
Net Profit Margin	0.07	0.04
Return on Assets	0.014	0.01
Return on Equity	0.06	0.03
Book value per share	0.6338	0.6280

Part 2: MANAGEMENT DISCUSSION AND ANALYSIS

General Information and Group Structure

The Company has operating subsidiaries nationwide that produce their own corrugated boards for conversion to finished boxes. These facilities are located in Cavite and Davao and each is fully equipped with corrugators and converting machines. The finished products are mainly used for packaging consumer goods, fresh fruits, canned sardines, furniture and electronic goods. Marketing activities are coordinated centrally for most of the Company's high-volume customers. However, each of the operating subsidiaries is individually responsible for sales and marketing activities directed at their regional customers.

The business operations of Steniel Cavite Packaging Corporation (SCPC) gradually slowed down in 2006. The Board of Directors of SCPC approved the temporary cessation of plant operation on March 27, 2007 in view of the continued business losses incurred since its incorporation, in addition to difficult economic and business conditions. The machines and equipment of SCPC were disposed via dacion en pago during 2010 to reduce long-term borrowing as part of the loan restructuring agreement. The dacion en pago of its buildings was completed during the 1st semester of 2014. The salient points of the loan restructuring agreement are discussed in the succeeding portion of this report.

On August 20, 2008, Treasure Island Industrial Corporation (TIIC), owner of office space and warehouses, which Treasure Packaging Corporation (TPC) leases in Cebu, filed a case for ejectment, mandatory injunction and damages against TPC in the Municipal Trial Court Branch 2 (the "Court) in Mandaue City due to unpaid rental. On December 3, 2008, a decision was rendered by the Court finding that TIIC's complaint is meritorious and ordered TPC to vacate the subject premises and improvements and restore TIIC's possession thereof. Consequently, starting September 2008, TPC temporarily ceased its operations and separated all its employees. The Board formally approved the cessation of TPC's operation on March 10, 2009. Following its closure, the property and equipment of TPC were disposed of to partially settle its trade and other liabilities.

Effective year-end 2008, only the manufacturing facility in Davao under SMPC remains operational.

On January 18, 2012, the major and minority 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 this sale of shares by SNHBV, Right Total became the owner of the 72.0849% shares of SNHBV consequently making Right Total as the ultimate parent company.

On January 25, 2012, the Parent Company received a tender offer report from SNHBV offering to purchase the 279,151,088 shares of minority investing public or 27.92% of the total issued shares at a price of 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 June 26, 2019, the Company approved the reacquisition of Steniel Mindanao Packaging Corporation (“SMPC”), as described below, through a share swap transaction involving the transfer of 100% of the outstanding capital stock of SMPC in favor of the Company in exchange for STN shares. The Company also approved the conversion of the loans extended by Greenkraft Corporation (“Greenkraft”) and Roxburgh into equity. These approvals were made in view of the need to address the negative capital of the Company.

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

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

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

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

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

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

Structure

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

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

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

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.

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.

Status of Operations

The Group has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P934 million and P942 million, as at March 31, 2024 and December 31, 2023, respectively.

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

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction and the conversion of loans from Greenkraft Corporation and Roxburgh Investments Limited into common shares in the Parent Company. To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the Articles of Incorporation to increase the authorized capital stock from 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, upon the SEC's approval of the Company's application for 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 resulting to a provisional gain of P158.27 million from the acquisition of a subsidiary. The realization of these transactions resolved the capital deficiency position of the Group in 2021 and 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.

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.

Results of Operations

Consolidated revenue for the 1st quarter of 2024 was recorded at Peso 798.954 million consisting of Peso 770.488 million products sales and service income of Peso 28.466 million.

Cost of sales on product sales and services recorded amounting to Peso 661.144 million.

Operating Plans

The Company's key strategies are focused on maximizing production to increase market share while maintaining profitability and continuously make use of available financial assets to augment revenues including the leasing activities.

Financial Conditions

Consolidated total assets as at March 31, 2024 amounted to Peso 4,095 million while current assets as at the same reporting date totaled Peso 3,174 million. The increase was mainly due to the business combination brought by SMPC, the manufacturing company in Davao. Consequently, consolidated total liabilities as at March 31, 2024 amounted to Pesos 3,195 million while current liabilities as at the same reporting date totaled Peso 2,700 million. Principal obligations are being settled as they fall due. In accordance with the amortization schedule. Working capital ratio for the current quarter is 1.18.

Future expansion are considered, contemplating on business related to the company's core activities within the year. Significant capital spending is anticipated to support the project.

Financial Risk Management

The Company's financial assets and liabilities, comprising mainly of cash in banks, receivables, other non-current receivables, trade payables and borrowings and amounts due from/to related parties are exposed to a variety of financial risks, which include currency risk, credit risk, liquidity/funding risk and cash flow interest rate risk. The Company's management ensures that it has sound policies and strategies made to minimize potential adverse effects of those risks on its financial performance. Risk management is carried out through the policies approved by Board of Directors of the Company.

The foreign exchange risk of the Company arising from cash, trade receivables and payables is not significant. The net exposure is kept to an acceptable level by buying foreign currencies at spot rates when necessary to address short-term needs.

The Company is not significantly exposed to price risk on equity securities and proprietary club shares classified in the consolidated balance sheet as other assets. Furthermore, there are no foreign securities owned and held by the Company.

The fluctuation of future cash flows risk relates to the fluctuations of a financial instrument as a result of changes in the market interest rates with possible additional penalty charges. Since the declaration of default by the Company's lending banks in 2005, the interest rates applied are fixed.

As the borrowings are carried at amortized cost with fixed interest rate, the Company is not exposed to either cash flow or fair value interest rate risk. The Company has no significant interest-bearing assets, which are dependent on market interest rate that would affect the Group's income and operating cash flows.

Credit risk is managed on a Group basis. Credit risk arises from deposits with banks, receivables and deposits with third parties. Cash transactions are limited to high-credit-quality financial institutions and are maintained with universal and commercial banks.

Liquidity risk relate to the failure of the Company or another party to discharge its obligations/commitments arising from receivables, payables and borrowings. Cash balances are considered low. The tight cash position limits its obligation to take advantage of increasing demands.

Establishing new sources of trade credit and working capital facility will change this problem. The Company's financial liabilities, which include borrowings, trade payables and other current liabilities are due within 12 months.

The Company's objectives when managing capital are to safeguard the 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.

Steniel Manufacturing Corporation and Subsidiaries
Trade Receivables and Prepaid Expenses
As at March 31, 2024
In Thousands

Receivables	
Trade Receivables	
1 to 60 days	P607,478
61 to 120 days	86,284
Over 120 days	267,096
	960,858
Allowance for impairment losses	(58,116)
Net	902,742
Other receivables	29,100
Total	**931,842**
Prepaid expenses and other current assets	
Creditable withholding taxes	73,093
Input VAT	91,700
Other Prepayments	243,350
	408,143
Allowance for impairment losses	(1,843)
Net	**406,300**
Total Net	**P1,338,142**

SEC Form 17-A for the Period Ended December 31, 2023

COVER SHEET

2 3 7 3 6

S.E.C. Registration Number

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

(Company's Full Name)

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

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

C A V I T E

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

Janice L. Co

Contact Person

+632361-9061

Company Telephone Number

1 2 | 3 1

Month Day

Fiscal Year

1 7 - A

FORM TYPE

Last Tuesday of April

Month Day

Annual Meeting

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

3 6 2 6

Total No. of Stockholders

Domestic	Foreign
-	–

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

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 2023

2. SEC Identification Number : 23736

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

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

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

6. (SEC Use Only)
Industry Classification Code:

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

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

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

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

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

Yes [✓] No [ ]

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

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [✓] No [ ]

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

Yes [ ] No [✓]

13. The aggregate market value of voting stocks held by non-affiliates is Php48,344,686 computed on the basis of the closing share price on July 5, 2006[1] of Php0.26 per common share.

[1] There were no transactions since July 6, 2006, the date when the Philippine Stock Exchange implemented a temporary trading suspension on the Company's shares.

TABLE OF CONTENTS

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Background

Steniel Manufacturing Corporation ("STN" or the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 13, 1963. The 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 Company is listed in the Philippine Stock Exchange Inc. (PSE).

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

Following a decision made by the Company's Board of Directors (BOD) in 1996 to reorganize the Group, the 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 Company's principal activity now limited to holding of investments.

Shareholdings

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

Consequent to the restructuring of the loan in 2010 as will be discussed in Item 1 (H) below, the Company issued a total of 123,817,953 shares to Roxburgh Investment Limited (Roxburgh) through the conversion of debt to equity. The conversion resulted to the reduction of the Company's outstanding debt and recognition of additional paid in capital. As a result, Roxburgh became the owner of 12.3818% of the Company, while the ownership of SNHBV and the public was reduced to 72.0849% and 15.5333%, respectively.

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

On January 25, 2012, the Company received a tender offer report from SNHBV offering to purchase the 279,151,088 shares of minority investing public or 27.92% of the total issued shares at a price of P0.0012 per share or an aggregate price of P334.9 million. On February 25, 2012, 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 June 26, 2019, the Company approved the reacquisition of Steniel Mindanao Packaging Corporation ("SMPC"), as described below, through a share swap transaction involving the transfer of 100% of the outstanding capital stock of SMPC in favor of the Company in exchange for STN shares. The Company also approved the conversion of the loans extended by Greenkraft Corporation (“Greenkraft”) and Roxburgh into equity. These approvals were made in view of the need to address the negative equity of the Company.

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

On October 7, 2020, Greenkraft Corporation (Greenkraft), Golden Bales Corporation (Goldenbales), Corbox Corporation (Corbox), Rex Chua and Clement Chua, as purchasers (collectively, the Buyer Group) 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%

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

Following the completion of the tender offer, SNHBV and the Buyer Group executed the deed of sale on November 23, 2020 involving the 649,908,308 shares of the Company. The relevant taxes were paid and the corresponding CAR was secured. The transfer reduced the shareholding of SNHBV to 5% of the Company’s outstanding capital stock.

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

On October 6, 2023, SNHBV and Greenkraft sold a total of 130,940,604 shares in compliance with the backdoor listing rule which required the Company to comply with the minimum public ownership requirement of at least 20% of the outstanding capital stock. With the aforesaid sale, SNHBV ceased to be a shareholder of the Company.

The relevant taxes were paid and the corresponding CARs were secured. The Company’s public float increased from 13.09% to 22.27%.

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

B. Subsidiaries

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

	Percent of Ownership	
	2023	2022
Steniel Cavite Packaging Corporation (SCPC)*	**100**	100
Steniel Mindanao Packaging Corporation (SMPC)**	**100**	100

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

*** SMPC was reacquired on December 29, 2020.*

1. *Steniel Cavite Packaging Corporation (SCPC)*

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

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

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

On June 15, 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 filed with the SEC on April 10, 2017 and was approved on May 30, 2018.

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

2. *Steniel Mindanao Packaging Corporation (SMPC)*

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

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

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

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

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

As at December 31, 2023, the operating subsidiaries of the Company are SCPC and SMPC.

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 Company has a total of three (3) employees as at December 31, 2023.

E. Patents, Trademarks Copyrights and Licenses

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

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

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

Not applicable.

G. Cost and Compliance with Environmental laws

The 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

In 2000, the Company entered into a loan agreement with a group of banks and financial institutions pursuant to which the Company was granted a P636 Million term loan. The loan was secured by real and chattel mortgages. 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 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. Subsequent to declaring the Company in default, the lending banks assigned and sold the loan balances to third parties. On October 14, 2010, one of the new lenders, 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. On October 15, 2010, the Company and the creditors/lenders signed the Amended and Restated Omnibus Agreement (the “Amended Agreement”), which finally resolved the default situation. The essential elements of the Amended Agreement are summarized below:

- The outstanding principal and accrued interest expense as at September 30, 2010 was restructured for 25years.

- 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 Steniel Land Corporation (SLC); (b) identified idle assets of the Company and its subsidiaries; and (c) by way of conversion into equity though 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 of restructuring.

- The restructured accrued interest expense prior to loan restructuring will be subject to interest of 8% per annum.

- Restructured outstanding principal will be subject to interest of 6% per annum for 15 years and 8% per annum and the sixteenth (16^{th}) year and onwards.

- 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 Company, and

- Other conditions include:

    a. Lenders’ representative to be elected as director in the Company 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.

Dacion en pago and Equity Conversion

The dacion en pago of the Group's idle machineries, spare parts and the equity conversion through the issuance of the 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 improvements has a total value of P290.0 million. In 2012, certain certificates authorizing registration were issued and reduced the total value from P290.0 million to P289.88 million. The assignment of shares was completed in 2023 after the issuance of the CAR. The change in ownership and management in early 2012 and the issuance of CAR generally caused the delay in the implementation of dacion en pago.

Pursuant to the Amended Agreement, the Company's outstanding principal and accrued interest was reduced through the conversion of a portion of the debt due to Roxburgh into common shares of the Company. The Company issued a total of 123,817,953 shares to Roxburgh which resulted to the conversion resulted to the reduction of the Company's outstanding debt and recognition of additional paid in capital.

Restructuring of Subsidiaries

In 2011, following the provisions in the Amended Agreement, the Company filed a merger application with the SEC to absorb TPC. On August 12, 2013, following management's assessment, the Board of the Company and TPC approved the withdrawal of the merger application filed with the 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 has occurred at the beginning of 2010.

The Company had 39.71% direct and indirect (through SCPC & TPC) interest in SLC. In 2010, all of the ownership interest of TPC and STN was assigned to Greenkraft, and the remaining interest of SCPC in SLC was 29.21%.

In September 2023, the dacion en pago was completed relating to the Group's shares in SLC. The Group assigned its 727,050 preferred shares in SLC to Greenkraft to fully settle its remaining balance of borrowings to Greenkraft amounting to P190 million. As at December 31, 2023, Greenkraft holds 100% interest in SLC.

Interest Payments

On December 2, 2011, the current creditors/lenders agreed to waive the payment of interest for the first 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 27^{th} 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 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 2 years extension of principal repayment, reduction of interest rate from 6% to 2% for the first 5 years and further waive interest charges annually until 2019. Consequent to the BOD approval of the conversion of debt to common shares of the Company in 2019, principal and interest payments on long-term debt was suspended beginning July 2019.

Status of Operations

The Group has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P942 million and P1,070 million, as at December 31, 2023 and 2022, respectively.

To improve this condition, 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 and Roxburgh 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.

On December 29, 2020, upon the SEC's approval of the Company's application for 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 resulting to a provisional gain of P158.27 million from the acquisition of a subsidiary. The realization of these transactions resolved the capital deficiency position of the Group in 2021 and 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 10 in the Notes to the Consolidated Financial Statements, the Company reclassified certain remaining assets and shares of stocks in an associate from investment to assets held-for-sale which was subject to *dacion en pago* under the provisions of the Amended Agreement. The assets and shares are measured at lower of the carrying amount and fair value less cost to sell. The *dacion en pago* was completed in 2023.

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 in the Notes to Consolidated Financial Statements.

Please also refer to Note 24 - Financial Risk and Capital Management Objectives and Policies of the Notes to Consolidated Financial Statements for additional discussions.

Item 2. Properties

Please refer to Note 10 – Asset-Held-for-Sale and Note 11 – Property and Equipment, of the Notes to Consolidated Financial Statements for the table of properties.

The Group’s building and building improvements, leasehold improvements and machinery and equipment were 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 section), the dacion en pago of the Group’s idle machines and building had been partially completed as at December 31, 2010 and September 30, 2014 respectively, thereby reducing outstanding principal amount by Php222 million.

With regard to the *dacion* of the shares in SLC, the CARs for the transfer of shares to Greenkraft were issued in 2012. The CARs covering the transfer of shares held by SCPC is currently being processed. Certificate Authorizing Registration of SCPC for the assignment of the preferred shares in SLC to Greenkraft has already been completed on June 5, 2023 after resubmission of all pertinent documents related to the deed of assignment. The transfer and issuance of new stock certificate to Greenkraft was fully consummated on September 29, 2023. Consequently, the remaining dacion en pago was implemented relating to the Group’s shares in SLC. The Group assigned its shares in SLC with a cost of ₱72.705 million to Greenkraft as payment to its remaining balance of borrowings to Greenkraft amounting to ₱190 million. As of December 31, 2023, the Group has fully-settled its borrowings to Greenkraft.

Recent Acquisitions

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

The box plant assets, all located in Davao Del Norte, consist of the buildings, other land improvements, machines, motor vehicles as well as the land where the box plant is located. SCPC acquired the land from Diamond Farms, Inc. on December 1, 2021 for USD2.3 Million and the rest of the box plant assets from Dole on January 24, 2022 for USD8 Million.

Steniel (STN) assumed control of plant operations on February 24, 2022, as part of a tolling arrangement initially scheduled for six months. Following the initial six-month period, the Project Management Office members from both companies mutually decided to extend the tolling arrangement until May 2023. In November 2022, while the tolling arrangement was still active, STN gradually commenced box manufacturing under a long-term supply agreement (LTSA), utilizing the company's own inventory. By June 2023, STN had successfully transitioned fully to the LTSA. With a minimum purchase commitment from Dole, the supply agreement shall be effective from August 24, 2022 to February 23, 2032, and later extended to February 23, 2033.

With the foregoing acquisitions and contractual arrangements with Dole, the Company, through SCPC and SMPC, expects to increase the Group’s production capacity from 60,000 MT to 120,000 MT and double the sales revenue.

Item 3. Legal Proceedings

As of December 31, 2023, neither the Company nor any of its subsidiaries are involved in, or the subject of, any legal proceedings which, if determined adversely to the Company or the relevant subsidiary’s interests, would have a material adverse effect on the business or financial position of Company or any of its subsidiaries.

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

A. Market Price

The Company's common shares are listed on The Philippine Stock Exchange, 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.

B. Holders

As of December 31, 2023, the top twenty (20) stockholders of the Company are the following:

	Name	Citizenship	No. of shares	%
1	Corbox Corporation	Filipino	276,026,311	19.45%
2	Golden Bales Corporation	Filipino	276,026,311	19.45%
3	Roxburgh Investments Limited	BVI	261,910,502	18.46%
4	Greenkraft Corporation	Filipino	258,226,773	18.20%
5	PCD Nominee Corporation	Filipino	71,555,009	5.04%
6	Monceau Philippine Holdings, Inc.	Filipino	70,000,000	4.93%
7	Ismael T. Cuan	Filipino	60,000,000	4.23%
8	Clement Chua	Filipino	30,607,972	2.16%
9	Rex Chua	Filipino	30,607,972	2.16%
10	Valmora Investment & Management Corporation	Filipino	10,443,860	0.74%
11	Rustico and/or Lolita Garingan	Filipino	2,097,276	0.15%
12	Delfin R. Maceda	Filipino	1,980,000	0.14%
13	PCD Nominee Corporation	Non-Filipino	1,954,703	0.14%
14	Calvin C. Chua	Filipino	1,828,500	0.13%
15	Tower Securities Inc.	Filipino	1,685,333	0.12%
16	AB Capital Securities Inc.	Filipino	1,490,886	0.11%
17	Sally C. Ong Pac	Filipino	1,450,000	0.10%
18	Leonardo T. Siguion-Reyna	Filipino	1,151,839	0.08%
19	Ella C. Santiago and/or Manuel A. Santiago	Filipino	1,100,000	0.08%
20	Christopher Chua	Filipino	1,000,000	0.07%

The Company's securities consist of outstanding common shares.

As of December 31, 2023, the Company has a public float level of 22.27%.

C. Dividends

The Company did not declare any dividends for the years ended December 31, 2021, 2022 and 2023. Based on its By-Laws, dividends may be declared from the surplus profit at such time or times and in such percentage as the Company's Board may deem proper. No dividend shall be declared that will impair the capital of the Company. Stock dividend shall be declared in accordance with the law.

D. 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 418,812,081 common shares to the following entities, natural and juridical, as a result of the share swap transaction and debt-to-equity conversion:

1. 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

2. 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 Php 3,407 million while revenue recorded last year amounting to Php 2,205 million. Revenues on both years mainly consist of the manufacturing and selling of cartons and packaging materials to domestic and international markets.

Cost of sales and expenses applicable to the manufacturing business totaled Php 2,956 million for the current year and Php 1,824 million for the previous year. Gross profit margin for the current period posted at 13.22%, compared to last year's margin of 17.31%. The sharp decrease for the current year was due to the consolidation of the manufacturing business.

Operating expenses during the current year posted Php 369.430 million compared to last year of Php 268.133 million. The increase of Php 101.297 million consist of costs incurred to support the manufacturing activities.

Financing charges recognized during the current year is mainly related to long term bank borrowings to support the plant's operation amounted to Php 77.970 million.

Other income, net for the period ending 2023 amounted to Php 174.743 million compared to last year other income Php 36.722 million. The significant decrease is attributable to gain on disposal of investments related to the completion of dacion en pago recognized during the year amounting to Php 117.295 million.

Income tax expense applicable for the current year amounted to Php 56.424 million compared to Php 2.635 million in 2022.

Overall, the Group realized a consolidated net income of Php 117.782 million for the year ended December 31, 2023 compared to Php 28.355 million last year. The significant increase was mainly attributed to the increase in the gross profit resulting from operations this year and the dacion en pago transaction during the year.

Financial Position

Total current assets as at December 31, 2023, totaled Php 3,322.168 million as compared to Php 3,117.334 million in 2022. The increase was mainly due to the increase in inventories to supply increasing sales of the Group. Non-current assets decreased to Php 936.239 million as at current year-end against last year's Php 1,001.895 million.

The Group's consolidated current liabilities as at current year-end totaled Php 2,872.441 million as compared in 2022 of Php 2,826.918 million. The significant increase was mainly attributed to the increase in purchases. SMPC, the operating subsidiary's working capital was secured from bank loans to sustain its operation and commitments to clients.

Total assets as at year-end 2023 totaled Php 4,258.407 million compared to Php 4,118.229 million in 2022. In view of the foregoing discussions, the Steniel Group's current ratio during the year recorded at 1.16 and last year at 1.10. Debt-to-equity ratio in 2023 is 3.78 compared last year at 4.46.

Plans and Strategies

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

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

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

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

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

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

Item 7. Financial Statements

The Company's consolidated and separate audited financial statements for the period ended December 31, 2023 attached as Annexes "A" and "B".

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 Company

The term of office of directors of the Company is one (1) year. As of December 31, 2023, the directors and executive officers of the Company were:

Directors	Age	Position
Nixon Y. Lim	53	Chairman/President & CEO
Mark O. Vergara	58	Director
Eliza C. Macuray	65	Director and Treasurer
Esteban C. Ku	58	Director
Kenneth George D. Wood	65	Lead Independent Director
Adam Anthony S. Cabe III	48	Independent Director
Rhea M. Alarcon	53	Independent Director

A. Board of Directors

Nixon Y. Lim

Mr. Lim was elected to the Board of Directors on July 8, 2016 and currently serves as Chairman of the Board. Mr. Lim is the President of Green Siam Resources Corporation, Greenkraft Corporation, Golden Bales Corporation and Greenkraft Corporation. Mr. Lim has worked extensively in the packaging business, particularly in the field of sales, marketing, manufacturing and finance. Mr. Lim is also a director of Crown Equities, Inc., a publicly listed company. He holds a degree in BS Physics from the De La Salle University, Manila, having graduated in 1992.

Mark O. Vergara

Mr. Vergara was elected to the Board of Directors on October 14, 2011. He is a senior partner of the firm Martinez Vergara & Gonzalez Sociedad. He received his Juris Doctor degree from the Ateneo de Manila Law School in 1992, and his Bachelor of Science in Legal Management degree from the Ateneo de Manila University in 1988. He was admitted to the Philippine Bar in 1993. Mr. Vergara is currently a Director 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., CitifFinancial Holdings, Inc. and Green Siam Resources Corporation.

Eliza C. Macuray

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

Esteban C. Ku

Mr. Ku was elected to the Board of Directors on October 14, 2011. He holds a degree in Bachelor of Science, Major in Chemical Engineering from the University of San Carlos in Cebu City, where he graduated in 1988. From 1989 to 1992, he was a production supervisor for International Pharmaceutical, Inc. in Xiamen, China. He has since focused on the packaging business, having gained extensive experience in plant operations, sales and marketing and finance. Mr. Ku is currently the Managing Director of Corbox Corporation and Pakmaster Packaging Co.

Kenneth George D. Wood

Mr. Wood was elected to the Board of Directors on September 17, 2012. He 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 was elected to the Board of Directors on July 11, 2017. 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 was elected to the Board of Directors on July 31, 2018. She is a Partner at Design to Make a Difference, Inc. (Plus63 Design Co.) and a Managing Partner at Gem Sign Company. Ms. Alarcon was formerly a Partner and Managing Director of Ideals Creatives, Inc. from 2006 to 2011. She also acted as Deputy Executive Director of Children's Hour Philippines, Inc. from 2002 to 2007, and the Executive Director of Culinary Education Foundation from 2001 to 2002. Ms. Alarcon was Supervisor and Department Head – Community Relations and Internal Affairs at Globe Telecom, Inc. from 1995 to 2000. Ms. Alarcon received her Bachelor of Science, Major in Hotel and Restaurant Administration, from the University of the Philippines. She also completed units in Masters of Community Development program from the same university.

B. 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.

C. Family Relationships

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

D. Involvement in Legal Proceedings

The Company is not aware of any bankruptcy proceedings filed against any of its directors or executive officers, nor of any criminal conviction or final judgment barring or limiting any business involvement or any order or judgment subjecting said directors or executive officers, or a violation of a securities or commodities law or regulation filed against any of its directors or executive officers, during the past five (5) years ending December 31, 2023.

Item 10. Executive Compensation

A. Compensation Summary

For each of the years ended December 31, 2023, 2022 and 2021, the total salaries, allowances and bonuses paid to the most highly compensated executive officers are as follows:

SUMMARY ANNUAL COMPENSATION TABLE			
Name and Principal Position	**Period**	**Salary**	**Bonus**
Most highly compensated executive officers	2023	5,730,000.00	0
Nixon Lim	2022	2,949,000.00	0
Eliza Macuray	2021	2,831,037.00	0

No other directors and executive officers are receiving compensation.

B. Standard Arrangements

Other than payment of reasonable gross per diem for every meeting, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as director.

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

A. Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2023, the stockholders holding more than 5% of the Company's voting securities were:

Title of Class	**Name, address of record owner and relationship with issuer**	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**No. of Common Shares Held**	**Percent**
Common	Corbox Corporation Purok Gemelina, Tayud, Lilo-an, Cebu	Esteban C. Ku as Treasurer holds 33.33% of the record owner. Nixon Lim as President and Clement Chua are the ultimate beneficial owners of 33.33 % of the record owner	Filipino	276,026,311	19.45%
Common	Golden Bales Corporation Km. 14 After Panacan Substation, Panacan, Davao City, Davao del Sur	Nixon Lim as President, and Clement Chua as Corporate	Filipino	276,026,311	19.45%

		Secretary are the ultimate beneficial owners of 70% of the record owner			
Common	Roxburgh Investments Limited P.O. Box 957, Offshore Incorporations Center Road Town, Tortola, British Virgin Islands	Nixon Lim, Director	BVI	261,910,502	18.46%
Common	Greenkraft Corporation W. Ng Bldg., MacArthur Highway cor. Rovimar St., Brgy. Balibago, Angeles, Pampanga	Nixon Lim as President, and Clement Chua as Director are beneficial owners of 36% and 20%, respectively	Filipino	258,226,773	18.20%
Common	PCD Nominee Corporation 6th Flr. Makati Stock Exchange, 6767 Ayala Ave., Makati City	Various Participants of PCD	Filipino	71,555,009	5.04%

B. <u>Security Interest of Directors and Management</u>

As of December 31, 2023, the security interest of directors and management is as follows:

Directors

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage
Common	Nixon Y. Lim	1 (Direct) 457,550,615 (Indirect)	Filipino	32.25
Common	Mark O. Vergara	1 (Direct)	Filipino	nil
Common	Eliza C. Macuray	1 (Direct)	Filipino	nil
Common	Esteban C. Ku	1 (Direct) 91,906,639 (Indirect)	Filipino	6.48
Common	Kenneth George D. Wood	1 (Direct)	Filipino	nil
Common	Adam Anthony S. Cabe III	1 (Direct)	Filipino	nil
Common	Rhea M. Alarcon	1 (Direct)	Filipino	nil

Officers

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage
Common	Nixon Y. Lim	1 (Direct) 457,550,615 (Indirect)	Filipino	32.25
Common	Eliza C. Macuray	1 (Direct)	Filipino	nil
Common	Janice L. Co	0	Filipino	nil

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

C. Voting Trust Holders of 5% or More

There are no persons holding more than 5% of a class under a voting trust or nay similar agreements as of balance sheet date.

D. Change in Control

On October 7, 2020, Greenkraft Corporation (Greenkraft), Golden Bales Corporation (Goldenbales), Corbox Corporation (Corbox), Rex Chua and Clement Chua, as purchasers (collectively, the Buyer Group) entered into a Share Purchase Agreement with Steniel (Netherlands) Holdings B.V. ("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%

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

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

On December 29, 2020, the SEC approved STN's application for increase of authorized capital stock from Php1 Billion to Php2 Billion resulting to the issuance of 418,812,081 common shares in favor of the Buyer Group, Greenkraft and Roxburgh. The increase was (i) partly subscribed by the share swap transaction wherein STN reacquired SMPC in exchange for unissued shares of the STN; and (ii) partly subscribed through conversion of liability into equity.

On October 6, 2023, SNHBV and Greenkraft sold a total of 130,940,604 shares in compliance with the backdoor listing rule which required the Company to comply with the minimum public ownership requirement of at least 20% of the outstanding capital stock. With the aforesaid sale, SNHBV ceased to be a shareholder of the Company.

The relevant taxes were paid and the corresponding CARs were secured. The Company's public float increased from 13.09% to 22.27%.

As of December 31, 2023, the separate shareholdings of the Buyer Group are as follows:

Corbox Corporation	276,026,311	19.45%
Golden Bales Corporation	276,026,311	19.45%
Greenkraft Corporation	258,226,773	18.20%

Clement Chua	30,638,920	2.16%
Rex Chua	30,638,920	2.16%

Item 12. Certain Relationships and Related Transactions

Transactions with related parties in the day-to-day course of business include inter-company[2] sale and/or transfer of inventories and equipment. Related party transactions are always at arm's-length. Please refer also to Note 15 - 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 SEC. The Company constantly seeks to adhere to the principles of good corporate governance as embodied in the Manual. Internal systems are established to ensure feedback, control and accountability, that relates in particular to integrity of financial reporting and ensure compliance with applicable laws and regulations, thereby fostering Board and Management responsibility to the Company's stakeholders. 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	2023 Consolidated Audited Financial Statements of Steniel Manufacturing Corporation
B	2023 Separate Audited Financial Statements of Steniel Manufacturing Corporation
C	Sustainability Report

(b) Reports on SEC Form 17-C (Current Report) filed in 2023

Date	Description of Document
April 14, 2023	Postponement of the annual stockholders' meeting
May 10, 2023	Appointment of Deputy Chief Financial Officer
May 19, 2023	Filing of application for the listing of 542,630,036 common shares
October 9, 2023	Receipt of copies of Deeds of Absolute sale involving 130,940,604 shares of the Company
October 19, 2023	Authority to request for a certification from the Bureau of Internal Revenue in relation to the Company's filings of its annual reports with the BIR
November 7, 2023	Increase of public float to 17.32% in view of the submission of the tax clearance for the sale of 60,000,000 shares to the public
November 21, 2023	Increase of public float to 22.27% in view of the submission of the tax clearance for the sale of 70,940,604 shares to the public

[2] 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 APR 25 2024.

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

SUBSCRIBED AND SWORN to before me this APR 25 2024 at Pasig City, affiants exhibiting to me the following:

Name	Valid Identification
Nixon Y. Lim	Philippine Passport P7685766B valid until September 23, 2031
Eliza C. Macuray	Philippine Passport P5491063B valid until September 9, 2030

GENEVIEVE KRISTINE B. MAÑALAC
Appointment No. 47 (2023-2024)
Notary Public for Pasig City, Pateros and San Juan
Until December 31, 2024
Attorney's Roll No. 80720
33rd Floor, The Orient Square
F. Ortigas Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 1634506; 01.02.24; Pasig City
IBP OR No. 330350; 12.18.23; RSM
Admitted to the Bar in 2022

Doc. No. 170;
Page No. 35;
Book No. VI;
Series of 2024.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Annual Report is signed on behalf of Steniel Manufacturing Corporation by the undersigned, thereunto duly authorized, in Pasig City on APR 25 2024.

[redacted]

Janice L. Co
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 25 2024 at Pasig City, affiant exhibiting to me the following:

Name	Valid Identification
Janice L. Co	[redacted]

[redacted]

GENEVIEVE KRISTINE B. MAÑALAC
Appointment No. 45 (2023-2024)
Notary Public for Pasig City, Pateros and San Juan
Until December 31, 2024
Attorney's Roll No. 80720
33rd Floor, The Orient Square
F. Ortigas Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 1634506; 01.02.24; Pasig City
IBP OR No. 330350; 12.18.23; RSM
Admitted to the Bar in 2022

Doc. No. 131;
Page No. 36;
Book No. VI;
Series of 2024.

ANNEX A

2023 Consolidated Audited Financial Statements of Steniel Manufacturing Corporation

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	3	7	3	6

COMPANY NAME

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

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

GATEWAY BUSINESS PARK BRGY. JAVALERA, GENERAL TRIAS, CAVITE

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,624	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	0918-911-0919

CONTACT PERSON's ADDRESS

Gateway Business Park, Brgy. Javalera, General Trias, Cavite

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirthy (30) days from the occurance 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 delay inupdating the corporation's records with the Commisssion 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, Gen. Trias, Cavite

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES** (the **"Group"**) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2023 and 2022**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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 Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern basis of accounting unless management either intends to liquidate the Group or cease operations, or has no realistic alternative but to do so.

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

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

Valdes, Abad & Company, CPAs, and **R.G. Manabat & Co.,** independent auditors, appointed by the stockholders for the years ended December 31, 2023 and 2022, respectively, has examined the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

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

SUBSCRIBED AND SWORN to before me this APR 19 2024 at Pasig City, affiants exhibiting to me the following:

Name	Valid Identification
Nixon Y. Lim	Philippine Passport P7685766B valid until September 23, 2031
Eliza C. Macuray	Philippine Passport P5491063B valid until September 9, 2030

Doc. No. 144;
Page No. 30;
Book No. VI;
Series of 2024.

GENEVIEVE CRISTINE B. MAÑALAC
Appointment No. 45 (2023-2024)
Notary Public for Pasig City, Pateros and San Juan
Until December 31, 2024
Attorney's Roll No. 80720
33rd Floor, The Orient Square
F. Ortigas Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 1634508; 01.02.24; Pasig City
IBP OR No. 330350; 12.18.23; RSM
Admitted to the Bar in 2022

STATEMENT OF REPRESENTATION

TO THE SECURITIES AND EXCHANGE COMMISSION:

In connection with my examination of the separate financial statements of **STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES** which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the accounting profession and duly registered with the Board of Accountancy (BOA);
2. That said financial statements are presented in conformity with Philippine Financial Reporting Standards, in all cases where I shall express an unqualified opinion; except that in case of any departure from such principles, I shall indicate the nature of the departure, the effects thereof, and the reasons why compliance with the principles would result in a misleading statement, if such is a fact;
3. That I shall fully meet the requirements of independence as provided under the Code of Professional Ethics for CPAs;
4. That in the conduct of the audit, I shall comply with the Philippine Standards on Auditing promulgated by the Board of Accountancy; in case of any departure from such standards or any limitation in the scope of my examination, I shall indicate the nature of the departure and the extent of the limitation, the reasons therefore and the effects thereof on the expression of my opinion or which may necessitate the negation of the expression of an opinion;
5. That I shall comply with the applicable rules and regulations of the Securities and Exchange Commission in the preparation and submission of financial statements; and
6. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under the Code of Professional Ethics for CPAs.

As a CPA engaged in public practice, I make these representations in my individual capacity and as a partner in the accounting firm of **VALDES ABAD & COMPANY, CPAs.**

VALDES ABAD & COMPANY, CPAs
BOA/PRC Reg. No. 0314
Issued on July 29, 2021, Valid until July 14, 2024
SEC Accreditation No. 0314 - SEC, Group A
Valid for 2022 – 2026 audit periods
BIR Accreditation No. 08-002126-000-2024
Issued on April 5, 2024, Valid until April 4, 2027

For the firm:

ALFONSO L. CAY-AN
Partner
CPA Registration No. 99805, Valid until December 14, 2026
TIN No. 213-410-741-000
PTR No. 10081734, Issued Date: January 8, 2024, Makati City
BOA/PRC Reg. No. 0314
Issued on July 29, 2021, Valid until July 14, 2024
SEC Accreditation No. 99805 - SEC, Group A
Valid for 2022 – 2026 audit periods
BIR Accreditation No. 08-002126-005-2024
Issued on April 5, 2024, Valid until April 4, 2027

Makati City, Philippines
April 19, 2024

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

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

Branches:
Cebu and Davao

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

gmni
member
an association of legally independent accounting firms
partnering for success

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

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

We have examined the consolidated financial statements of **STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES** for the year ended December 31, 2023, on which we have rendered the attached report dated April 19, 2024.

In compliance with Revised SRC Rule 68, we are stating that the Group has three thousand five hundred seventy-three (3,573) stockholders owning one hundred (100) or more shares each as of December 31, 2023.

VALDES ABAD & COMPANY, CPAs
BOA/PRC Reg. No. 0314
Issued on July 29, 2021, Valid until July 14, 2024
SEC Accreditation No. 0314 - SEC, Group A
Valid for 2022 – 2026 audit periods
BIR Accreditation No. 08-002126-000-2024
Issued on April 5, 2024, Valid until April 4, 2027

For the firm:

ALFONSO L. CAY-AN
Partner
CPA Registration No. 99805, Valid until December 14, 2026
TIN No. 213-410-741-000
PTR No. 10081734, Issued Date: January 8, 2024, Makati City
BOA/PRC Reg. No. 0314
Issued on July 29, 2021, Valid until July 14, 2024
SEC Accreditation No. 99805 - SEC, Group A
Valid for 2022 – 2026 audit periods
BIR Accreditation No. 08-002126-005-2024
Issued on April 5, 2024, Valid until April 4, 2027

Makati City, Philippines
April 19, 2024

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of **STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES** (the Group) which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of income, consolidated statements of changes in equity, and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022 and of its consolidated financial performances and its consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

(a) *Occurrence and Accuracy of Revenue Recognition*

The Group booked a total revenue of ₱3.31 billion for the period ended December 31, 2023 which has increased by 154.48% as compared to the 2022 audited amount. Currently, the Group has financial goals which might be a pressure to the Management and may increase the risk on the proper revenue recognition.

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

Audit response

We assessed the compliance of the on proper Revenue Recognition through a walkthrough of internal control, and its design, and tested material transactions posted on the revenue accounts by examining the related journal entries. Further, we have performed fluctuation analysis of revenue accounts with material increase. We also examined supporting documents such as contracts, sales invoices, and shipping documents such as delivery receipts to verify the occurrence and accuracy of recorded revenue on a test basis. Lastly, we reviewed the Group's adequacy of disclosures for revenue in Note 3 Summary of Significant Accounting Policies and Note 20 Revenue of the consolidated notes to financial statements.

(b) Existence and Impairment Assessment of Inventories

The carrying amount of inventories amounted to ₱2.04 billion as of December 31, 2023 representing 47.92% of the Group's total assets, and has increased by 47.92% from previous year. The management assesses the impairment of inventories whenever events or changes in circumstances indicate that the asset is impaired. This matter requires the use of significant judgments and estimates and hence, is significant to our audit.

Audit response

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

The consolidated financial statements of **STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES** for the year ended December 31, 2022 were audited by another independent auditor whose report dated March 8, 2024 expressed an unqualified opinion on those consolidated financial statements.

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ALFONSO L. CAY-AN
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Makati City, Philippines
April 19, 2024

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Thousand Peso)

(With Comparative Figures as of December 31, 2022)

		December 31,	
ASSETS	Note	**2023**	2022
CURRENT ASSETS			
Cash	7	**113,041**	49,609
Receivables - net	8	**852,708**	861,271
Inventories - net	9	**2,040,582**	1,888,460
Prepayments and other current assets	10	**267,941**	197,394
Assets held for sale	11	**47,896**	120,600
Total Current Assets		**3,322,168**	3,117,334
NON-CURRENT ASSETS			
Property, plant and equipment - net	12	**775,385**	873,317
Investment in equity securities	13	**135,229**	99,089
Right-of-use asset - net	26	**19,308**	24,870
Deferred tax assets	24	**4,580**	-
Other assets	14	**1,737**	3,619
Total Non-Current Assets		**936,239**	1,000,895
TOTAL ASSETS		**4,258,407**	4,118,229
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	15	**1,869,811**	2,037,233
Loans payable - net of non-current portion	16	**942,134**	723,388
Due to related parties	17	**47,883**	59,620
Lease liability - net of non-current portion	26	**9,403**	6,677
Income tax payable		**3,210**	-
Total Current Liabilities		**2,872,441**	2,826,918
NON-CURRENT LIABILITIES			
Loans payable	16	**468,231**	504,970
Lease liability	26	**12,812**	20,876
Retirement liability	25	**13,940**	9,904
Deferred tax liabilities	24	**-**	1,316
Total Non-Current Liabilities		**494,983**	537,066
EQUITY			
Share capital	18	**1,418,812**	1,418,812
Additional paid-in capital	19	**408,423**	408,423
Reserve for retirement liability	25	**204**	204
Unrealized gain on available for sale financial assets	13	**6,003**	(3,346)
Deficit		**(942,459)**	(1,069,848)
Total Equity		**890,983**	754,245
TOTAL LIABILITIES AND EQUITY		**4,258,407**	4,118,229

See accompanying Notes to the Consolidated Financial Statements

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(With Comparative Figures as for the years ended December 31, 2022 and 2021)

For the Years Ended December 31,	Note	2023	2022	2021
REVENUE	20			
Sales		**3,309,422**	1,716,844	1,231,289
Service income		**97,445**	483,186	45,216
Rent income		**-**	5,383	-
Total Revenue		**3,406,867**	2,205,413	1,276,505
COST OF SALES AND SERVICES	21	**2,956,394**	1,823,634	1,139,845
GROSS PROFIT		**450,473**	381,779	136,660
OPERATING EXPENSES	22	**369,432**	268,133	115,079
FINANCE CHARGES, NET		**81,578**	45,933	14,814
OTHER INCOME (LOSSES) - NET	23	**174,743**	(36,723)	12,184
NET INCOME BEFORE TAX		**174,206**	30,990	18,951
INCOME TAX EXPENSE	24	**56,424**	2,635	984
NET INCOME		**117,782**	28,355	17,967
OTHER COMPREHENSIVE INCOME				
Unrealized gain (loss) on financial assets at FVOCI	13	**18,956**	(4,382)	23,996
Unrealized gain (loss) on defined benefit obligation		**-**	(1,343)	1,639
Income tax expense (benefit)		**-**	336	(410)
Effect of changes in income tax rate		**-**	-	(18)
TOTAL COMPREHENSIVE INCOME		**136,738**	22,966	43,174
BASIC AND DILUTED EARNINGS PER SHARE		**0.0830**	0.0200	0.0127

See accompanying Notes to the Consolidated Financial Statements

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Philippine Thousand Peso)

(With Comparative Figures as of December 31, 2022)

	Note	December 31, 2023	2022	2021
SHARE CAPITAL				
Balance at beginning and end of year	18	**1,418,812**	1,418,812	1,418,812
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning and end of year	19	**408,423**	408,423	408,423
NET UNREALIZED GAIN ON INVESTMENT IN EQUITY INSTRUMENTS	13			
Balance at beginning of year		**(3,346)**	10,646	(10,330)
Realized gain (loss) from fair valuation, net		**18,956**	(4,382)	23,996
Transfer of fair value reserve of equity instrument held at FVOCI		**(9,607)**	(9,610)	(3,020)
Balance at beginning and end of year		**6,003**	(3,346)	10,646
RESERVE FOR RETIREMENT BENEFITS LIABILITY	25			
Balance at beginning of year		**204**	1,211	-
Remeasurement gain (loss), net		**-**	(1,007)	1,211
Balance at beginning and end of year		**204**	204	1,211
DEFICIT				
Balance at beginning of year		**(1,069,848)**	(1,107,813)	(1,128,800)
Transfer of fair value reserve of equity instrument held at FVOC	13	**9,607**	9,610	3,020
Net income for the year		**117,782**	28,355	17,967
Balance at end of year		**(942,459)**	(1,069,848)	(1,107,813)
TOTAL EQUITY		**890,983**	754,245	731,279

See accompanying Notes to the Consolidated Financial Statements

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASHFLOWS

(Amounts in Philippine Thousand Peso)

(With Comparative Figures as for the years ended December 31, 2022 and 2021)

For the Years Ended December 31,	Note	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax		**174,206**	30,990	18,951
Adjustment for:				
Dividend income	23	**(5,550)**	(4,759)	(5,715)
Interest income	23	**(51)**	(38)	(25)
Interest expense	16, 17	**77,970**	41,711	12,239
Interest on lease	26	**3,608**	4,223	2,575
Depreciation	12	**249,378**	232,198	122,442
Retirement expense	25	**4,036**	1,360	1,450
Provision (Reversal) for inventory obsolescence	9	**-**	3,960	(15,388)
Gain on disposal of invesment	16	**(117,295)**	-	-
Gain on sale of property and equipment	12	**-**	(4,000)	-
Unrealized foreign exchange (gain) loss	21	**-**	(65,901)	1,009
Provision for expected credit losses	8	**-**	12,582	20,814
Operating income before changes in working capital		**386,302**	252,326	158,352
Decrease (increase) in:				
Receivables, net		**8,563**	(449,067)	(109,144)
Inventories, net		**(152,122)**	(1,249,744)	38,722
Prepayments and other current asset		**(129,657)**	(81,507)	(31,285)
Increase (decrease) in:				
Trade and other payables		**(167,422)**	1,465,449	90,135
Cash generated from (used for) operations		**(54,336)**	(62,543)	146,780
Dividend received	23	**5,550**	4,759	5,715
Interest received	7	**51**	38	25
Interest paid		**(77,970)**	(41,711)	(12,239)
Benefits paid	25	**-**	(184)	(284)
Net Cash from Operating Activities		**(126,705)**	(99,641)	139,997
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of properties and equipment	12	**(80,426)**	(514,561)	(168,707)
Proceeds from properties and equipment	12	**-**	30,000	-
Additions of investments in equity securities	13	**(86,605)**	(26,830)	(15,826)
Proceeds from investments in equity securities	13	**69,421**	29,071	17,951
Decrease in other non-current assets	14	**1,882**	5,709	5,942
Net Cash from Investing Activities		**(95,728)**	(476,611)	(160,640)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of loan	16	**3,732,865**	1,558,111	769,139
Payment of loan	16	**(3,360,858)**	(916,000)	(654,247)
Payment of finance lease liability	26	**(70,797)**	(69,878)	(8,583)
Interest paid on leases	26	**(3,608)**	(4,223)	(2,575)
Decrease in amounts owed to related parties	17	**(11,737)**	(8,002)	(61,012)
Net Cash from Financing Activities		**285,865**	560,008	42,722
NET INCREASE (DECREASE) IN CASH		**63,432**	(16,244)	22,079
CASH, BEGINNING	7	**49,609**	65,853	43,774
CASH, END	7	**113,041**	49,609	65,853

See accompanying Notes to the Consolidated Financial Statements

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023, 2022 and 2021
(Amounts in Philippine Thousand Peso, Unless Otherwise Indicated)
(With Comparative Figures as of December 31, 2022)

NOTE 1 – GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at December 31, 2023 and December 31, 2022, SNHBV owns 5% interest in STN.

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

Structure

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

	Percentage of Ownership	
	2023	2022
Steniel Cavite Packaging Corporation (SCPC)*	100%	100%
Steniel Mindanao Packaging Corporation (SMPC)**	100%	100%

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

*** SMPC was reacquired on December 29, 2020*

Steniel Cavite Packaging Corporation (SCPC)

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

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

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

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

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

Steniel Mindanao Packaging Corporation (SMPC)

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

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

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

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

As at December 31, 2023, and December 31, 2022, SMPC is a wholly owned subsidiary of the Parent Company.

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

<u>Debt Restructuring</u>

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

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

- The outstanding principal and accrued interest expense as at September 30, 2010 was restructured for 25 years.

- Conditional waiver of penalty and other charges upon the faithful performance by the Parent Company of the terms of restructuring.

- The outstanding principal and accrued interest expense as at September 30, 2010 shall be reduced via dacion en pago or sale of the following properties: (a) all of the outstanding common and preferred shares of stock in Steniel Land Corporation (SLC); (b) identified idle assets of STN and its subsidiaries; and (c) by way of conversion into equity through the issuance of Parent Company's unissued capital stock.

- The outstanding principal amount after the dacion en pago or sale of properties shall be paid in 92 consecutive quarterly installments starting in January 2013.

- The outstanding portion of the accrued interest after equity conversion shall be paid in 40 consecutive quarterly installments starting after year 15 from the date of restructuring.

- Restructured outstanding principal will be subject to interest of 6% per annum for 15 years and 8% per annum on the 16th year onwards.

- The restructured accrued interest expense prior to loan restructuring will be subject to interest of 8% per annum.

- The restructured loan shall be secured by the assets/collateral pool under the Collateral Trust Agreement.

- All taxes and fees, including documentary stamp taxes and registration fees, shall be for the account of the Group.

- All other costs and expenses of restructuring including documentation costs, legal fees and out-of-pocket expenses shall be for the account of the Parent Company; and

- Other conditions include:

    a. Lenders' representative to be elected as director in STN and in each of its subsidiaries.
    b. A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.
    c. No dividend declaration or payments until the restructured obligations are fully paid.
    d. No new borrowing, unless with written consent of the lenders.
    e. No repayment of prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.
    f. Creditor's consent for change in material ownership in the Group and mortgagors.
    g. Standard covenants, representations and warranties.

Dacion en pago and Equity Conversion

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

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

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

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

Restructuring of Subsidiaries

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

In addition, SCPC submitted a merger application with SEC in October 2011 to absorb three (3) dormant subsidiaries: (a) Metroplas Packaging Products Corporation (MPPC), (b) Metro Paper and Packaging Products, Inc. (MPPPI) and (c) Steniel Carton System Corporation (SCSC) using June 30, 2011 financial statements. On March 2, 2012, the SEC approved the certificate of filing of the articles and plan of merger, which documents were received by SCPC on July 31, 2012. All financial information presented for the periods prior to the merger has been restated to reflect the combined financial statements of the absorbed corporation as though the merger had occurred at the beginning of 2010.

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

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

Interest Payments

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

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

Status of Operations

The Group has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of ₱942 million and ₱1,070 million as at December 31, 2023 and 2022, respectively.

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

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction and the conversion of loans from Greenkraft Corporation and Roxburgh Investments Limited into common shares in the Parent Company. To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the Articles of Incorporation to increase the authorized capital stock from 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 gain of P267.459 million from the acquisition of a subsidiary (Note 5). The realization of these transactions resolved the capital deficiency position of the Group.

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

NOTE 2 - BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1 Statement of compliance

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

The accompanying consolidated financial statements of the Group as at December 31, 2023 (including comparative amounts as at December 31, 2022 and 2021) were approved and authorized for issuance by the Board of Directors on April 19, 2024.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Basis of consolidation

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

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

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

2.5 Business combinations

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

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

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

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

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

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

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

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

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

2.6 Use of judgment and estimates

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

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

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

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

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

2.7 Adoption of new and revised accounting standards

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

New and Amended Accounting Standards Effective in 2023

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted:

Effective beginning on or after January 1, 2023

Amendments to PAS 1, Classification of Liabilities as Current or Non-current – the amendments provide a more general approach to the classification of liabilities under PAS 1 based on the contractual arrangements in place at the reporting date. The amendments affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. To:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The Group is still assessing the impact of the preceding amendments to the consolidated financial statements.

Amendments to PFRS 17, Insurance Contracts – the amendments' purpose is to address concerns and implementation challenges that were identified after PFRS 17 'Insurance Contracts' was published in 2017. The main changes are: deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023; additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk; recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination; extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives; amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held; simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts; and several small amendments regarding minor application issues.

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The amendments are not expected to have a significant impact on the preparation of consolidated financial statements.

Disclosure of Accounting Policies (Amendments to PAS 1, Presentation of Financial Statements, and IFRS Practice Statement 2, Making Materiality Judgements), continues the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include:

- requiring companies to disclose their material accounting policies instead of their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material.

The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures.

The Group is still assessing the impact of the preceding amendments to the consolidated financial statements.

Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors), clarifies how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively.

The amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

PAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific PFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

The Group is still assessing the impact of the preceding amendments to the consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, Income Taxes), clarifies how companies account for deferred taxes on transactions such as leases and decommissioning obligations, with a focus on reducing diversity in practice.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

PAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.

The Group is still assessing the impact of the preceding amendments to the consolidated financial statements.

New and Amended Standards Effective Subsequent to 2023 but not Early Adopted

Pronouncements issued but not yet effective as at December 31, 2023 are listed below. The Group intends to adopt the following pronouncements when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new pronouncements to have a significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2024

Lease Liability in a Sale and Leaseback (Amendments to PFRS 16)
The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognized no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. For example, the seller-lessee could determine the lease payments to be deducted from the lease liability as expected lease payments or as equal periodic payments over the lease term, with the difference between those payments and amounts actually paid recognized in profit or loss.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Under PAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of PFRS 16.

Classification of Liabilities as Current or Noncurrent – 2020 amendments and Non-Current Liabilities with Covenants – 2022 amendments (Amendments to PAS 1, Presentation of Financial Statements).
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 twelve months after the reporting period to be unconditional and instead required that the right must have substance and exist at the end of the reporting period;
- Clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
- Provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and
- Clarified that settlement of a liability includes transferring an entity'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 will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retained application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

Effective beginning on or after January 1, 2025

PFRS 17, Insurance Contracts
PFRS 17 replaced the interim standard, PFRS 4, Insurance Contracts. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering that fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

(a) Combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
(b) Presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
(c) Requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfillment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfillment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measure using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. These is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 Financial Instruments on or before the date of initial application of PFRS 17.

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial assets and financial liabilities

Financial Instruments

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

Financial Assets

Initial Recognition and Measurement

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

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

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

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

Business Model and SPPJ Test

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

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

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

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

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

Subsequent Measurement

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

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

Financial Assets at Amortized Cost (Debt Instruments)

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

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

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

Financial Assets at FVOCI (Debt Instruments)

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

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

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

Financial Assets at FVOCI (Equity Instruments)

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

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

Financial Assets at FVPL

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

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

Derecognition

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

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

Financial Liabilities

Initial Recognition and Measurement

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

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

Subsequent Measurement

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

Financial Liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered in to by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the profit or loss.

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

Loans Payable

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

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

Derecognition

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

Offsetting of Financial Instruments

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

Fair Value Measurement

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

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

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

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

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

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

As at December 31, 2023 and 2022, no financial asset was recognized at fair value. The Group has no other assets or liabilities with recurring and non-recurring fair value measurements.

Business Combination

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

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

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

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

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

Goodwill in a Business Combination

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

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

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

3.2 Current versus non-current classification

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

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

All other assets are classified as noncurrent.

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

The Group classifies all other liabilities as noncurrent.

3.3 Foreign currency transactions and translation

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

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

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

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

3.4 Operating Segments

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

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

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

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

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

3.5 Cash

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

3.6 Receivables

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

3.7 Inventories

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

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

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

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

3.8 Assets held for sale

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

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

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

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

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

3.9 Prepayments and other current assets

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

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

3.10 Property and equipment

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

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

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

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

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

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

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

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

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

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

3.11 Other assets

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

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

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

3.12 Impairments of non-financial assets

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

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

3.13 Employee benefits

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

Retirement Benefits

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

Retirement benefits costs comprise the following:

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

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

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

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

3.14 Borrowings

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

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

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

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

3.15 Borrowing costs

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

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

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

3.16 Revenue recognition

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

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

Other Income
Revenue is recognized when earned.

Contract balances

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

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

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

3.17 Cost and expenses recognition

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

3.18 Related party transactions and relationship

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

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

3.19 Equity

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

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

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

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

3.20 Income taxes

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

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

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

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

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

3.21 Value added taxes (VAT)

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

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

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

3.22 Leases

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

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

Group as Lessor

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

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

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

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

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

Group as a Lessee

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

i. ROU Asset

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

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

ii. Lease Liability

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

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

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

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

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

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

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

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

3.23 Provisions and contingencies

Provisions

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

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

Contingencies

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

3.24 Operating Segments

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

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

3.25 Earnings per share (EPS) attributable to equity holders

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

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

The Group has no dilutive potential common shares outstanding.

3.26 Events after the end of the reporting period

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

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

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

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

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

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

Rent income recognized in profit or loss amounted to nil, ₱5.38 million, and nil in 2023, 2022 and 2021, respectively.

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

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

The Group's lease liabilities amounted to ₱22.215 million, and ₱27.55 million, as at December 31, 2023, and 2022, respectively.

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

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

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

Business Model. The 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 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, 2023, and 2022.

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

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

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

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

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

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

The fair values of the Company’s financial instruments are disclosed in Note 6.

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

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

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

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired assets as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets, if any, and property and equipment have to be determined.

Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

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

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

Assessment of ECL Allowance on Receivables. The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade and other receivables. The Group also uses appropriate groupings if its historical credit loss experience 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 in receivables amounted to ₱77.523 million as at December 31, 2023, and 2022. The carrying amounts of receivables amounted to ₱852.71 million and ₱861.27 million as at December 31, 2023, and 2022, respectively. (Note 8)

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

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

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

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks. Accordingly, no additional provision of ECL on other financial assets at amortized cost was recognized in 2023 and 2022. The carrying amounts of other financial assets at amortized cost are as follows:

	2023	2022
Cash in banks	₱ **112,951**	₱ 49,519
Receivables – net	**852,708**	861,271
Refundable security deposits	**13,099**	8,611
	₱ **978,758**	₱ 919,401

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

Allowance for inventory obsolescence amounted to ₱26.819 million as at December 31, 2023, and 2022.

The carrying amount of inventories amounted to ₱2,040.58 million, and ₱1,888.46 million as at December 31, 2023, and 2022, respectively.

Estimation of Useful Lives of Property and Equipment
The Groups estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

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

There was no change in the estimated useful lives of property and equipment in 2023 and 2022.

The carrying amount of the Group's property and equipment amounted to ₱775.385 and ₱873.32 million as at December 31, 2023, and 2022, respectively.

Determination of Impairment on Nonfinancial Assets
FRS requires that an impairment review be performed on prepaid expenses and other current assets, asset held-for-sale, right-of-use asset and property and equipment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

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

Allowance for impairment losses on advances to suppliers amounted to ₱1.843 million as at December 31, 2023, and 2022.

Allowance for impairment losses on asset held-for-sale amounted to ₱199.958 million as at December 31, 2023, and 2022.

No impairment loss was recognized on right-of use assets and property and equipment as at December 31, 2023, and 2022.

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

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

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

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

As at December 31, 2023, and 2022, retirement benefits liability amounted to ₱13.940 million and ₱9.90 million, respectively. Retirement benefits expense amounted to ₱4.036 million, ₱1.36 million, and ₱1.45 million in 2023, 2022, and 2021, respectively. (Note 25)

Estimation of Realizability of Deferred Tax Assets
The Group reviews its deferred tax assets at each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carry-forward benefits of NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounting to ₱24.325 million and ₱24.235 million as at December 31, 2023, and 2022, respectively, related to the acquired deferred tax assets of SMPC. Deferred tax assets of STN and SCPC have not been recognized as at December 31, 2023 and 2022 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 24).

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

The Group has not recognized any provisions in 2023 and 2022.

NOTE 5 – BUSINESS COMBINATION

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

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

	Provisional Amount	Fair Value Adjustment	Final Amount
Assets			
Cash	₱ 34,257	₱ -	₱ 34,257
Receivables	336,333	-	336,333
Inventories	671,367	-	671,367
Prepaid expenses and other current assets	27,822	-	27,822
Property and equipment	323,705	155,924	479,629
Right-of-use asset	5,767	86	5,853
Advances to third parties	1,060	-	1,060
Deferred tax assets	19,779	-	19,779
Input value-added taxes	12,847	-	12,847
Refundable security deposits	1,343	-	1,343
	₱ 1,434,280	₱ 156,010	₱ 1,590,290
Liabilities			
Trade payables and other current liabilities	₱ 537,866	₱ -	₱ 537,866

Loans payable	346,247	-	346,247
Amounts owed to related parties	108,653	-	108,653
Lease liabilities (including current portion)	6,283	(217)	6,066
Income tax payable	114	-	114
Deferred tax liability	-	46,777	46,777
Retirement benefits liability	7,858	-	7,858
	1,007,021	46,560	1,053,581
Total identifiable net assets	₱ 427,259	₱ 109,450	₱ 536,709

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

	Provisional Amount	Fair Value Adjustment	Final Amount
Consideration transferred:			
Capital stock	₱ 269,250	₱ -	₱ 269,250
Total identifiable net assets	427,259	109,450	536,709
Gain on acquisition	₱ 158,009	₱ 109,450	₱ 805,959

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

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

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

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

NOTE 6 – FINANCIAL RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

Objectives and Policies

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

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

Liquidity Risk

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

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

In December 2020, significant amount of the Group's borrowings 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 ₱190 million with reference to the municipality zonal value of land owned by SLC. In 2023, this transaction was completed and the balance of borrowings was paid in full.

Credit Risk

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

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

The gross maximum exposure of the Group to credit risk as at December 31, 2023 and 2022, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

Particulars		2023		2022
Cash in banks	₱	**112,951**	₱	49,519
Receivables		**852,708**		861,271
Refundable security deposits		**13,099**		8,611
Total	₱	**978,758**	₱	919,401

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

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

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

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

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

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

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

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

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

2023	**High Grade**	**Medium Grade**	**Low Grade**	**Total**
Cash in banks	₱ **112,951**	₱ **-**	₱ **-**	₱ **112,951**
Trade and other receivables	**-**	**775,185**	**77,523**	**852,708**
Refundable deposits	**-**	**13,099**	**-**	**13,099**
Totals	₱ **112,951**	₱ **788,284**	₱ **77,523**	₱ **978,758**

2022	High Grade	Medium Grade	Low Grade	Total
Cash in banks	₱ 49,519	₱ -	₱ -	₱ 49,519
Trade and other receivables	-	783,748	77,523	861,271
Refundable deposits	-	8,611	-	8,613
Totals	₱ 49,519	₱ 792,359	₱ 77,523	₱ 919,403

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, 2023	**12-month ECL**	**Lifetime ECL- not credit impaired**	**Lifetime ECL- credit impaired**	**Total**
Cash in banks	₱ **112,951**	₱ **-**	₱ **-**	₱ **112,951**
Receivables	-	**775,185**	**77,523**	**852,708**
Refundable security deposits	**11,362**	**1,737**	-	**13,099**
Total	₱ **124,313**	₱ **776,922**	₱ **77,523**	₱ **978,758**

	Financial Assets at Amortized Cost			
December 31, 2022	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
Cash in banks	₱ 49,519	₱ -	₱ -	₱ 49,519
Receivables	-	783,748	77,523	861,271
Refundable security deposits	4,992	3,619	-	8,611
Total	₱ 54,511	₱ 787,367	₱ 77,523	₱ 919,401

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

Credit Risk Concentration
The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous trade customers as at December 31, 2021. However, in 2023 and 2022, a customer accounted for more than 30% of the total revenues and receivables. The Group does not execute any credit guarantee in favor of any counterparty.

Market Risk

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

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

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

	2023			
Particulars		**USD**		**Peso equivalent**
Cash in banks	$	**915**	₱	**50,649**
Receivables – net		**6,134**		**339,507**
Refundable security deposits		**-**		**-**
Total	$	**7,049**	₱	**390,156**

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

	2022			
Particulars		USD		Peso equivalent
Cash in banks	$	412	₱	23,132
Receivables – net		9,650		541,556
Refundable security deposits		(2,000)		(112,240)
Total	$	8,062	₱	452,448

**Exchange rate used is USD1=₱56.12 as of December 31, 2022*

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

		Appreciation/ Depreciation of foreign currency		Effect on Income Before tax
US Dollar	**2023**	**+1%**	₱	**8,062**
		-1%		**(8,062)**
	2022	+1%		452,448
		-1%		(452,448)

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

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

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

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

	Effect on Equity							
	2023				2022			
	3% Increase		**3% Decrease**		1% Increase		1% Decrease	
Investment in equity instruments	₱	**4,226**	₱	**(4,226)**	₱	2,238	₱	(2,238)

Fair Value Estimation of Financial Assets and Liabilities

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

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

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

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

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

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

Capital Management

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

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

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

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

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

The Group is not subject to externally imposed capitalization requirements.

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

		2023		2022
Total liabilities	₱	**3,367,424**	₱	3,363,984
Total equity		**890,983**		754,245
Debt-to-equity ratio		**3.7794:1**		4.4600:1

NOTE 7 – CASH

The account consists of:

	2023	2022
Cash on hand	₱ **90**	₱ 90
Cash in bank	**112,951**	49,519
Total	₱ **113,041**	₱ 49,609

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

Interest income from cash in banks amounted to ₱0.051 million, ₱0.038 million, and ₱0.025 million in 2023, 2022, and 2021, respectively (Note 24).

NOTE 8 – RECEIVABLES - NET

The account consists of the following:

	2023	2022
Trade receivables:		
Third parties	₱ **734,186**	₱ 677,308
Related party	**172,338**	95,117
	906,524	772,425
Less allowance for expected credit losses on:		
Trade receivables – third parties	**(77,523)**	(77,523)
	829,001	694,902
Non-trade receivables:		
Third parties	**23,585**	118,282
Related party	**122**	48,087
	23,707	166,369
Net	₱ **852,708**	₱ 861,271

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

Movement of allowance for expected credit losses is as follows:

	2023	2022
January 1,	₱ **77,523**	₱ 64,941
Provision	**-**	12,582
Write off	**-**	-
Reversals	**-**	-
December 31,	₱ **77,523**	₱ 77,523

In 2023, the Management did not provide additional allowance for impairment because of the high collectibility of identified uncollectible accounts, which were secured with collateral.

NOTE 9 – INVENTORIES

The account consists of:

	2023	2022
Raw material	₱ **1,768,884**	₱ 1,729,512
Work-in-process	**33,916**	24,574
Materials and supplies	**193,263**	116,775
Finished goods	**71,338**	44,418
Total	**2,067,401**	1,915,279
Allowance for inventory obsolescence	**(26,819)**	(26,819)
Lower of cost and net realizable value	₱ **2,040,582**	₱ 1,888,460

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

Roll-forward of allowance for inventory losses as follows:

	2023	2022
Balance at beginning of year	₱ **26,819**	₱ 22,859
Provision for inventory losses	**-**	3,960
Reversal of previously recognized inventory losses	**-**	-
Balance at end of year	₱ **26,819**	₱ 26,819

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

NOTE 10 – PREPAYMENT AND OTHER CURRENT ASSETS

The account consists of:

	2023	2022
Input VAT – net	₱ **53,860**	₱ 82,370
Prepaid taxes	**63,200**	67,005
Prepaid importation charges	**123,729**	27,754
Refundable security deposits	**11,362**	4,992
Advances to suppliers	**1,863**	1,863
Prepaid insurance	**5,340**	14,088
Other prepayments	**10,430**	1,165
Total	**269,784**	199,237
Less: Allowance for impairment losses and unrecoverable prepaid taxes	**(1,843)**	(1,843)
Net	₱ **267,941**	₱ 197,394

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

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

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

NOTE 11 – ASSETS HELD FOR SALE

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

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

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

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

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

The movements and balances of the asset held-for-sale as at December 31, 2023 and 2022 are as follows:

Cost		
January 1, 2010	₱	417,779
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		
Carrying amount reclassified as asset held-for-sale in 2010		134,611
Assigned/written-off in 2012		(13,762)
Disposal		(249)
Carrying amount as of January 1, 2023		**120,600**
Assigned in 2023		(72,705)
Asset Held-for-Sale as of December 31, 2023	₱	**47,895**

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

NOTE 12 – PROPERTY PLANT AND EQUIPMENT, NET

The account consists of:

Particulars	Land	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Furniture, Fixtures and Equipment	Building and Improvements	Construction in Progress	Total
Cost								
December 31, 2021	₱ 185,050	₱ 381,958	₱ 38,108	₱ 11,052	₱ 6,232	₱ -	₱ 108,869	₱ 731,269
Additions	537	221,074	2,303	7,684	2,025	235,291	45,647	514,561
Disposals	-	(30,000)	-	-	-	-	-	(30,000)
Reclassifications	-	34,899	-	-	4,379	109,585	(148,863)	-
December 31, 2022	185,587	607,931	40,411	18,736	12,636	344,876	5,653	1,215,830
Additions	-	29,435	1,970	4,261	3,760	1,392	39,608	80,426
Disposals	-	-	-	(288)	-	-	-	(288)
December 31, 2023	**185,587**	**637,366**	**42,381**	**22,709**	**16,396**	**346,268**	**45,261**	**1,295,968**
Accumulated Depreciation and Amortization								
December 31, 2021	-	164,659	13,220	4,252	3,046	-	-	185,177
Depreciation	-	101,929	10,313	2,768	3,548	42,778	-	161,336
Disposals	-	(4,000)	-	-	-	-	-	(4,000)
December 31, 2022	-	262,588	23,533	7,020	6,594	42,778	-	342,513
Depreciation	-	101,347	7,434	3,896	2,953	62,728	-	178,358
Disposals	-	-	-	(288)	-	-	-	(288)
December 31, 2023	**-**	**363,935**	**30,967**	**10,628**	**9,547**	**105,506**	**-**	**520,583**
Carrying amount								
December 31, 2022	₱ 185,587	₱ 345,343	₱ 16,878	₱ 11,716	₱ 6,042	₱ 302,098	₱ 5,653	₱ 873,317
December 31, 2023	**₱ 185,587**	**₱ 273,431**	**₱ 11,414**	**₱ 12,081**	**₱ 6,849**	**₱ 240,762**	**₱ 45,261**	**₱ 775,385**

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

The land and improvements thereon in San Vicente, Davao del Norte and land in Carmen, Davao del Norte are subject to mortgage under the Omnibus Loan and Security Agreement (OLSA) entered by the SCPC, SMPC and another affiliate in 2021. As at December 31, 2023, and 2022, the carrying amount of mortgaged land and improvements amounted to P185.587 million.

Depreciation is recognized as follows:

	2023	2022	2021
Cost of sales	₱ **84,722**	₱ 39,016	₱ 77,942
Cost of services	**12,313**	43,868	28,997
Operating expenses	**81,323**	78,452	5,433
Total	₱ **178,358**	₱ 161,336	₱ 112,372

NOTE 13 – INVESTMENT IN EQUITY INSTRUMENTS

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

These investments were measured at fair value based on quoted prices as at December 31, 2023 and 2022.

The movements in investments in equity instruments are as follows:

	2023	2022
Cost		
Balance at beginning of year	₱ **102,435**	₱ P95,066
Additions	**86,605**	26,830
Disposals	**(59,814)**	(19,461)
Balance at end of year	**129,226**	102,435
Changes in Fair Value		
Balance at beginning of year	**(3,346)**	10,646
Changes in fair value	**18,956**	(4,382)
Transfers of fair value reserve for investments in equity instruments designated at FVOCI	**(9,607)**	(9,610)
Balance at end of year	**6,003**	(3,346)
Total	₱ **135,229**	₱ P99,089

NOTE 14 – OTHER NON-CURRENT ASSETS

This account pertains to refundable security deposits only.

NOTE 15 – TRADE AND OTHER PAYABLES

The account consists of the following:

		2023		2022
Trade payables				
Third parties	₱	**77,635**	₱	158,615
Related parties		**326,145**		59,026
		403,780		217,641
Payable to bank		**382,335**		371,034
Advances from customers				
Third parties		**120,723**		5,748
Related parties		**303,435**		688,093
		424,158		693,841
Accrued expenses		**544,003**		705,396
Payable to government agencies		**115,298**		12,442
Others		**237**		36,879
		659,538		754,717
Total	₱	**1,869,811**	₱	2,037,233

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

Payables to bank pertain to trust receipts transaction with banks used to purchase imported paper with terms of 60 to 180 days. Interest expense on letter of credits recognized in profit or loss amounted to ₱43.85 million, ₱19.69 million, and ₱2.682 million in 2023, 2022, and 2021.

Advances from customers pertain to advance payments made by customers for purchase of goods. As of December 31, 2023, and 2022, the Group has not refunded any amount.

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

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

Particulars		2023		2022
Importation cost	₱	**56,668**	₱	47,687
Salaries and other employee benefits		**14,450**		2,552
Other purchases:				
Third parties		**389,490**		160,607
Related parties		**40,214**		465,941
Insurance		**2,434**		13,590
Professional fees		**19,563**		3,522
Outside services		**3,660**		4,548
Taxes and licenses		**2,299**		-
Others		**6,932**		6,949
Total	₱	**535,710**	₱	705,396

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

NOTE 16 – LOANS PAYABLE

This account consists:

		2023		2022
Current portion:				
Various local banks	₱	**942,134**	₱	533,388
Greenkraft		**-**		190,000
		942,134		723,388
Net of current portion:				
Local bank loan		**468,231**		504,970
Total	₱	**1,410,365**	₱	1,228,358

Short-term Loans

Short-term loans from local banks are unsecured, peso-denominated promissory notes intended for additional working capital requirements of the SMPC. These are payable within six months and bear annual interest rates ranging from 4.75% to 6.25% and 2.0% to 5.5% in 2023 and 2022, respectively.

The related interest expense on the above loans recognized in profit or loss amounted to ₱33.674 million, ₱15.308 million, and ₱9.557 million in 2023, 2022, and 2021, respectively.

Omnibus Loan and Security Agreement (OLSA)

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

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

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

a) The Borrowers are entitled to a grace period on principal payments for the first 12 months reckoned from the initial drawdown and shall pay only interest on the loan amount. At the end of the 13th month from the initial drawdown date, the Borrowers shall commence payment of the principal and interest. The principal payments shall be made in 72 equal monthly amortizations beginning on the 13th month from the initial drawdown date.

b) The Borrowers shall pay interest on the outstanding advance monthly in arrears at the interest rate on each interest payment for the interest period. The interest rate on the advance payment shall be the prevailing market rate as of the repricing date.

c) The Borrowers shall not sell, lease, transfer, grant or otherwise dispose all or substantially all of its properties and assets, except for leases entered into with any of the Borrower's affiliates for the lease of DPI Box Plant and Printing Plant.

d) Cross default and cross acceleration provision as an event of default. This is when the Borrower defaults in the payment of principal or interest or commits violation of any terms and conditions, or accelerate or permit acceleration, of any agreement and the lender believes that the breach or violation will adversely and materially affect the Borrower's operations or ability to perform its obligation under the OLSA.

e) No new borrowing, unless with consent of the lenders.

f) Creditor's consent for change in material ownership in the borrowers and mortgagors.

g) Standard covenants, representations and warranties

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

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

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

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

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

As at December 31, 2023, and 2022, the Borrowers have not received any notice of default from the lender that will trigger the non-compliance with financial ratios an event of default. On April 1, 2024, and August 23, 2023, upon the request of SCPC, SCPC received a letter from the lender confirming that the bank did not declare SCPC in default under the OLSA notwithstanding their non-compliance with the required financial ratios as at December 31, 2023, and 2022, respectively.

Transaction cost on loan availment pertaining to documentary stamp tax paid in 2021 amounted to P4.522 million, of which P1.002 million relates to initial drawdown in 2021 and recorded as deduction from loans payable, and the remaining balance of P3.520 million relates to final drawdown in January 2022 recorded as part of Prepaid taxes (Note 9).

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

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

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

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

As discussed in Note 1, the accrued interest amounting to 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 annually until 2019.

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

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

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

Changes in liabilities from financing activities are as follows:

		2023		2022
Balance at beginning of year	₱	**1,038,358**	₱	652,148
Additions to borrowings		**3,732,865**		1,492,210
Payments to borrowings		**(3,360,858)**		(916,000)
	₱	**1,410,365**	₱	P1,228,358

NOTE 17 – 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 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**	**Trade Receivables**	**Trade Payables**	**Accrued Expenses**	**Due to Related Parties**	**Borrowings**	**Terms**	**Conditions**
Entities under Common Control										
Reimbursements	**2023**	*b*	-	**122**	-	-	-	-	Collectible on demand;	Unsecured; no
	2022		-	122					non-interest bearing	impairment
Sales	**2023**	*c*	**29,801**	**823**	-	-	-	-	Collectible on demand;	Unsecured;
						-		-		no
	2022		92,394	92,394	-		-		non-interest bearing	impairment
Associates										
Advances	**2023**	*a*	-	-	-	-	**6,630**	-	Payable on demand;	Unsecured
	2022		-	-	-	-	18,981	-	non-interest bearing	
Shareholders										
Borrowings	**2023**	*15*	**-**	**-**	**-**	**-**	**-**	**-**	Payable in 25 years in equal	
	2022		-	-	-	-	-	190,000	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

				Outstanding Balance						
Category	**Year**	***Note***	**Amount of Transaction**	**Trade Receivables**	**Trade Payables**	**Accrued Expenses**	**Due to Related Parties**	**Borrowings**	**Terms**	**Conditions**
Other Related Parties										
Lease and						-		-		Unsecured;
warehousing costs	**2023**	*D*	**5,322**	**-**	**5,322**		**-**		Collectible on demand;	no
	2022		-	-	-	-	-	-	non-interest bearing	impairment
Purchases	**2023**	*C*	**31,416**		**301,656**	**40,214**			Collectible on demand;	Unsecured;
						465,941				no
	2022		492,648		59,026				non-interest bearing	impairment
Sales	**2023**	*c*	**45,107**	**171,515**					Collectible on demand;	Unsecured;
						-		-		no
	2022		62,260	50,688	-		-		non-interest bearing	impairment
Advances from						-		-		
customers	**2023**	*f*	**164,541**		**322,602**		-			
	2022		601,397	-	688,093	**-**	**-**	-		
Advances	**2023**	*a*	**614**	**-**	**-**	**-**	**41,253**		Collectible on demand;	Unsecured;
						-				no
	2022		-	-	-		40,639		non-interest bearing	impairment
Key Management Personnel										
Short-term benefits	**2023**	*20*	**4,976**	**-**	**-**	**-**	**-**	-	Payable on demand;	Unsecured
	2022		4,263	-	-	-	-	-	non-interest bearing	
TOTAL	**2023**			**172,460**	**629,580**	**40,214**	**47,883**	-		
TOTAL	2022			**143,204**	**747,119**	**465,941**	**59,620**	**190,000**		

a. Amounts owed to related parties consist mainly of non-interest-bearing advances for working capital requirements with no definite repayment dates. There 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. Sales to and Purchases from Related Parties
Sales and purchases of inventories with related parties are made in the ordinary course of business. These transactions are unsecured, non-interest bearing and are generally with 30 to 90-day term.

e. Lease and Warehousing Costs
On June 1, 2011, SMPC entered into a lease and warehousing cost agreement with Golden Bales Corporation for the lease and warehousing of certain properties for its plate-making process. The contract is for a period of 5 years which expired on October 21, 2016 and was renewed thereafter for another 5-year term. The lease was renewed for another 2 years until October 31, 2023. The lease agreement qualified as lease under PFRS 16 (see Note 23).

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

g. Compensation of the Group's key management personnel is comprised of short-term benefits amounting to P4.976 million, P4.263 million, and P4.463 million in 2023, 2022 and 2021, respectively, recognized as part of "Professional fees and outside services" account under Operating expenses (Note 20).

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

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

NOTE 18 – SHARE CAPITAL

The share capital of the Group is as follows:

	2023			2022		
	No. of shares		**Amount in Thousand**	No. of shares		Amount in Thousand
Authorized ₱1.00 par	**2,000,000,000**	₱	**2,000,000**	2,000,000,000	₱	2,000,000
Subscribed, issued, paid-up and outstanding:	**1,418,812,081**	₱	**1,418,812**	1,418,812,081	₱	1,418,812

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for shares of the Parent Company. On the same date, the BOD and Stockholders also approved the conversion of loans from Greenkraft and Roxburgh into common shares in STN. The said approvals were reconfirmed on November 19, 2020.

To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the AOI to increase the authorized capital stock from ₱1 billion, divided into one billion common shares to ₱2 billion, divided into two billion common shares with par value of ₱1 per share.

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

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

Additional Paid-in Capital

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

Earnings (Loss) Per Share

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

		2023		2022		2021
Net income	₱	**117,782**	₱	18,246	₱	(2,315)
Divided by weighted average number of common shares, in thousands		**1,418,812**		1,418,812		1,418,812
Basic and diluted earnings(loss) per share	₱	**P 0.0830**	₱	0.0200 [1]	₱	0.00127

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

NOTE 19 – SHARE PREMIUM

The movements of share premium are as follows:

		2023		2022
At January 1	₱	**408,423**	₱	408,423
Share premium on shares issued during the year				
Gross proceeds		**-**		-
Direct attributable issuance costs		**-**		-
End	₱	**408,423**	₱	408,423

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

NOTE 20 – REVENUES

Recognition of each revenue stream is as follows:

Particulars		**2023**		2022		2021
Products sold at point in time	₱	**1,522,691**	₱	1,716,844	₱	1,231,289
Services transferred over time		**1,884,176**		488,569		45,216
Total	₱	**3,406,867**	₱	2,205,413	₱	1,276,505

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

Particulars		**2023**		2022		2021
Local sales	₱	**983,228**	₱	1,037,570	₱	432,198
Indirect export sales		**660,698**		675,932		778,361
Sales of scrap		**42,222**		40,172		20,730
Sales discount		**(163,457)**		(36,830)		-
Total	₱	**1,522,691**	₱	1,716,844	₱	1,231,289

NOTE 21 – COST OF SALES AND SERVICES

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

Particulars		2023		2022		2021
Cost of sales	₱	**2,862,343**	₱	1,653,233	₱	1,063,361
Cost of services		**94,051**		170,401		76,485
Total	₱	**2,956,394**	₱	1,823,634	₱	1,139,846

Cost of Sales

Details of the account as follows:

		2023		2022		2021
Cost of sales						
Raw materials, beg	₱	**1,729,512**	₱	549,309	₱	606,695
Add: Purchases		**2,550,446**		2,630,557		759,385
Total raw materials		**4,279,958**		3,179,866		1,366,080
Less: Raw materials, end		**(1,768,884)**		(1,729,512)		549,309
Raw materials used		**2,511,074**		1,450,354		816,771
Direct labor		**41,968**		15,528		24,846
Factory overhead		**345,563**		221,704		225,272
Total manufacturing cost		**2,898,605**		1,687,586		1,066,889
Add: Work-in-process, beg		**24,573**		13,426		16,708
Total goods available for manufacturing		**2,923,178**		1,701,012		1,083,597
Less: Work-in-process, end		**(33,916)**		(24,574)		(13,426)
Total goods manufactured		**2,889,262**		1,676,438		1,070,171
Add: Finished goods, beg		**44,419**		21,214		14,404
Total goods available for sale		**2,933,681**		1,697,652		1,084,575
Less: Finished goods, end		**(71,338)**		(44,419)		21,214
Total	₱	**2,862,344**	₱	1,653,233	₱	1,063,361

Cost of Services

Details of the account as follows:

		2023		2022		2021
Cost of services:						
Materials used	₱	**31,732**	₱	39,819	₱	18,325
Depreciation and amortization		**23,142**		62,123		31,591
Indirect labor		**18,159**		30,231		6,505
Salaries, wages and benefits		**7,978**		16,822		7,008
Utilities		**4,619**		5,948		5,005
Supplies		**3,531**		2,443		2,914
Insurance		**2,490**		5,204		1,430
Outside services		**1,255**		4,919		1,609
Warehousing cost		**695**		1,861		1,966
Fuel and oil		**111**		477		35
Taxes and licenses		**40**		113		37
Rent		**-**		-		60
Others		**300**		441		-
Total	₱	**94,052**	₱	170,401	₱	76,485

Details of factory overhead are as follows:

		2023		2022		2021
Depreciation and amortization	₱	**141,717**	₱	85,954	₱	84,612
Indirect labor		**79,691**		40,614		23,062
Indirect materials used		**70,980**		36,756		64,972
Repairs and maintenance		**19,003**		11,766		6,970
Insurance		**13,097**		4,804		5,069
Utilities		**8,461**		18,197		17,743
Outside services		**6,600**		4,540		5,706
Supplies		**2,737**		14,964		10,333
Warehousing cost		**2,480**		3,155		6,550
Fuel and oil		**585**		441		122
Taxes and licenses		**212**		105		133
Others		**-**		408		-
Total	₱	**345,563**	₱	221,704		225,272

NOTE 22 – OPERATING EXPENSES

This account consists of the following:

		2023		2022		2021
Depreciation	₱	**84,517**	₱	84,121	₱	6,239
Salaries, wages and employee benefits		**71,581**		56,328		12,057
Delivery expense		**58,330**		43,017		30,973
Utilities		**51,963**		16,043		2,651
Insurance, taxes and licenses		**46,477**		18,041		17,333
Professional fees, outside services and legal fees		**21,755**		15,087		22,421
Representation and entertainment		**16,806**		3,717		2,621
Transportation and travel		**4,706**		6,504		868
Office and Computer supplies		**4,206**		2,819		-
Repairs and maintenance		**2,112**		1,687		11,361
Listing Fees		**261**		250		250
Provision for impairment		**-**		12,582		20,814
Reversal of previously recognized inventory write-down		**-**		3,960		(15,388)
Miscellaneous		**6,716**		3,977		2,879
Total	₱	**369,430**	₱	268,133	₱	115,079

NOTE 23 – OTHER INCOME (CHARGES), NET

This account consists of the following:

		2023		2022		2021
Gain on disposal of investment	₱	**117,295**	₱	-	₱	-
Realized gain/loss on change in foreign exchange rate		**5,624**		(51,432)		6,299
Dividend Income		**5,550**		4,759		5,715
Interest Income		**51**		38		25
Gain on sale of property and equipment		**-**		4,000		-
Others		**46,223**		5,913		144
Total	₱	**174,743**	₱	(36,722)	₱	12,183

NOTE 24 – INCOME TAXES

This account consists of the following:

	2023	2022	2021
Current tax expense	₱ **62,320**	₱ 17,059	₱ 13,250
Deferred tax expense	**(5,896)**	(14,424)	(6,834)
Effect of change in income tax rate – current	**-**	-	(914)
Effect of change in income tax rate – deferred	**-**	-	(4,518)
Income tax expense	₱ **56,424**	₱ 2,635	₱ 984

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

Particulars	**2023**	2022	2021
Income before income tax	₱ **174,206**	₱ 30,990	₱ 18,949
Income tax expense (benefit) at statutory tax rate of 25%	₱ **43,552**	₱ 7,748	₱ 4,737
Adjustments to income tax resulting from:			
Recognition of NOLCO which was previously unrecognized	**-**	(3,900)	-
Excess of MCIT over RCIT	**13,843**	60	-
Movement of unrecognized deferred tax asset		(98)	5
Dividend income	**(1,389)**	(1,190)	(1,429)
Deferred tax on leases	**(89)**	-	-
Interest income subjected to final tax	**(12)**	(10)	(6)
Nondeductible expenses	**519**	25	3,109
Effect of change in income tax rate - current	**-**	-	(914)
Effect of change in income tax rate - deferred	**-**	-	(4,518)
Total	₱ **56,424**	₱ 2,635	₱ (984)

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

	2023	2022
Deferred tax assets		
Allowance for ECL	₱ **10,511**	₱ 10,511
Allowance for inventory obsolescence	**6,705**	6,705
Unrealized forex gain	**3,873**	3,873
Retirement liability	**2,476**	2,476
Leases	**760**	670
	24,325	24,235
Deferred tax liability		
Acquisition of subsidiary	**19,745**	(25,551)
Net	₱ **4,580**	₱ (1,316)

As at December 31, 2023 and 2022, deferred tax assets have not been recognized in respect of the following temporary differences and NOLCO as management believes that it is not probable that sufficient taxable profit will be available against which all deferred tax assets may be utilized.

		2023		2022
Temporary differences:				
Allowance for impairment losses of assets held-for-sale (previously recognized as investment in an associate)	₱	**199,958**	₱	199,958
Allowance for impairment of receivables		**35,480**		35,480
Allowance for impairment losses of advances to suppliers		**1,843**		1,843
		237,281		237,281
MCIT		**3,923**		1579
NOLCO		**45,995**		-
	₱	**287,199**	₱	238,860

As at December 31, 2023, the Group has NOLCO amounting to ₱45.995 million and nil as at December 31, 2023 and 2022, respectively, which can be carried forward as deduction against future taxable income as follows:

Year Incurred		Amount		Expired/ Applied		Balance	Date of Expiry
2023	₱	45,995	₱	-	₱	45,995	2026
2021		3,532		3,532		-	2026
2020		8,327		8,327		-	2025
2019		3,743		3,743		-	2022
	₱	61,597	₱	15,602	₱	45,995	

CREATE Law

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 CREATE 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 subjected 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.

The enactment of the CREATE Act is a non-adjusting subsequent event thus, the current and deferred taxes as at December 31, 2020 were measured using the applicable income tax rates as at December 31, 2020. The corporate income tax of the Company will be lowered from 30% to 25% effective July 1, 2020.

Effective July 1, 2023, as prescribed by BIR Revenue Memorandum Circular (RMC) No.69-2023 issued on June 20, 2023, the rate of MCIT for domestic corporations shall be reverted from 1% to 2% of their gross income.

NOTE 25 – RETIREMENT LIABILITY

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

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

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

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

Particulars		**2023**	2022
Present value of defined benefit obligation	₱	**13,940**	9,904
Fair value of plan assets		**-**	-
(Asset) / liability to be recognized	₱	**13,940**	9,904

Net plan costs for the year are as follows:

Particulars		**2023**		2022
Current service cost	₱	**3,325**	₱	988
Net interest cost		**711**		372
Net plan cost to be recognized on profit or loss		**4,036**		1,360
Actuarial gain (loss) – Obligation		**-**		1,343
Remeasurement gain (loss) – Plan assets		**-**		-
Actuarial gain (loss) to be recognized on other comprehensive income		**-**		1,343
Net plan cost to be recognized on total comprehensive income	₱	**4,036**	₱	2,703

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

Particulars		**2023**		2022
At beginning of the year	₱	**9,904**	₱	7,385
Interest cost		**711**		371
Current service cost		**3,325**		989
Benefits paid		**-**		(184)
Actuarial gain (loss)		**-**		1,343
At end of the year	₱	**13,940**	₱	9,904

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

Particulars		2023		2022
At beginning of the year	₱	-	₱	-
Interest income		-		
Contributions		-		184
Benefits paid		-		(184)
Remeasurement gain (loss) – Return on plan assets		-		-
At end of the year	₱	-	₱	-

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

Particulars		2023		2022
Net Liability (Assets) recognized at the beginning of year	₱	**9,904**	₱	9,921
Total retirement expense (income)		**4,036**		1,360
Total amount recognized in OCI		-		(1,343)
Liability (asset) recognized at the end of the year	₱	**13,940**	₱	9,938

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

	2023	2022
Discount rate	**7.18%**	7.18%
Rate of increase in compensation	**8.00%**	8.00%

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

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

Sensitivity Analysis on Actuarial Assumptions

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

	2023		2022
2023			
Discount rates	+100 basis points .		
	-100 basis points	₱	(1,319)
Future salary increases	+1.00%		1,584
2022	-1.00%		
Discount rates	+100 basis points		
	-100 basis points	₱	(1,319)
Future salary increases	+1 .000/0		1,584

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

Maturity analysis of the benefit payments is shown below:

		Carrying amount		Contractual Cashflows		Less than 1 year		Within 1 to 5years		More than 5 years
2023										
Defined benefit obligation	₱	**9,904**	₱	**185,124**	₱	**143**	₱	**1,532**	₱	**183,449**
2022										
Defined benefit obligation	₱	9,904		185,124		143		1,532		183,449

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

Particulars		2023		2022
Cost of sales and services	₱	**2,926**	₱	988
Operating expenses		**1,109**		371
Total	₱	**4,035**	₱	1,359

Funding Arrangements

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

NOTE 26 – SIGNIFICANT AGREEMENTS

Tolling Agreements

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

Tolling fees amounted to ₱1.854 million and ₱463.121 million in 2023 and 2022, respectively (see Note 20).

Lease Agreements

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

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

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

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

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

Security deposits paid by the Group as required under the terms and covering lease agreements amounted to ₱11,362 and ₱4,992 as at December 31, 2023 and 2022, respectively, which were recognized under "Prepaid expenses and other current assets" (see Note 10) and "Refundable security deposits" accounts in the statements of financial position.

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

Particulars	**2023**	2022
Cost		
Beginning balance	₱ **104,546**	₱ 52,023
Additions	**446**	63,091
Disposals	**-**	(10,568)
Adjustment (reclassification)	**-**	-
Ending balance	**104,992**	104,546
Accumulated depreciation		
Beginning balance	**79,676**	19,383
Depreciation	**71,021**	70,863
Disposals	**(65,014)**	(10,568)
Adjustment (reclassification)	**-**	-
Ending balance	**85,683**	79,676
Total	₱ **19,309**	₱ 24,870

The depreciation expense on ROU assets charged to cost of sales and services and operating expenses as follows:

Particulars	**2023**	2022
Cost of sales	₱ **57,002**	₱ 46,939
Cost of services	**10,835**	18,254
Operating expenses	**3,183**	5,669
Total	₱ **71,020**	₱ 70,862

Roll-forward in lease liabilities as follows:

Particulars	**2023**	2022
Beginning balance	₱ **27,553**	₱ 34,340
Additions		63,091
Interest expense on lease liabilities	**3,608**	4,223
Changes from financing cash flows:		-
Payment of principal	**(5,338)**	(69,878)
Payment of interest	**(3,608)**	(4,223)
Ending balances	₱ **22,215**	₱ 27,553

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

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

Particulars		2022 Minimum lease payable		2022 Interest		2022 Present value of MLP
Within one year	₱	8,504	₱	1,827	₱	6,677
Between one to five years		21,645		2,700		18,946
More than five years		2,011		81		1,930
Ending balances	₱	32,160	₱	4,608	₱	27,553

Amounts recognized in profit or loss are as follows:

Particulars		**2023**		2022
Interest on lease liabilities	₱	**3,608**	₱	4,223
Depreciation on ROU assets		**71,020**		70,862
Total	₱	**74,628**	₱	75,085

Total cash outflows for leases amounted to ₱8,946 and ₱74,100 in 2023 and 2022, respectively.

Asset Sale Agreement

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

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

Long-term Supply Agreement

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

In January 2022, in relation to the Asset Sale Agreement, the Company entered into a long-term supply agreement with DPI to supply boxes, packaging materials, including parts thereof such as cartons, dividers, pods, lids, joints, walls, slots, panels, labels and other printed materials, made of paper, kraft, corrugated boxes and other paper related products. The long-term supply agreement has a term of nine years and six months beginning from August 24, 2022 until February 23, 2032. The agreement can be renewed subject to discussion of the parties.

The transition initiated on February 24, 2022, taking over operations under a tolling arrangement for six months. This period was extended to aid DPI in depleting its substantial inventory of paper rolls. Despite the extension, DPI continued to hold a considerable inventory, leading to an agreement with the Company to further extend the tolling arrangement until depletion or reaching an acceptable inventory level, albeit with liquidation fees considerations.

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

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

Branches:
Cebu and Davao

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

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INDEPENDENT PUBLIC AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of **STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES** as at December 31, 2023 and 2022 and have issued our report thereon dated April 19, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and no material exceptions were noted.

VALDES ABAD & COMPANY, CPAs
BOA/PRC Reg. No. 0314
Issued on July 29, 2021, Valid until July 14, 2024
BIR Accreditation No. 08-002126-000-2024
Issued on April 5, 2024, Valid until April 4, 2027
SEC Accreditation No. 0314 - SEC, Group A
Valid for 2022 – 2026 audit periods

For the firm:

ALFONSO L. CAY-AN
Partner
CPA Registration No. 99805, Valid until December 14, 2026
TIN No. 213-410-741-000
PTR No. 10081734, Issued Date: January 8, 2024, Makati City
BOA/PRC Reg. No. 0314
Issued on July 29, 2021, Valid until July 14, 2024
BIR Accreditation No. 08-002126-005-2024
Issued on April 5, 2024, Valid until April 4, 2027
SEC Accreditation No. 99805 - SEC, Group A
Valid for 2022 – 2026 audit periods

Makati City, Philippines
April 19, 2024

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

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REPORT OF INDEPENDENT PUBLIC AUDITORS TO ACCOMPANY SEC SCHEDULES FILED SEPARATELY FROM THE BASIC FINANCIAL STATEMENTS

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

We have examined the consolidated financial statements of **STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES** as of December 31, 2023 on which we have rendered the attached report dated April 19, 2024. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary schedules of the Company as of December 31, 2023 and for the year then ended, required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VALDES ABAD & COMPANY, CPAs
BOA/PRC Reg. No. 0314
Issued on July 29, 2021, Valid until July 14, 2024
BIR Accreditation No. 08-002126-000-2024
Issued on April 5, 2024, Valid until April 4, 2027
SEC Accreditation No. 0314 - SEC, Group A
Valid for 2022 – 2026 audit periods

For the firm:

ALFONSO L. CAY-AN
Partner
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SEC Accreditation No. 99805 - SEC, Group A
Valid for 2022 – 2026 audit periods

Makati City, Philippines
April 19, 2024

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

DECEMBER 31, 2023 and 2022

I	SUPPLEMENTAL SCHEDULES REQUIRED BY REVISED SRC RULE 68 ANNEX 68-J		
	A	FINANCIAL ASSETS	Attached
	B	AMOUNTS RECEIVABLES FROM DIRECTORS OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)	Attached
	C	AMOUNTS RECEIVABLES AND PAYABLE FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION PROCESS OF FINANCIAL STATEMENTS	Attached
	D	LONG-TERM DEBT	Attached
	E	INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED PARTIES)	Not applicable
	F	GUARANTEES OF SECURITIES OF OTHER ISSUERS	Not applicable
	G	CAPITAL STOCK	Attached
II		Reconciliation of retained earnings available for dividend declaration	Attached
III		Map of group of companies	Attached
IV		Financial Soundness Indicators as required by Revised SRC Rule 68 Annex 68-E	Attached

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2023

Name of Issuing Entity	Number of Shares	Amount Shown in the December 31, 2023 Consolidated Statements of Financial Position	Income Received and Accrued
ABOITIZ POWER CORP.	360,000	P13,573,000	P84,150
AYALA CORPORATION	47,000	34,075,000	38,060
AYALA LAND, INC.	200,000	6,960,000	44,620
BELLE CORPORATION	250,000	292,500	15,000
CHINA BANKING CORPORATION	50,000	1,542,500	95,000
CITICORE ENERGY REIT CORP	200,000	514,000	38,200
DDMP REIT INC.	900,000	1,097,000	90,719
DMCI HOLDINGS, INC.	1,500,000	15,000,000	1,797,840
DOUBLEDRAGON PROPERTIES CORP.	100,000	817,000	26,240
EAST WEST BANKING CORP.	10,000	85,000	4,100
MANILA ELECTRIC CO.	26,216	10,460,184	512,470
MANILA WATER CORPORATION, INC	1,177,000	21,878,120	694,518
METRO PACIFIC INV. CORP.	1,500,000	7,770,000	1,463,501
PHINMA CORPORATION	120,500	2,458,200	101,325
PLDT INC.	1,100	1,409,400	118,800
PREMIUM LEISURE CORP.	1,380,000	910,800	69,331
RIZAL COMMERCIAL BANKING CORP.	13,800	317,400	14,904
ROCKWELL LAND CORP	45,700	64,437	0
SYNERGY GRID & DEV. PHIL INC	1,135,000	7,401,700	310,827
SM PRIME HOLDINGS, INC.	100,000	3,370,000	0
UNIONBANK OF THE PHILIPPINES	110,396	5,232,770	30,860
		P135,229,011	**P5,550,465**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLES FROM DIRECTORS OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2023
(Amounts in Thousands)

December 31, 2023

Name and designation of debtor	Balance at beginning of period	Amounts (collected) /transferred	Amounts written-off	Current	Non-current	Balance at end of period
SMC employees	P122	P-	P-	P122	P-	P122
Other related parties of SCPC	92,394	(91,571	-	823	-	823
Other related parties of SMPC	50,688	120,827	-	171,515	-	171,515
	P143,204	**P29,256**	**P-**	**172,460**	**P-**	**172,460**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023
(Amounts in Thousands)

December 31, 2023

Name and designation of Debtor	Beginning Balance	Additions (Collections)	Assignment / Condonation	Written Off	Current	Non-current	Balance at end of period
Trade receivables							
SCPC	P196,524	P90,437	P-	P-	P286,961	P-	P286,961
Amounts owed by related party							
SCPC	103,073	18,819	-	-	121,892	-	121,892
SMPC	24,250	(12,125)	-	-	12,125	-	12,125
	P323,847	**P97,131**	**P-**	**P-**	**P420,978**	**P-**	**P420,978**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2023
(Amount in thousands)

December 31, 2023

Title of issue	Amount authorized by indenture	Amount shown under caption “Current portion of long term debt	Amount shown under caption “Long term debt” in related balance sheet
Loans payable			
Omnibus Loan and Security Agreement (OLSA)	**P1,410,365**	**P942,134**	**P468,231**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED PARTIES)
DECEMBER 31, 2023
(Amount in Thousands)

Name of related party	Balance at beginning of period	Balance at the end of the period
	NOT APPLICABLE	

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2023

DECEMBER 31, 2023

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE G – CAPITAL STOCK
DECEMBER 31, 2023

DECEMBER 31, 2023

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by: Related parties	Number of shares held by: Directors, officers and employees	Number of shares held by: Others
Common shares	2,000,000,000	1,418,812,081	-	1,131,322,398	7	287,489,595

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS REQUIRED BY REVISED SRC RULE 68 ANNEX 68-D
AS AT DECEMBER 31, 2023
(Amount in Thousands)

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

Unappropriated Retained Earnings (Deficit), as adjusted to available for dividend distribution, beginning*	**(P1,586,811)**
Net income actually earned during the period	
Net loss during the period closed to Retained Earnings (Deficit)	**117,782**
Unappropriated Retained Earnings (Deficit) available for dividend declaration, ending**	**(P1,469,029)**

**According to Section 5 of SEC Memorandum Circular No.11 (Series of 2008), a corporation cannot declare dividends when it has zero or negative Retained Earnings (otherwise known as Deficit).*
***Pursuant to the Restated and Amended Omnibus Agreement signed by the Company (as borrower) and lenders/creditor in October 2010, the Company is prohibited from declaring dividends to its owners until full payment of all amounts payable, unless consented in writing by the lenders/creditors.*

STENIEL MANUFACTURING CORPORATION
AND SUBSIDIARIES

MAP OF CONGLOMERATE

STENIEL MANUFACTURING CORPORATION
(Parent, a holding company listed in PSE)

SUBSIDIARIES

STENIEL CAVITE PACKAGING CORPORATION
(100%)*

STENIEL MINDANAO PACKAGING CORPORATION
(100%)**

**Treasure Packaging Corporation is a wholly-owned subsidiary of Steniel Manufacturing Corporation (STN) which was merged with Steniel Cavite Packaging Corporation effective May 30, 2018.*
***Steniel Mindanao Packaging Corporation was acquired by STN on December 29, 2020*

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

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratio	Formula	**As of December 31, 2023**	As of December 31, 2022
Liquidity:			
Current Ratio	Current Assets / Current Liabilities	**1.16**	**1.10**
Solvency:			
Debt to Equity Ratio	Total Liabilities (Current + Noncurrent) / Equity	**3.78**	**4.37**
Asset to Equity Ratio	Total Assets (Current + Noncurrent) / Equity	**4.78**	**5.37**
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	**49%**	**1%**
		For the year ended December 31, 2023	For the year ended December 31, 2022
Operating Efficiency:			
Operating Margin	Income from Operating Activities / Net Sales	**3%**	2%
Return on Equity	Net Income / Equity	**13%**	6%
Return on Assets	Net Income / Total Assets	**3%**	1%

ANNEX B

2023 Separate Audited Financial Statements of Steniel Manufacturing Corporation

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	3	7	6

COMPANY NAME

STENIEL MANUFACTURING CORPORATION

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

GATEWAY BUSINESS PARK
BRGY. JAVALERA, GENERAL TRIAS,
CAVITE, PHILIPPINES

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,624	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	elizamacuray@yahoo.com	8361-9061	0918-911-0919

CONTACT PERSON's ADDRESS

Gateway Business Park, Brgy. Javalera, General Trias, Cavite

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirthy (30) days from the occurance 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 delay inupdating the corporation's records with the Commisssion 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** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2023 and 2022**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Valdes, Abad & Company, CPAs, and **R.G. Manabat & Co.,** independent auditors, appointed by the stockholders for the years ended December 31, 2023 and 2022, respectively, has examined 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 examination.

[redacted]

Nixon Y. Lim
Chairman

[redacted]

Eliza C. Macuray
Chief Finance Officer

Signed this 15th **day of** April, 2024

SUBSCRIBED AND SWORN TO before me this APR 23 2024, the affiants exhibited to me the following:

Name	Valid Identification
Nixon Y. Lim	Philippine Passport P76857668 valid until September 23, 2031
Eliza C. Macuray	Philippine Passport P54910638 valid until September 9, 2030

Doc. No. 159;
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Series of 2024.

GENEVIEVE KRISTINE B. MAÑALAC
Appointment No. 45 (2023-2024)
Notary Public for Pasig City, Pateros and San Juan
Until December 31, 2024
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PTR Receipt No. 1634506; 01.02.24; Pasig City
IBP OR No. 330350; 12.18.23; RSM
Admitted to the Bar in 2022

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

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

Branches:
Cebu and Davao

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

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

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

We have examined the separate financial statements of **STENIEL MANUFACTURING CORPORATION** for the year ended December 31, 2023, on which we have rendered the attached report dated April 15, 2024.

In compliance with SRC Rule 68, we are stating that the Company has 3,573 stockholders owning one hundred (100) or more shares each as of December 31, 2023.

VALDES ABAD & COMPANY, CPAs
BOA/PRC Reg. No. 0314
Issued on July 29, 2021, Valid until July 14, 2024
SEC Accreditation No.0314 - SEC, Group A
Valid for 2022-2026 audit periods
BIR Accreditation No. 08-002126-000-2024
Issued on April 5, 2024, Valid until April 4, 2027

For the firm:

ALFONSO L. CAY-AN
Partner
CPA Registration No. 99805, Valid until December 14, 2026
TIN No. 213-410-741-000
PTR No. 10081734, Issued Date: January 8, 2024, Makati City
BOA/PRC Reg. No. 0314
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Makati City, Philippines
April 15, 2024

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STATEMENT OF REPRESENTATION

TO THE SECURITIES AND EXCHANGE COMMISSION:

In connection with my examination of the separate financial statements of **STENIEL MANUFACTURING CORPORATION** which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the accounting profession and duly registered with the Board of Accountancy (BOA);
2. That said financial statements are presented in conformity with Philippine Financial Reporting Standards, in all cases where I shall express an unqualified opinion; except that in case of any departure from such principles, I shall indicate the nature of the departure, the effects thereof, and the reasons why compliance with the principles would result in a misleading statement, if such is a fact;
3. That I shall fully meet the requirements of independence as provided under the Code of Professional Ethics for CPAs;
4. That in the conduct of the audit, I shall comply with the Philippine Standards on Auditing promulgated by the Board of Accountancy; in case of any departure from such standards or any limitation in the scope of my examination, I shall indicate the nature of the departure and the extent of the limitation, the reasons therefore and the effects thereof on the expression of my opinion or which may necessitate the negation of the expression of an opinion;
5. That I shall comply with the applicable rules and regulations of the Securities and Exchange Commission in the preparation and submission of financial statements; and
6. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under the Code of Professional Ethics for CPAs.

As a CPA engaged in public practice, I make these representations in my individual capacity and as a partner in the accounting firm of **VALDES ABAD & COMPANY, CPAs.**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the separate financial statements of **STENIEL MANUFACTURING CORPORATION** which comprise the separate statements of financial position as of December 31, 2023 and 2022, and the related separate statements of comprehensive income, separate statement of changes in equity, and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of **STENIEL MANUFACTURING CORPORATION** as of December 31, 2023 and 2022 and of its separate financial performances and its separate cash flows for the years then ended in accordance Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Philippine Financial Reporting Standards, 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 operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

(v) Evaluate the overall presentation, structure and content of the 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Report on Bureau of Internal Revenue Requirement

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information on Note 30 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Matters

The separate financial statements of **STENIEL MANUFACTURING CORPORATION** for the year ended December 31, 2022 were audited by another independent auditor whose report dated March 1, 2024 expressed an unqualified opinion on those separate financial statements.

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Makati City, Philippines
April 15, 2024

STENIEL MANUFACTURING CORPORATION

SEPARATE STATEMENTS OF FINANCIAL POSITION

(In Philippine Peso)
(Amounts in Thousands)
(With Comparative Figures as of December 31, 2022)

		December 31	
ASSETS	**Note**	**2023**	2022
CURRENT ASSETS			
Cash in banks	5	**16,224**	5,632
Receivables	6	**122**	122
Due from related parties	14	**12,125**	24,250
Prepaid expenses and other current assets, net	7	**21**	46,685
Total Current Assets		**28,492**	76,689
NON-CURRENT ASSETS			
Investment in subsidiaries	8	**457,820**	457,820
Property and equipment, net	9	**-**	91
Investment in equity securities	10	**62,017**	20,762
Total Non-Current Assets		**519,837**	478,673
TOTAL ASSETS		**548,329**	555,362
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other current liabilities	11	**8,070**	8,698
Due to related parties	15	**127,148**	119,940
Short-term borrowings	12	**-**	190,000
Income tax payable		**3,210**	-
Total Current Liabilities		**138,428**	318,638
EQUITY	13		
Capital stock		**1,418,812**	1,418,812
Additional paid-in capital		**408,423**	408,423
Deficit		**(1,422,906)**	(1,586,811)
Cumulative net unrealized loss in equity instruments	10	**5,572**	(3,700)
Total Equity		**409,901**	236,724
TOTAL LIABILITIES AND EQUITY		**548,329**	555,362

See Notes to Separate Financial Statements

STENIEL MANUFACTURING CORPORATION

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

(In Philippine Peso)
(Amounts in Thousands)
(With Comparative Figures for the year ended December 31, 2022)

For the Years Ended December 31,	Note	2023	2022
OTHER INCOME	16	**221,431**	25,607
OPERATING EXPENSES	15	**10,301**	6,441
INCOME BEFORE INCOME TAX		**211,130**	19,166
INCOME TAX EXPENSE	17	**52,514**	740
NET INCOME		**158,616**	18,426
OTHER COMPREHENSIVE INCOME			
Net tax for the period	10	**14,560**	1,318
TOTAL COMPREHENSIVE INCOME		**144,056**	17,108
BASIC AND DILUTED EARNINGS PER SHARE	13	**0.11179**	0.01299

See Notes to Separate Financial Statements

STENIEL MANUFACTURING CORPORATION

SEPARATE STATEMENTS OF CHANGES IN EQUITY

(In Philippine Peso)
(Amounts in Thousands)
(With Comparative Figures as of December 31, 2022)

For the Years Ended December 31,	Note	2023	2022
CAPITAL STOCK			
Balance at beginning and end of year	13	**1,418,812**	1,418,812
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning and end of year	13	**408,423**	408,423
DEFICIT			
Balance at beginning of year		**1,586,811**	1,605,237
Transfer of fair value reserve of equity instruments designated at FVOCI	10	**5,288**	-
Net income for the year		**158,616**	(18,427)
Balance at end of year		**1,422,906**	1,586,810
CUMULATIVE NET UNREALIZED GAIN(LOSS) IN EQUITY INSTRUMENTS			
Balance at beginning of year		**(3,700)**	(2,383)
Change in fair value of investments in equity instruments	10	**14,560**	-
Transfer of fair value reserve of equity instruments designated at FVOCI	10	**(5,288)**	(1,317)
Balance at end of year		**5,572**	(3,700)
TOTAL EQUITY		**409,901**	236,725

See Notes to Separate Financial Statements

STENIEL MANUFACTURING CORPORATION

SEPARATE STATEMENTS OF CASHFLOWS

(In Philippine Peso)
(Amounts in Thousands)
(With Comparative Figures as of December 31, 2022)

For the Years Ended December 31,	**Note**	**2023**	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax		**211,130**	19,166
Adjustment for:			
Depreciation	9	**91**	2,752
Gain on acquisition	12	**(65,435)**	-
Gain on disposal of investment	12	**(117,295)**	-
Dividend income	10	**(1,195)**	(602)
Interest income	16	**(5)**	(5)
Operating income before changes in working capital		**27,291**	21,311
Decrease (increase) in:			
Due from related parties		**12,125**	(24,250)
Prepayments and other assets, net		**(2,639)**	514
Increase (decrease) in:		**-**	-
Trade and other payables		**(628)**	(520)
Due to related parties		**(63)**	(1,501)
Cash generated from (used for) operations		**36,086**	(4,446)
Dividends received	10	**1,195**	602
Interest received	5	**5**	5
Net Cash from Operating Activities		**37,286**	(3,839)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in equity securities			
Placements	10, 12	**(55,490)**	(8,695)
Proceeds from disposal	10, 12	**28,796**	-
Net Cash from Investing Activities		**(26,694)**	(8,695)
NET INCREASE IN CASH		**10,592**	(12,534)
CASH, BEGINNING	5	**5,632**	18,166
CASH, END	5	**16,224**	5,632

See Notes to Separate Financial Statements

NOTE 1 – GENERAL INFORMATION

STENIEL MANUFACTURING CORPORATION, (STN or the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 13, 1963 primarily to engage in the manufacturing, processing, and selling of all kinds of paper products, paper board and corrugated carton containers, and all other allied products and processes. The Company's shares of stocks are listed for trading at the Philippine Stock Exchange Inc. (PSE). Its secondary purpose includes to do and perform all acts and things necessary, including the exercise of powers, authorities and attributes conferred upon corporations organized under the laws of the Republic of the Philippines in general and upon domestic corporations of like in particular.

On September 11, 2013, the SEC approved the Amended Articles of Incorporation (AO!) of the Company, extending the corporate life for another 50 years from September 13, 2013. Pursuant to the Revised Corporation Code of the Philippines, which took effect in February 2019, the Company shall have a perpetual existence because the Company did not elect to retain its specific corporate term under its AOI.

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

The ultimate parent of the Company is Steniel (Netherlands) Holdings B.V. (SNHBV), incorporated in Amsterdam and the registered owner of 82.2715% of the shares of the Parent Company prior to restructuring of the loan in 2019. The remaining 17.7284% of the shares are widely held.

Consequent to the restructuring of the loan in 2010, remaining unissued capital stock of the Company totaling 123,818,000 shares were issued to Roxburgh Investment Limited (Roxburgh) to reduce the Company's outstanding debts (Notes 12 and 13). The issuance of shares resulted to recognition of additional paid-in capital. As a result, Roxburgh owns 12.3818% of the Company, while the ownership of SNHBV as well as the public have been reduced to 72.0849% and 15.5333%, respectively.

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

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

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

Buyer	No. of shares	Percentage of Ownership
Greenkraft Corporation	216,679,430	21.67%
Corbox Corporation	194,972,492	19.50%
Goldenbales Corporation	194,972,492	19.50%
Clement Chua	21,641,947	2.16%
Rex Chua	21,641,947	2.16%
	649,908,308	64.99%

The tender offer commenced on October 12, 2020 and ended on November 10, 2020 (Tender Offer Period). A total of 11,780,533 common shares of Steniel were tendered during the Tender Offer Period, which comprise approximately 1.18% of the total issued and outstanding shares of the Corporation. SNHBV owns 5% ownership with the Company after registration of the sale and tender offer. As at December 31, 2022 and 2021, STN is the ultimate parent company following the completion of the Tender Offer.

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

1.1 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 16th year onwards.

- The restructured accrued interest expense prior to loan restructuring will be subject to interest 8% per annum.

- The restructured loan shall be secured by the assets/collateral pool under the Collateral Trust Agreement.

- All taxes and fees, including documentary stamp taxes and registration fees, shall be for the account of the Company.

- All other costs and expenses of restructuring including documentation costs, legal fees and out-of-pocket expenses shall be of the account of Company; and

- Other conditions include:

  a) Lenders' representative to be elected as director in STN and in each of its subsidiaries.
  b) A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.
  c) No dividend declaration or payments until the restructured obligations are fully paid.
  d) No new borrowing, unless with consent of the lenders.
  e) No repayment or prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.
  f) Creditor's consent for change in material ownership in the Company and mortgagors.
  g) Standard covenants, representations and warranties.

<u>1.2 Dacion en pago and equity conversion</u>

The dacion en pago relating to the Company's idle machineries and spare parts and the equity conversion through the issuance of the Company's capital stock have been completed as at December 31, 2010. The dacion en pago transaction reduced the outstanding loan principal amount by ₱122 million while the equity conversion reduced outstanding accrued interest by ₱248 million.

The dacion en pago relating to the Company's shares in SLC and a subsidiary's land and land improvements and building and building improvements has a total value of ₱290.00 million. In 2012, certain certificates authorizing registration were issued and reduced the total value from P290.00 million to ₱289.88 million. The remaining assignment of shares is still for finalization with buyers to meet the regulatory requirements on transfer of assets as at reporting date and this is expected to be completed in 2022 after the issuance of Certificate Authorizing Registration (CAR) by the BIR. The change in ownership and management in early 2012 and the issuance of CAR generally caused the delay in the implementation of the dacion en pago.

In July 2019, the BOD and Stockholders of the Company approved the conversion of loans into common shares of the Company. Consequently, principal payments on long-term debt was suspended beginning July 2019. On December 29, 2020, the Company issued shares to the lenders effecting the debt-to-equity conversion following the SEC approval of the Company's increase in authorized capital stock on the same day (Notes 12 and 13). The outstanding balance of the borrowings were reduced by ₱149.56 million as a result of the debt-to-equity conversion. In September 2023, the dacion en pago was completed and the balance of borrowing was fully settled. (Note 12)

<u>1.3 Restructuring of subsidiaries</u>

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, 2023 and 2022, Greenkraft holds 70.77% interest in SLC, while the remaining interest of SCPC is 29.21%.

1.4 Interest payments

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

In 2013, due to continuous working capital drain experienced by the Company as a result of difficult economic and business conditions, the Company requested reconsideration to defer the implementation of the loan agreement from the creditors which was acted favorably. The Company was granted another two (2) years extension of principal repayment, reduction of interest rate from 6% to 2% for the first five (5) years and further waived interest charges annually until January 1, 2019. Consequent to the BOD approval of the conversion of debt to common shares of the Company in 2019, the principal repayment was suspended beginning July 2019 and the interest on the remaining principal balance was waived.

1.5 Status of operations

The Company has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of ₱1,422.91 million and ₱1,586.80 million as at December 31, 2023 and 2022, respectively. These conditions, among others, indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

To address such going concern matter, the management has taken the following measures:

On July 17, 2019, the BOD and Stockholders of the Company approved the acquisition of shares of SMPC through a share swap transaction and the conversion of loans from Greenkraft Corporation and Roxburgh Investments Limited into common shares in the Company. To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the Articles of Incorporation to increase the authorized capital stock from ₱1 billion, divided into one billion common shares to ₱2 billion, divided into two billion common shares with par value of ₱1 per share (Notes 12 and 13).

On December 29, 2020, upon the SEC's approval of the Company's increase in authorized capital stock, the Company issued shares to the lenders effecting the debt-to-equity conversion thereby reducing the outstanding balance of the borrowings by ₱149.56 million. Further, the Company also issued shares to the shareholders of SMPC effecting the share swap transaction. The realization of these transactions resolved the capital deficiency position of the Company as at December 31, 2020.

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

NOTE 2 – BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1 Statement of Compliance

The separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS which is issued by the Financial and Sustainability Reporting Standards Council (FSRSC) are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

Approval of separate financial statements
The separate financial statements as at and for the year ended December 31, 2023 and 2022 were approved and authorized for issuance by the BOD on April 15, 2024.

2.2 Basis of Measurement

The separate financial statements of the Company have been prepared on a historical cost basis of accounting except for investment in equity securities which are carried at fair value.

2.3 Functional and Presentation Currency

The separate financial statements are presented in Philippine peso, which is also the Company's functional currency. All financial information expressed in Philippine peso is rounded off to the nearest thousand peso, except when otherwise indicated.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the separate financial statements.

3.1 Adoption of new and amendments to standards

Effective beginning on or after January 1, 2023

Disclosure of Accounting Policies (Amendments to PAS 1, Presentation of Financial Statements). These amendments help entities provide useful accounting policy disclosures by: requiring entities to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies relating to material transactions, other events or conditions are themselves material.

Definition of Accounting Estimates *(Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors)* clarifies how entities distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition and guidance on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. The amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction *(Amendments to PAS 12, Income Taxes)*, clarifies how entities account for deferred taxes on certain transactions, such as leases and decommissioning obligations, with a focus on reducing diversity in practice. The amendments narrow the scope of the initial recognition exemption so entities will need to recognize a deferred tax asset and a deferred tax liability arising from transactions that give rise to equal and offsetting temporary differences.

PFRS 17 – Insurance Contract establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance, and cash flows.

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

3.2 New and amended standards not yet adopted

Effective beginning on or after January 1, 2024

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

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

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

The Company is still assessing the impact of the preceding amendments to the separate financial statements.

Effective beginning on or after January 1, 2025

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

The Company is still assessing the impact of the preceding amendment to the separate financial statements.

3.3 Current versus noncurrent classification

The Company presents assets and liabilities in the separate statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.
The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

3.4 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.

<u>3.5 Financial assets</u>

The Company classifies its financial assets, at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Company for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Company changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Company manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Company considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

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

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

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

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

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

The Company's cash in banks, receivables, and due from related parties are included under this category.

Cash in banks are stated at face value.

Financial Assets at FVOCI. Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

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

At initial recognition of an investment in equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by- instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt instruments are recognized in profit or loss. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the separate statements of changes in equity are transferred to and recognized in profit or loss.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in profit or loss when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the separate statements of changes in equity are never reclassified to profit or loss.

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

3.6 Financial liabilities

The Company classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

As at December 31, 2023 and 2022, the Company has no financial liabilities at FVPL.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense" account in the separate statements of comprehensive income. Gains and losses are recognized in the separate statements of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the separate statements of comprehensive income.

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

<u>3.7 Derecognition of financial assets and financial liabilities</u>

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.

<u>3.8 Impairment of financial assets</u>

The Company recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost. ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Company recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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

At each reporting date, the Company assesses whether these financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the restructuring of financial asset by the Company on terms that the Company would not consider otherwise;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

The Company considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.
The Company directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the separate statements of comprehensive income. The ECLs on investments in debt instruments at FVOCI are recognized as accumulated impairment losses, with the resulting impairment losses (or reversals) recognized in the separate statements of comprehensive income.

3.9 Classification of financial instruments between liability and equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

3.10 Offsetting financial instruments

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

3.11 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.

3.12 Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to profit or loss during the period in which these are incurred.
Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

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

Machinery and equipment	3 to 10 years
Computer equipment	3 to 5 years

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

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

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

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

3.13 Investments in subsidiaries

The Company's investments in shares of stock of subsidiaries are accounted for under the cost method as provided for under PAS 27, Consolidated and Separate Financial Statements. The investments are carried in the separate statements of financial position at cost less any impairment in value. The Company recognizes dividend from a subsidiary in the separate statements of comprehensive income when its right to receive the dividend is established.

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

3.14 Impairment of non-financial assets

The carrying amounts of prepaid expenses and other current assets, property and equipment and investment in subsidiaries, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts.

The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

3.15 Fair value measurements

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

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purposes of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

3.16 Employee benefits

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

Retirement Benefits
Republic Act (A) 7641 "Philippine Retirement Law" requires the Company to pay a minimum retirement benefit to employees who retire after reaching the mandatory age of 65 years old or optional retirement age of 60 years old with at least five (5) years of service to the Company.

Management determined that the present value of the obligation arising from RA 7641 is not material to the separate financial statements.

3.17 Capital stock

Capital stock consists of common shares and is classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

3.18 Additional paid-in capital

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

3.19 Retained earnings (Deficit)

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

3.20 Revenue recognition

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

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

Dividend Income
Dividend income is recognized when the right to receive the payment is established.

Interest Income
Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income
Other income is recognized when earned.

3.21 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.

3.22 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

3.23 Income taxes

Income tax expense for the year is composed of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income. The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be
utilized, except:

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recover.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade payables and other current liabilities accounts" in the separate statements of financial position.

3.24 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

3.25 Provisions

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

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

3.26 Contingencies

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

3.27 Events after the reporting date

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

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the separate financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the separate financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

4.1 Judgments

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

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

The Company uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 18.

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

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

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

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

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

The Company determines that the business model for financial assets at amortized cost is held to collect contractual cash flows and meets the solely principal and interest criterion as at December 31, 2023 and 2022.

Measurement of Fair Values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

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

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

The fair values of the Company's financial instruments are disclosed in Note 18.

4.2 Estimates and Assumptions

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

Measurement of ECL on Financial Assets at Amortized Cost

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortized cost increase recorded operating expenses and decrease current assets.

The Company has assessed that the ECL on financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no allowance for impairment losses on financial assets at amortized cost was recognized in 2022 and 2021. The carrying amounts of other financial assets wat amortized cost are as follows:

	Note	2023	2022
Cash in banks	5	₱ **16,224**	₱ 5,632
Receivables, net	6	**122**	122
Due from related parties	14	**12,125**	24,250
Total		₱ **28,471**	₱ 30,004

Estimation of useful lives of property and equipment

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

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

The carrying amount of the Company's property and equipment amounted to nil and P0.09 million as at December 31, 2023 and 2022, 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, 2023 and 2022 (Note 7).

Allowance for impairment on investment in subsidiaries amounted to P1,559.43 million as at December 31, 2023 and 2022, respectively (Note 8).

No impairment loss was recognized on property and equipment as at December 31, 2023 and 2022 (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, 2023 and 2022 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 2023 and 2022.

NOTE 5 – CASH IN BANKS

This account consists of cash in banks amounting to ₱16.224 million and ₱5.632 million, as at December 31, 2023 and 2022, respectively. Cash in banks earn annual interest at the respective bank deposit rates.

Interest income from cash in banks amounted to ₱0.001 million and ₱0.005 million in 2023 and 2022, respectively (Note 16).

NOTE 6 – RECEIVABLES

This account consists of advances to employees amounting to ₱0.122 million as at December 31, 2023 and 2022 (Notes 14 and 18).

NOTE 7 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

This account consists of:

Particulars		2023		2022
Advances to suppliers	₱	**1,863**	₱	1,863
Allowance for impairment loss		**(1,843)**		(1,843)
Net		**20**		20
Prepaid Taxes		**-**		43,679
Input value-added taxes		**-**		2,986
Total	₱	**20,000**	₱	46,685

The remaining balance on prepaid taxes of ₱43.678 million as at December 31, 2022, is not considered impaired as this relates to excess tax payments or creditable withholding taxes which have no prescription period and the balances are being carried forward annually in the tax returns.

NOTE 8 – INVESTMENT IN SUBSIDIARIES

This account consists of:

Entity		2023		2022
SCPC:				
Cost	₱	**1,748,000**	₱	1,748,000
Allowance for impairment		**(1,559,430)**		(1,559,430)
SCPC		**188,570**		188,570
SMPC		**269,250**		269,250
Total	₱	**457,820**	₱	457,820

As of December 31, 2023 and 2022, both SCPC and SMPC are 100% owned by the Company.

8.1 SCPC and TPC

In 2006, the business operations of SCPC gradually slowed down. The temporary cessation of plant operations was approved by SCPC's BOD on March 27, 2007 in view of the continued losses incurred since its incorporation in addition to difficult economic and business conditions. Its operations are now limited to leasing its existing assets to a related party.

In 2008, TPC temporarily ceased its operations due to continuous losses incurred.

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

As at December 31, 2019, the related investment cost for SCPC has been fully provided with allowance for impairment losses. In 2020, the Company has reversed allowance for impairment on investment in SCPC amounting to ₱188,570,000 following management review of SCPC's financial position (Note 16).

8.2 SMPC

As at December 31, 2012, SMPC was a wholly-owned subsidiary of the Company. On December 27, 2013, the BOD of the Company approved the sale of its 99.99% ownership or 9,249,995 common shares in SMPC to various entities and individuals for a total consideration of P20,000,000 million. The sale resulted to a loss of ₱107,660,000 which further increased the deficit.

On July 17, 2019, the BOD and Stockholders approved the acquisition of shares of SMPC through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for shares of the Company. On December 29, 2020, the Company issued 269,250,000 shares to the shareholders of SMPC effecting the share swap transaction following the SEC approval of the Company's increase in authorized capital stock on the same day (Note 13).

As at December 31, 2023, and 2022, SMPC is a wholly-owned subsidiary of the Company.

NOTE 9 – PROPERTY AND EQUIPMENT, NET

The movements and balances of this account are as follows:

Machinery and equipment	*Note*		Amount
Cost		₱	**19,279**
Accumulated depreciation			
January 1, 2022			16,436
Depreciation	*15*		2,752
December 31, 2022			19,188
Depreciation	*15*		91
December 31, 2023			**19,279**
Carrying Amount			
December 31, 2022		₱	91
December 31, 2023		₱	**-**

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

NOTE 10 – INVESTMENTS IN EQUITY INSTRUMENTS

This account consists of investments in shares of stock of golf and country club memberships and publicly-listed utility companies in which the Company does not intend to dispose in the short-term and were designated as financial assets at FVOCI in 2023 and 2022.

These investments were measured at fair value based on quoted prices as at December 31 as follows:

Particulars		2023		2022
Cost				
Balance at beginning of year	₱	**24,462**	₱	15,768
Purchases		**55,490**		8,694
Disposal		**(23,507)**		-
Balance at the end of year		**56,445**		24,462
Changes in Fair Value				
Balance at beginning of year		**(3,700)**		(2,382)
Changes in fair value		**14,560**		(1,318)
Transfer of fair value reserve within equity		**(5,288)**		-
Balance at end of year		**5,572**		(3,700)
Total	₱	**62,017**	₱	20,762

Dividend income recognized amounted to ₱1.195 million and ₱0.602 million in 2023 and 2022, respectively (Note 16).

NOTE 11 – TRADE PAYABLES AND OTHER CURRENT LIABILITIES

This account consists of:

Particulars		2023		2022
Trade payables	₱	**1,737**	₱	1,556
Nontrade payables		**2,941**		4,017
Payable to government agencies		**3,391**		3,124
Total	₱	**8,069**	₱	8,697

Trade payables mainly pertain to liability that arose from the purchase of investments in equity instruments.

Non trade payables include accruals to employees and professional and legal fees.

Trade payables have a credit term which generally ranges from 15 to 30 days.

NOTE 12 – BORROWINGS

This account consists of:

Particulars	*Note*		2023		2022
Greenkraft Corporation	*1, 14, 18*	₱	-	₱	190,000

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 party creditors/lenders 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 ₱290 million to ₱289.88 million (Note 1). 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 resulting to a reduction of the borrowing balance. In 2014, the land and land improvements and building and building improvements of a subsidiary (SCPC) were transferred to the creditors/lenders.

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 was completed in 2023.

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.

The other features of the Amended Agreement are disclosed in Note 1.

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 were 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).

In September 2023, the dacion en pago was completed relating to the Company's shares in SLC. The Company acquired shares in SLC from SCPC with a cost of ₱72.705 million for ₱7.271 million resulting to a gain on acquisition amounting to ₱65.435 million. Consequently, the Company assigned the shares in SLC to Greenkraft as payment to its remaining balance of borrowings to Greenkraft amounting to P190 million resulting to a gain on disposal amounting to ₱117.295 million (Note 16). As of December 31, 2023, the Company has fully-settled its borrowings to Greenkraft.

Outstanding long-term debt amounted to nil and ₱190 million as at December 31, 2023 and 2022, respectively.

NOTE 13 – EQUITY

This account consists of::

Particulars	2023			2022		
	No. of shares		**Amount**	No. of shares		Amount
Authorized at ₱1.00 par value	**2,000,000**	₱	**2,000,000**	2,000,000	₱	2,000,000
Issued and outstanding ₱1.00 par value	**1,418,812**		**1,418,812**	1,418,812		1,418,812

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 ₱2 billion, divided into two billion common shares with par value of ₱1 per share.

On December 29, 2020, the SEC approved the increase in authorized capital stock of the Company. On the same date, the Company issued 269,250,000 shares to the shareholders of SMPC in exchange for all of their shareholdings to the latter. The Company also issued 149,562,081 shares to its lenders effecting the debt-to-equity conversion (Notes 8 and 12).

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

13.1 Additional Paid-in Capital

The Company's loans were restructured in October 2010 and the 123,818,000 unissued shares amounting to ₱123.82 million were issued to a creditor to settle portion of the loan amounting to ₱247.63 million. The excess of the amount settled over the amount of issued shares (₱123.81 million) was recognized as part of additional paid-in capital (Note 1).

13.2 Earnings (Loss) Per Share

The Company has no dilutive equity instruments. Basic earnings per common share in centavos for the years ended December 31 is calculated as follows:

Particulars		2023		2022
Net income for the year available to common shareholders	₱	**158,617**	₱	18,426
Divide by weighted average number of common shares, in thousand		**1,418,812**		1,418,812
Basic earnings per share	₱	**0.1118**	₱	0.01298

NOTE 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.

As at December 31, 2023 and 2022, outstanding balances arising from related party transactions are as follows:

Category	Year	Note/ Ref	Transaction	Receivables	Borrowings	Due from related parties	Due to related parties	Terms	Conditions
Entities under common control									
- Reimbursements	**2023**	6, 14b	₱ -	₱ **122**	₱ -	₱ -	₱ -	Collectible on demand;	Unsecured;
	2022		-	122	-	-	-	non - interest bearing	no impairment
- Services	**2023**	c	**37,500**	-	-	**12,125**	-	Collectible on demand;	Unsecured;
	2022		25,000	-	-	24,250	-	non - interest bearing	no impairment
- Advances	**2023**	14a	**7,208**	-	-	-	**127,148**	Payable on demand;	Unsecured
	2022		1,501	-	-	-	119,940	non - interest bearing	
- Borrowings	**2023**	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
	2022		190,000	-	190,000	-	-		
TOTAL	**2023**			₱ **122**	₱ -	₱ **12,125**	₱ **127,148**		
TOTAL	2022			₱ 122	₱ 190,00	₱ 24,250	₱ 119,940		

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

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

c. In 2022, SCPC has entered into a management and operations agreement with the Company for a period of one (1) year amounting to P25,000,000, renewable for another year, subject to terms and conditions mutually agreed by the parties. The key officers of the Company shall manage the affairs of SCPC and shall include such services corporate and business management, planning and budgeting, finance and treasury functions, accounting functions, financial reporting and regulatory filing and reporting, risk management, government and regulatory affairs, and administrative/office services and leasing. It shall be effective on January 1, 2022.

The Company's key management did not receive any compensation in 2023 and 2022. The Company's finance and administrative functions are being handled by a related party without any charge. (Note 16).

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

NOTE 15 – OPERATING EXPENSES

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

Particulars	Note	2023	2022
Professional fees		₱ **6,800**	₱ 2,416
Salaries, wages and employee benefits		**2,451**	983
Listing fees		**261**	250
Commission		**210**	-
Taxes and licenses		**176**	3
Depreciation	9	**91**	2,752
Office and computer supplies		**-**	14
Miscellaneous		**312**	23
Total		₱ **10,301**	₱ 6,441

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

NOTE 16 – OTHER INCOME

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

Particulars	Note	2023	2022
Gain on disposal of investment	*12*	₱ **117,295**	₱ -
Gain on acquisition of investment	*12*	**65,435**	-
Management fee		**37,500**	25,000
Dividend income		**1,195**	602
Interest income		**6**	5
Total		₱ **221,431**	₱ 25,607

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

NOTE 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:

Particulars		2023		2022
Income before income tax	₱	**211,130**	₱	19,166
Income tax expense (benefit) at statutory tax rate of 25%	₱	**52,782**	₱	4,792
Adjustments to income tax resulting from:				
Recognition of NOLCO which was previously derecognized		**-**		(3,900)
Dividend income		**(299)**		(151)
Interest income subjected to final tax		**(1)**		(1)
Nondeductible expenses		**31**		-
Total	₱	**52,513**	₱	740

As at December 31, 2023 and 2022, deferred tax assets have not been recognized in respect of the temporary differences and NOLCO as management believes that it is not probable that sufficient taxable profit will be available against which all deferred tax assets may be utilized.

Particulars		**2023**		2022
Temporary Differences:				
Allowance for impairment losses on advances to suppliers	₱	**1,843**	₱	1,843
NOLCO		**-**		-
Total	₱	**1,843**	₱	1,843

As at December 31, 2022, the Company has available applied all its NOLCO against its taxable income to wit:

Year Incurred		Amount		Expired/ Applied		Balance	Date of Expiry
2021	₱	3,532	₱	3,532	₱	-	2026
2020		8,327		8,327		-	2025
2019		3,743		3,743		-	2022
	₱	15,602	₱	15,602	₱	-	

NOTE 18 – FINANCIAL RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

<u>18.1 Objectives and Policies</u>

The Company's financial assets and liabilities, comprising mainly of cash in banks receivables, investments in equity instruments, trade payables and other current liabilities, borrowings and due to related parties, are exposed to a variety of financial risks: liquidity risk, credit risk and market risk (include price risk and cash flow interest rate risk). Management ensures that it has sound policies and strategies in place to minimize potential adverse effects of these risks on the Company's financial performance:

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

18.2 Liquidity Risk

Liquidity risk pertains to the failure of the Company to discharge its obligations and commitments. The tight cash position limits its obligation to take advantage of increasing demands. The Company's financial liabilities include trade payables and other current liabilities, 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, 2023	**Carrying Amount**	**Contractual Cash flow**	**Less than 1 year**	**More than 1 year**	**Total**
Trade payables and other current liabilities*	**₱ 4,678**	**₱ 4,678**	**₱ 4,678**	**₱ -**	**₱ 4,678**
Due to related parties	**127,148**	**127,148**	**127,148**	**-**	**127,148**
Borrowings	**-**	**-**	**-**	**-**	**-**
Total	**₱ 131,826**	**₱ 131,826**	**₱ 131,826**	**₱ -**	**₱ 131,826**

**Carrying amount excludes payable to government amounting to ₱3.391 million*

December 31, 2022	Carrying Amount	Contractual Cash flow	Less than 1 year	More than 1 year	**Total**
Trade payables and other current liabilities*	₱ 5,573	₱ 5,573	₱ 5,573	₱ -	₱ 5,573
Due to related parties	119,940	119,940	119,940	-	119,940
Borrowings	190,000	190,000	190,000	-	190,000
Total	₱ 315,513	₱ 315,513	₱ 315,513	₱ -	₱ 315,513

**Carrying amount excludes payable to government amounting to P3.124 million.*

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

In December 2020, significant amount of the Company's borrowings 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 ₱190.0 million with reference to the municipality zonal value of land owned by SLC (Notes 1, 12 and 14). This transaction was completed and the balance of borrowing was paid in full in September 2023.

18.3 Credit Risk

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

For the Company's banks and financial institutions requirements, decisions are made at the Company level that considers and leverages on Company's needs and cost. Cash in banks are maintained with universal and commercial banks which represent the largest single group, resource-wise, of financial institutions in the Philippines.

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

Particulars	Note		2023		2022
Cash in banks	5	₱	**16,224**	₱	5,632
Receivables	6		**122**		122
Due from related parties	14		**12,125**		24,250
Total		₱	**28,471**	₱	30,004

The table below shows the credit quality of the Company's financial assets as at December 31, 2023 and 2022.

			Neither past due nor impaired						
December 31, 2023	***Note***		**High Grade**		**Medium Grade**		**Low Grade**		**Total**
Cash in banks	***5***	**₱**	**16,224**	**₱**	**-**	**₱**	**-**	**₱**	**16,224**
Receivables	***6***		**-**		**-**		**122**		**122**
Due from related parties	***14***		**-**		**12,125**		**-**		**12,125**
Totals		**₱**	**16,224**	**₱**	**12,125**	**₱**	**122**	**₱**	**28,471**

			Neither past due nor impaired						
December 31, 2022	*Note*		High Grade		Medium Grade		Low Grade		Total
Cash in banks	*5*	₱	5,632	₱	-	₱	-	₱	5,632
Receivables	*6*		-		-		122		122
Due from related parties	*14*		-		24,250		-		24,250
Totals		₱	5,632	₱	24,250	₱	122	₱	30,004

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, 2023	**Note**	**12-month ECL**	**Lifetime ECL- not credit impaired**	**Lifetime ECL- credit impaired**	**Total**
Cash in banks	*5*	**₱ 16,224**	**₱ -**	**₱ -**	**₱ 16,224**
Receivables	*6*	**122**	**-**	**-**	**122**
Due from related parties	*14*	**-**	**12,125**	**-**	**12,125**
Total		**₱ 16,346**	**₱ 12,125**	**₱ -**	**₱ 28,471**

	Financial Assets at Amortized Cost			
December 31, 2022	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
Cash in banks	₱ 5,632	₱ -	₱ -	₱ 5,632
Receivables	122	-	-	122
Due from related parties	-	24,250	-	24,250
Total	₱ 5,754	₱ 24,250	₱ -	₱ 30,004

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

18.4 Market Risk

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

Foreign Currency Risk
The Company is exposed to foreign currency risk on its cash in banks that is denominated in US Dollars. The Company regularly monitors the outstanding balance of its cash in banks that is denominated in US Dollars and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to this foreign currency denominated asset. The Company expects that the effects of this foreign currency risk are immaterial to the separate financial statements.

Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposures to interest rate risk relates primarily to the Company's borrowings. The Company manages its interest rate risk by limiting its borrowings to long-term loans with fixed interest rates over the term of the loan.

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

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

		Effect on Capital Deficiency						
		2023			2022			
		3% Increase		**3% Decrease**		1% Increase		1% Decrease
Investment in equity securities	₱	**2,030**	₱	**(2,030)**	₱	1,098	₱	(1,098)

18.5 Fair Value Estimation of Financial Assets and Liabilities

Cash in Banks, Receivables, and Due from Related Parties. The carrying amounts of cash in banks, receivables, and due from related parties' approximate fair values due to the relatively short-term maturities of these financial instruments.

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

Trade Payables and Other Current Liabilities, 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.

18.6 Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Cash flow from the activities of the Company's operating subsidiaries is considered a measure that reflects the Company's ability to generate funding from operations for its investing and financing activities and is representative of the realization of value or shareholders from the Company's operations.

Total capital comprises the total equity as shown in the separate statements of financial position. The Company being a listed entity is covered by the PSE requirement of 10% minimum public ownership. The Company is under 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.

NOTE 19 – SUPPLEMENTARY TAX INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

I. Revenue Regulation (RR) No. 15-2010

In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

a) *Output value-added tax*

Output VAT declared for the year ended December 31, 2023 and the revenues upon which the same was based consist of:

Output VAT	₱ 4,500,000
Account title used	
Basis of the Output VAT	
Vatable sales	₱ **37,500,000**

b) *Input value-added tax*

Movements in input VAT for the year ended December 31, 2023 are as follows:

Beginning of the year	₱	-
Current year's domestic purchases:		
a. Services lodged under other accounts		-
Less: Claimed against Output VAT		-
Ending Balance	₱	-

c) *Importation*

The company did not have any purchases of imported goods subject to custom duties and tariff fees for the year ended December 31, 2023.

d) *Excise tax*

The Company did not have any transaction in 2023 which are subject to excise tax.

e) *Documentary stamp tax*

The Company paid documentary stamp taxes amounting to ₱48,318 during the year.

f) *Taxes and licenses*

The taxes and licenses paid and accrued in 2023 are as follows:

Other taxes paid during the year recognized under "Taxes and Licenses" account under Operating Expenses	
License and permit fees	₱ **415,260**

g) *Withholding taxes*

The Company remitted the following withholding taxes in 2023:

Expanded withholding taxes	₱ 581,504
Withholding taxes on compensation	415,260
Total	₱ **996,764**

h) *<u>Deficiency tax assessment and tax cases</u>*

The Company does not have any deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open years.

i) *<u>Tax cases</u>*

As of December 31, 2023, the Company has no pending tax court cases nor has received tax assessment notices from the BIR

II. Revenue Regulations No. 34-2020

On December 18, 2020, BIR issued RR 34-2020 which prescribed the guidelines and procedures for the submission of BIR Form 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending the pertinent provision of RR No. 19-2020 and RR No. 15-2010 .

The Company is not covered by the requirements and procedures for related party transactions provided under this revenue regulation.

ANNEX C

Sustainability Report

STENIEL MANUFACTURING CORPORATION
SUSTAINABILITY REPORT FOR 2023

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 2023
Highest Ranking Person Responsible for this report	Eliza C. Macuray – Treasurer/CFO/CAE

ECONOMIC

I. Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount (in Php)
Direct economic value generated (revenue)	3,406,866,818
Direct economic value distributed:	
a. Operating costs	3,325,825,595
b. Employee wages and benefits	79,558,330
c. Payments to suppliers, other operating costs	2,987,527,956
d. Dividends given to stockholders and interest payments to loan providers	Dividends - 0; Interest payments - 77,970,400
e. Taxes given to government	33,591,219
f. Investments to community (e.g. donations, CSR)	0

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The performance of revenue impacts the value of shares, the capacity to remunerate employees with wages and benefits, the allocation available for Corporate Social Responsibility (CSR) initiatives, and the taxes remitted to the government.	• Stockholders • Employees • Government • Community	The Company adheres to good business practices to ensure consistent performance and healthy revenue growth which may include the following: 1. Market Research and Analysis 2. Customer Retention by

		providing excellent customer services 3. Product and service innovation 4. Expansion of Market Reach 5. Adopting new and effective sales and marketing strategies 6. Operational efficiency 7. Employee Training and Development
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
The revenue may be influenced by the operational effectiveness of the lessee's machinery and equipment, while fluctuations in the market that impact the performance of investments in equity instruments can also affect revenue outcomes. Supply chain disruptions, such as inventory surplus or shortage, can lead to excess waste and production stoppages, resulting in financial losses. Rapid advancements in technology may render existing manufacturing processes or equipment obsolete, requiring costly upgrades or retooling.	• Stockholders • Employees • Government	The company guarantees that both owned and leased machinery and equipment undergo regular inspections and maintenance to facilitate uninterrupted operations. The company will enhance transparency across the supply chain to anticipate and mitigate potential disruptions. Forecasting will be improved by leveraging on historical data, customer insights and market trends. The company will strengthen its lean inventory management practices to minimize excess inventory and reduce the risk of obsolescence. The Company will prioritize investments in scalable and flexible technologies that can adapt to evolving market demands and technological advancements.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Revenue performance can be	• Stockholders	Management is currently

enhanced by a sound investment plan.	• Employees • Government	studying investment opportunities that can help improve revenue performance

II. Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	10 to 20%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Procuring raw materials from domestic suppliers offers the advantages of shorter lead times and streamlined communication, enhancing convenience. Furthermore, sourcing locally results in reduced transportation expenses, thereby bolstering the Company's profitability. On the other hand, sourcing raw materials internationally proves advantageous in terms of cost efficiency, particularly for bulk orders.	• Suppliers • Customers • Government	The Company consistently nurtures positive relationships with current suppliers while expanding the diversity of its supply chain by seeking out new suppliers both domestically and internationally. A diversified sourcing strategy can enhance resilience against disruptions such as geopolitical tensions, natural disasters, or transportation issues.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Insufficient planning and forecasting may result in either depleted stock levels, disrupting operational efficiency, or surplus inventory, leading to dormant capital and obsolete items.	• Suppliers • Customers • Governments	The company prioritizes demand planning and forecasting, routinely conducting inventory assessments to maintain an optimal balance of stock on hand. Additionally, it collaborates with other companies to source raw materials, capitalizing on competitive pricing opportunities.

What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Partnerships with domestic and international suppliers can lead to shared innovation, joint product development, and strategic alliances that will benefit both the Company and the supplier.	• Suppliers • Customers • Government	The Company will work on establishing strategic partnerships with local and international suppliers to foster long-term relationships built on trust, collaboration, and mutual benefit.

III. Anti-Corruption

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
The company maintains the utmost integrity standards, and therefore, employees, business partners, suppliers, and customers are expected to adhere to similar standards in their work performance and interactions with the company, stakeholders, and the public in general.	• Directors and Officers • Employees • Business Partners • Government	Management ensures that its anti-corruption policies and procedures are communicated to both employees and business partners. Copies of the Code of Conduct are discussed and distributed to officers and employees and they are strictly forbidden from participating in any form of direct or indirect bribery or corrupt activities. Furthermore, all directors and

		officers of the Company are required to attend the annual Corporate Governance seminars, which cover anti-corruption subjects among other relevant topics.
What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
The Company collaborates with customers known for upholding the highest standards of integrity. Failure to maintain this level of integrity reflects negatively on the company in the eyes of our customers, potentially dissuading ongoing partnerships and relationships with them.	• Directors and Officers • Employees • Business Partners Government	To safeguard the company's reputation against potential integrity lapses, the management is taking proactive steps. These include conducting thorough due diligence on potential partners, clearly communicating integrity expectations to employees and officers, implementing robust monitoring and compliance measures, swiftly addressing any unethical behavior, providing ongoing education on integrity, and maintaining transparent reporting practices. By adopting these approaches, the company can mitigate the risk of reputational harm and foster enduring partnerships with customers who uphold ethical standards.
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Enhance anti-corruption policies and procedures.	• Directors and Officers • Employees	Enhancing company policies and procedures against corruption requires a comprehensive approach. The various management approaches are as follows: Top management will continuously show their unwavering support towards the policy. Regular risk assessments will be

		conducted to help identify potential vulnerabilities in the policy and opportunities for improvement for effective risk management. Designing training programs that cater to the organization's needs, encompassing legal compliance and practical guidance.

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
Incidents of corruption have detrimental effects on both the Company's reputation and the morale of its employees. The Company's involvement is on the management of existing and potential risks.	• Directors and Officers • Employees • Government	Management strictly enforces the Company's anti-corruption policies and procedures and reviews all transactions to ensure that there is no corruption involved. Risk-based assessments are conducted regularly to proactively manage potential risks.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Acts of corruption affect the reputation of the Company and the morale of the people. Corrupt practices may put the company under tight government scrutiny.	• Directors and Officers • Employees • Government	Risk-based assessments are conducted regularly to proactively manage existing and potential risks.

What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Enhance training on anti-corruption policies and procedures	• Directors and Officers • Employees • Government	Management is continuously looking into ways it can enhance training on anti-corruption policies and procedures.

ENVIRONMENT

I. Resource Management

Energy consumption within the organization

Disclosure	Quantity	Units
Energy Consumption (renewable sources)	707,505.82	GJ
Energy Consumption (gasoline)	NA	GJ
Energy Consumption (LPG)	NA	GJ
Energy Consumption (diesel)	38,303.88	GJ
Energy Consumption (electricity)	3,404,972.00	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy Consumption (renewable sources)	47.74	GJ
Energy Consumption (gasoline)	0	GJ
Energy Consumption (LPG)	0	GJ
Energy Consumption (diesel)	0	GJ
Energy Consumption (electricity)	18,000	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
The Group is heavily dependent on electricity to operate, with its primary source being the power utility company, DLPC. Additionally, a portion of its electricity needs is fulfilled by a solar power generator leased and installed on the premises. Diesel is also utilized for operating equipment and vehicles. Optimizing the capacity of the solar power generator and ensuring efficient use of diesel	• Directors and Officers • Employees • Customers • Public	The Company performs routine evaluations to pinpoint significant energy users and their energy sources. Determining which areas to prioritize for energy conservation mainly depends on feasibility or the possibility of reducing energy consumption. Subsequently, a plan to decrease utility usage is developed to fulfill the company's energy consumption goals.

and electricity significantly affect both costs and the environment positively.		The management strategically schedules operations to maximize the utilization of solar power due to its cost-effectiveness and minimal environmental footprint. Moreover, the management purposefully schedules production to minimize diesel consumption while maintaining efficient product output.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Escalating power and diesel rates attributed, but not limited, to factors such as heightened fuel costs resulting from conflicts in import routes. Reduced customer demand compels the company to operate at reduced capacities, consequently impacting the efficiency of power consumption; thus, increasing the cost of operation.	• Directors and Officers • Employees • Customers • Public	The management is continuously working on optimizing the utilization of the solar power generator and exploring additional renewable energy sources. Through which, the company can reduce dependence on conventional electricity and volatile diesel. This shift towards renewable energy not only lowers operational costs but also enhances the organization's environmental sustainability profile.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Transition to renewable source of energy that is cheaper and may potentially attract environmentally cautious customers and investors. Adoption and implementation of energy-efficient technologies and practices which may include upgrading equipment, improving insulation and adopting smart energy management system.	• Directors and Officers • Employees • Customers • Government	The Company takes a proactive approach in adopting energy-efficient equipment. Additionally, the management is exploring the possibility of expanding the rooftop-mounted solar power generator.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	10,895	Cubic m
Water consumption	42,557	Cubic m
Water recycled and reused	2,595	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. Nevertheless, the Company ensures that there is a safe and sufficient source of water for drinking and utility use.	• Employee • Community • Government • Customer	To guarantee the safety of potable water for both employees and guests, the management conducts routine inspections and/or audits of drinking water suppliers. Additionally, the management ensures that regular tests are carried out on alternative water sources to confirm their suitability for utility use. Furthermore, the management maintains the cistern facility and the newly installed 60 cubic meter water tank within the plant to store and utilize rainwater effectively.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Increasing water rates and unstable water supply will have a direct effect on the operating cost and operation. Drinking water failing the standard quality poses health risks to employees.	• Employees • Government	The Company keeps the cistern and water tank in good condition to ensure that it effectively captures and stores rainwater and that the rainwater is efficiently used.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature	NA	NA

and size of operations, the Company has minimal water consumption. Thus, opportunities in relation to this matter are negligible		

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• Renewable	67,045.23	MT
• Non-renewable	163.88	MT
Percentage of recycled input materials used to manufacture the organization's primary products	24.10	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company's operations are significantly dependent on the accessibility and sustainability of its primary raw material, paper. In response to the substantial global demand, the Company collaborates with its customers to create products utilizing recycled papers, which not only offer cost advantages but also contribute to environmental preservation, thereby reducing the Company's working capital.	• Suppliers • Customers • Employees	Maximize the utilization of recycled papers through the implementation of novel technologies, ongoing process enhancements, and fostering innovation, alongside offering training programs to cultivate a proficient and technically skilled workforce.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Several factors, including the environmental consequences of global warming and the requirement for domestic wood in bio-energy production, present challenges to the sustainability of paper mills in fulfilling worldwide demands for paper rolls. Furthermore, these factors	• Suppliers • Customers • Employees	Continuous improvement in supply chain management and technological innovation to efficiently consume raw materials. Market analysis and pricing strategies are conducted and implemented to negotiate better

directly influence the pricing of paper rolls in the market.		prices with the suppliers.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
With increasing consumer demand for environmentally friendly packaging, the Company can capitalize on this trend by offering sustainable packaging solutions made from recycled or responsibly sourced paper materials. And as e-commerce continues to grow, there is a rising demand for packaging solutions tailored to shipping products directly to consumers. The Company can develop specialized packaging solutions optimized for e-commerce fulfillment, such as corrugated boxes designed for efficient shipping and product protection.	• Suppliers • Customers • Employees	Conducting market research and analysis, investing in research and development, integration of sustainable practices, strategic partnership and collaboration, service expansion and differentiation, and maintaining strong customer relations.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	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
N/A	N/A	N/A
What are the Risk/s	**Which stakeholders are**	**Management Approach**

identified?	affected?	
N/A	N/A	N/A
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A

Environmental impact management

a. GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	8,159.93	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	3,770.22	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	NA	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Energy indirect Greenhouse Gase (GHG) emission is the impact of usage of electricity, which is one of the major inputs in production.	• Employees • Customers • Government • Community	The Company has adopted and implemented energy conservation measures such as the use of LED lights, inverter drive motor, and upgraded the electrical power controls (power-saving devices).
What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
Poor air quality	• Employees • Customers • Government • Community	The Company has embraced and put into effect energy-saving initiatives, including consistent upkeep of APCD and APSE systems, complying with stack sampling outcomes, and preserving ambient air quality by installing air ventilation fan and air conditioning units.

What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Discover and implement new knowledge on power-saving technologies.	• Employee • Government • Community	The Company will invest in training and new equipment.

b. Air pollutants

Disclosure	Quantity	Units
NOx	5,500	kg
SOx	19,300	kg
Persistent organic pollutants (POPs)	0	kg
Volatile organic compounds (VOCs)	0	kg
Hazardous air pollutants (HAPs)	5,550	kg
Particulate matter (PM)	3,300	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 a negligible impact on this matter.	• Employee • Community	The management ensures that the prescribed DENR source emission standards are kept and regular testing is made for the boilers, vehicles, and stan-by generators.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	• Employee • Community	Sources of air pollution regularly undergo preventive maintenance and low sulfur fuel is used.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	NA	NA

c. Solid waste

Disclosure	Quantity	Units
Total solid waste generated	10,208,854.90	kg
Reusable	12,797.90	kg
Recyclable	10,088,450.00	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	107,607.00	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible impact in relation this matter.	• Employee • Community	Waste management key performance indicators were set and regular inspections/audits are conducted to monitor compliance and performance. Material recovery facilities were established and baling machine was installed to recover recyclable materials. Consistent implementation of solid waste management like proper segregation of waste and recycling.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	• Employee • Community	Assessments are conducted to identify the risks and risks are managed in accordance to the IRR prescribed by the DENR.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	• Employee • Community • Customers	Enhance and endorse the company's current forward-thinking strategy aimed at minimizing solid waste.

d. Hazardous waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	56,632	kg
Total weight of hazardous waste transported	41,380	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible impact in relation this matter.	• Employee • Community	Consistent implementation of hazardous waste management plan as prescribed by the implementing rules and regulations of RA 6969.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	• Employee • Community	Risks concerning hazardous waste are managed by conduction regular inspections and by designating a prescribed storage area, proper labeling for identification, and maintaining an updated inventory of hazardous wastes.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	• Employee • Community	Consistent implementation of hazardous waste management plan as prescribed by the implementing rules and regulations of RA 6969.

e. Effluents

Disclosure	Quantity	Units
Total weight of hazardous waste generated	74,925	kg
Total weight of hazardous waste transported	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.	• Employee • Community	Wastewater is temporarily held in the cesspool and undergoes treatment at the wastewater facility before being discharged. Regular inspection and review of waste streams are also conducted to identify instances of noncompliance and/or opportunities for improvement.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	• Employee • Community	On a periodic basis, the Company reviews compliance with the applicable government rules and internal campaign to use and recycle wastes.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	• Employee • Community	The Company continuously adopts new ideas and considers new technology that will help reduce and reuse waste.

Environmental compliance

a. Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	29,500	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	
No. of cases resolved through dispute resolution mechanism	0	

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach

organization's involvement in the impact?		
Taking into account the nature and size of Operations, the Company has negligible impact in relation this matter.	• Community • Employees • Customers	The company conducts annual reviews to ensure compliance with relevant environmental laws and regulations. Additionally, it offers comprehensive seminars and training sessions to its Pollution Control Officers (PCOs) to maintain their proficiency and keep them abreast of updates in regulations, thereby ensuring the company's PCOs remain knowledgeable and skilled.
What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	• Community • Employees • Customers	The company conducts annual reviews to ensure compliance with relevant environmental laws and regulations. Additionally, it offers comprehensive seminars and training sessions to its Pollution Control Officers (PCOs) to maintain their proficiency and keep them abreast of updates in regulations, thereby ensuring the company's PCOs remain knowledgeable and skilled.
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	• Community • Employees • Customers	The company conducts annual reviews to ensure compliance with relevant environmental laws and regulations. Additionally, it offers comprehensive seminars and training sessions to its Pollution Control Officers (PCOs) to maintain their proficiency and keep them abreast of updates in regulations, thereby ensuring the company's PCOs remain knowledgeable and skilled.

SOCIAL

I. Employee Management

Employee data

Disclosure	Quantity	Units
Total number of employees	261	Headcount
a. Number of female employees	58	Headcount
b. Number of male employees	203	Headcount
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)	0.39	Percent
Ratio of lowest paid employee against minimum wage	0	Percent

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100	100
PhilHealth	Y	100	100
Pag-Ibig	Y	100	100
Parental leaves	Y	3.98	10.52
Vacation leaves	Y	43.05	88.5
Sick leaves	Y	32.56	62.84
Medical benefits (aside from PhilHealth)	Y	100	100
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 attrition due to competition	• Employees	The Company explores strategies to enhance employee morale and regularly conducts employee engagement surveys to assess the current level of employee engagement and to determine which initiatives have to be prioritized or enhance.
What are the Opportunity/ies identified?	**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. Currently consistent team check-ins were in place.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	268.50	Hours
b. Male employees	1,176.00	Hours
Average training hours provided to employees		
a. Female employees	7.85	Hours/employee
b. Male employees	12.69	Hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Trainings were conducted within and outside the company premises in partnership with the Company officers, customers, and government agencies. Employees who receive relevant training and skills development seminars generally have high morale and are efficient in	• Directors • Officers • Employees	The Company regularly monitors and reviews key performance indicators which are indicative of the gaps within the company. Based on the result of the review, the Company assesses the needed training and skills development programs for its employees to achieve both the

performing their tasks, reducing operational costs.		employee and company goals.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
The lack of training and skills development programs contributes to higher attrition rates, as employees often seek these opportunities from other companies offering more competitive experiences and positions with higher salaries.	• Directors • Officers • Employees	The Company, through its Human Resource Department, develops and outsources skills development programs to enhance its competitiveness and regularly reviews the Company's salary structure.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
The Company may be able to identify potential leaders who will carry on its culture of excellence.	• Directors • Officers • Employees	The Company demonstrates support for people development programs and consistently reminds employees of the importance of improving their skill sets.

<u>Labor-Management Relations</u>

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	20.84	Percent
Number of consultations conducted with employees concerning employee-related policies	5	Sessions

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Harmonious labor-management relationship is a major factor in productivity and production quality. It has a big impact in promoting industrial peace and employee motivation.	• Employees	The operations team conduct meetings to discuss work-related issues. Resolving grievance issue is a priority of HR.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**

Labor dispute may affect productivity, industrial peace and harmony.	• Employees	The operations team conduct meetings to discuss work-related issues. Resolving grievance issue is a priority of HR.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Quick dissemination of new policies. Opportunity to discover immediate solutions if there are labor issues.	• Employees	Regular meetings between dedicated staff and the employees; representative(s) can help resolve labor related issues immediately.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	22.07	Percent
% of male workers in the workforce	77.93	Percent
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])	3	Headcount

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Gender equality policies and campaigns are implemented and advocated in the Company. It has a significant impact on keeping the employees motivated, feeling secure, and involved, and preventing issues such as discrimination, bullying, and harassment.	• Directors • Officers • Employees	The Management consistently implements related policies and exemplifies respect at all times, regardless of sex or gender. Related issues are thoroughly discussed to maintain equality in the workplace.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Ineffective and unimplemented policies may result to attritions, discrimination, bullying, and	• Directors • Officers • Employees	The Company conducts pre-employment orientations and annual re-orientations related to

harassment. Lacking policies may lead to unintended offense and mistrust within the organization.		gender sensitivity and other related topics. The Company also conducts individual counseling.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
By working on the Company's gender-friendly image, the Company can attract more talents that will bring new skills and knowledge to the company.	• Directors • Officers • Employees	The Company provides equal opportunities to employees regardless of gender and involves employees in planning.

Workplace Conditions, Labor Standards, and Human Rights

a. Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	1,849,652	Man hours
No. of work-related injuries	13	Cases
No. of work-related fatalities	0	Cases
No. of work-related ill-health	0	Cases
No. of safety drills	4	Sessions

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Occupational Health and Safety Committee is responsible for devising and executing workplace programs aimed at ensuring the safety of all stakeholders. Additionally, employees are urged to adhere to health and safety protocols even outside of the workplace. By implementing health and safety programs, the company will guarantee the well-being and safety of its workforce and surroundings.	• Employees • Customers • Visitors • Suppliers	The Company through its Health and Safety Committee continuously and consistently improves and implements programs to sustain a healthy and safety operation.

What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Failure to adhere to the company's health and safety programs and protocols by stakeholders could lead to incidents and security threats that disrupt both the workforce and operations.	• Employees • Customers • Visitors • Suppliers	The company, via its Health and Safety Committee, consistently improves and enacts initiatives aimed at sustaining a healthy and safe operational environment. Furthermore, it furnishes employees with Personal Protective Equipment (PPE) and conducts health and safety seminars and orientations for new hires as well as on an annual basis.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Opportunities for improvement were noted in areas of employee safety and security.	• Employees • Community	The company, via its Health and Safety Committee, persistently enhances and implements programs to maintain a healthy and safe operation.

b. Labor Laws and Human Rights

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

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
N/A	-	-

What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
N/A	-	-
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	-	-

II. 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
Bribery and corruption within the supply chain can significantly impact the organization, much like environmental issues, human rights, and worker safety concerns.	• Directors • Officers • Employees	Consistently conducts comprehensive business process reviews and audits to pinpoint potential risks, while rigorously assessing the adequacy and efficacy of established controls.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
The issues can expose the Company to various risks such as regulatory noncompliance, reputational damage, operational disruptions stemming from environmental incidents, and legal consequences.	• Directors • Officers • Employees	The Company should implement a multifaceted strategy. This includes conducting thorough risk assessments to identify vulnerabilities, establishing robust compliance management systems, implementing proactive environmental practices,

		developing reputation management strategies, creating crisis response plans, ensuring legal compliance with the help of legal counsel, and continuously monitoring and improving risk management processes. Through these measures, management can mitigate the potential negative impacts on the company's performance and long-term sustainability, promoting resilience and responsible business practices.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Proactive environmental practices and reputation management enhance stakeholder trust, attracting new business. Improving operational efficiency through risk assessments and management boosts competitiveness and reduces costs. Robust compliance systems provide a competitive edge and mitigate regulatory risks. Crisis response plans foster innovation and leadership.	• Directors • Officers • Employees	Management proactively prioritizes strategic initiatives aimed at enhancing stakeholder trust, operational efficiency, compliance, and crisis preparedness. This involves implementing environmentally sustainable practices and effective reputation management strategies to attract new business and solidify stakeholder relationships. Additionally, conducting thorough risk assessments enables the identification of operational inefficiencies and the implementation of measures to streamline processes, reduce costs, and enhance competitiveness.

IV. Relationship with Community

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: N/A

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
N/A	-	-
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	-	-

V. Customer Management

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	

Health and Safety

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company implements health and safety protocols within the company premises and promotes to employees to extend the best practices outside the company premises. By adhering to these protocols, the Company provides a safe and healthy working environment for employees and other stakeholders, isolating the exposure to potential hazards.	Health and safety officers conduct regular site inspections to identify hazards and discuss them with management to develop plans to address and/or manage the risks.
What are the Risk/s identified?	**Management Approach**
Among the risks identified were as follows: 1. Inconsistent implementation of plant waste management 2. Accumulated hazardous waste of predecessor owner 3. Some electrical hazards were noted. 4. Rate of obese employees is high	Immediately discuss the hazards and health issues identified and implement action plans to address and manage the risks identified. Continuously improve the health and safety committee by providing training and seminars to update and acquire existing and new knowledge.
What are the Opportunity/ies identified?	**Management Approach**
The Company has the opportunity to improve its health and safety programs by venturing into new services and programs such as: 1. Health and Safety Consulting Services by the company's contracted doctor 2. Remote health and safety training 3. Emergency response and crisis management	The company is fully committed to endorsing health and safety initiatives and has instructed the Human Resource Department to implement new programs aimed at enhancing health and safety standards.

4. Promoting active lifestyle through sports events	

Marketing and Labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling	57	Counts
No. of complaints addressed	57	Counts

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
There have been no grievances regarding the marketing and labeling of the Company's products because the customer owns the design and the Company only follows whatever design was provided. However, there have been a few isolated cases of complaints regarding the product quality. All of which were promptly dealt with.	Consistent communication with customers is in place to discuss issues and product improvements. Issues are resolved and CPAR (Corrective and Preventive Action Report) is communicated to customers to assure them that all issues are properly dealt and a long-term plan is in place to manage the risk of reoccurrence. Follow applicable customer quality assurance policies and other customer requirements. Simultaneously ensure compliance to internal quality assurance policies that is at par or even better than the customers.
What are the Risk/s identified?	**Management Approach**
Persistent unresolved customer complaints could damage the Company's reputation for producing high-quality products, potentially leading to customer loss and a decrease in revenue-generating capability.	The Company keeps a record of all customer complaints for future review reference to identify recurring issues and evaluate the effectiveness of the corrective and preventive action plans implemented.
What are the Opportunity/ies identified?	**Management Approach**
The company's identity as a well-known producer of quality products may be used in marketing and advertising to bolster revenue.	The company capitalizes on its reputation as a renowned producer of quality products by leveraging it in marketing and advertising campaigns to boost revenue. Additionally, it pursues opportunity to improve efficiency and reduce rejection rates by upgrading machinery and facilitating continuous skill development among employees.

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy	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
Considering no complaints were received related to customer privacy, the impact on the company is negligible.	The Company regularly reviews and strictly implements policies set forth to preserve data security.
What are the Risk/s identified?	**Management Approach**
Incidents of data breaches may result in a loss of confidence by stakeholders, dissuading them from being associated with the Company.	The Company strictly implements the policies and best practices related to data privacy.
What are the Opportunity/ies identified?	**Management Approach**
Periodically review, update, and improve the data privacy policies and practices.	Management shall periodically review, update, and improve the Company's data privacy policies and practices to ensure compliance with Data Privacy Law and regulations.

Data Security

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company protects the data of all company stakeholders by implementing IT controls and secured archives for physical documents. Access to files and documents is also restricted to authorized employees and employees are trained to handle data with utmost confidentiality.	The Company regularly reviews and strictly implements policies set forth to preserve data security.

The company remains trusted by stakeholders because it has a high regard for data security.	
What are the Risk/s identified?	**Management Approach**
Incidents of data breaches may result in a loss of confidence by stakeholders, dissuading them from being associated with the Company.	The Company strictly implements the policies and best practices related to data privacy.
What are the Opportunity/ies identified?	**Management Approach**
Periodically review, update, and improve the data privacy policies and practices	Management shall periodically review, update, and improve the Company's data privacy policies and practices to ensure compliance with Data Privacy Law and regulations

VI. 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
Manufacturing of corrugated boxes, and other paper-based packaging products. Lease of land, facility, machineries and equipment.	Taking into account the nature and size of Operations, the Company has negligible societal value/contribution to UN SDGs.	Taking into account the nature and size of Operations, the Company has negligible potential negative impact of contribution to UN SDGs.	The Company adheres to good business practices and strives to achieve sustainable development where relevant.

SEC Form 17-A for the Period Ended December 31, 2022

COVER SHEET

2	3	7	3	6

S.E.C. Registration Number

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

(Company's Full Name)

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

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

C A V I T E

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

Janice L. Co

Contact Person

+632361-9061

Company Telephone Number

1	2		3	1

Month Day
Fiscal Year

1	7	-	A	

FORM TYPE

Last Tuesday of April

Month Day
Annual Meeting

Secondary License Type, If Applicable

C	F	D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

3	6	2	6

Total No. of Stockholders

Domestic	Foreign
-	–

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

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 2022

2. SEC Identification Number : 23736

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

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

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

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

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

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

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

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

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

    Yes [✓] No [ ]

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

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

    Yes [ ] No [✓]

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

    Yes [✓] No [ ]

13. The aggregate market value of voting stocks held by non-affiliates is Php48,344,686 computed on the basis of the closing share price on July 5, 2006[1] of Php0.26 per common share.

[1] There were no transactions since July 6, 2006, the date when the Philippine Stock Exchange implemented a temporary trading suspension on the Company's shares.

TABLE OF CONTENTS

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Background

Steniel Manufacturing Corporation (“STN” or the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 13, 1963. The 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 Company is listed in the Philippine Stock Exchange Inc. (PSE).

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

Following a decision made by the Company’s Board of Directors (BOD) in 1996 to reorganize the Group, the 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 Company’s principal activity now limited to holding of investments.

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

Consequent to the restructuring of the loan in 2010, the remaining unissued capital stock of the Company totaling 123,817,953 shares were issued to Roxburgh Investment Limited (Roxburgh) to reduce the Company’s outstanding debts. 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 British Virgin Islands as an investment company), to purchase up to 100% of the issued and outstanding shares of SNHBV. With the sale of shares of SNHBV, Right Total became the owner of the 72.0849% shares of SNHBV consequently making Right Total as the ultimate parent company.

On January 25, 2012, the Company received a tender offer report from SNHBV offering 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 June 26, 2019, the Company approved the reacquisition of Steniel Mindanao Packaging Corporation (“SMPC”), as described below, through a share swap transaction involving the transfer of 100% of the outstanding capital stock of SMPC in favor of the Company in exchange for STN shares. The Company also approved the conversion of the loans extended by Greenkraft Corporation ("Greenkraft") and Roxburgh into equity. These approvals were made in view of the need to address the negative capital of the Company.

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

On October 7, 2020, Greenkraft Corporation (Greenkraft), Golden Bales Corporation (Goldenbales), Corbox Corporation (Corbox), Rex Chua and Clement Chua, as purchasers (collectively, the Buyer Group) 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%

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

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

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

As at December 31, 2022, SNHBV owns 5% interest in STN.

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

B. Subsidiaries

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

	Percent of Ownership	
	2022	2021
Steniel Cavite Packaging Corporation (SCPC)*	**100**	100

Steniel Mindanao Packaging Corporation (SMPC)**	**100**	100

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

*** SMPC was reacquired on December 29, 2020.*

1. *Steniel Cavite Packaging Corporation (SCPC)*

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

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

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

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

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

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

2. *Steniel Mindanao Packaging Corporation (SMPC)*

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

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

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

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

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

As at December 31, 2022, the operating subsidiaries of the Company are SCPC and SMPC.

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 Company has a total of three (3) employees as at December 31, 2022.

E. Patents, Trademarks Copyrights and Licenses

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

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

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

Not applicable.

G. Cost and Compliance with Environmental laws

The 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

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 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 creditors/lenders signed the Amended and Restated Omnibus Agreement (the "Amended Agreement"), which finally resolved the default situation. The essential elements of the Amended Agreement are summarized below:

- The outstanding principal and accrued interest expense as at September 30, 2010 was restructured for 25years.

- 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 Steniel Land Corporation (SLC); (b) identified idle assets of the Company and its subsidiaries; and (c) by way of conversion into equity though 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 of restructuring.

- The restructured accrued interest expense prior to loan restructuring will be subject to interest of 8% per annum.

- Restructured outstanding principal will be subject to interest of 6% per annum for 15 years and 8% per annum and the sixteenth (16^{th}) year and onwards.

- 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 Company, and

- Other conditions include:

    a. Lenders' representative to be elected as director in the Company 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.

Dacion en pago and Equity Conversion

The dacion en pago of the Group's idle machineries, spare parts and the equity conversion through the issuance of the 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 improvements has a total value of P290.0 million. In 2012, certain certificates authorizing registration were issued and reduced the total value from P290.0 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 2022 after the issuance of Certificate Authorizing Registration (CAR) by the BIR. The change in ownership and management in early 2012 and the issuance of CAR generally caused the delay in the implementation of dacion en pago.

In July 2019, the BOD and Stockholders of the Company approved the conversion of debt into common shares of the Company. Consequently, principal payments on long-term debt were 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. 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 TPC. On August 12, 2013, following management's assessment, the Board of the Company and TPC approved the withdrawal of the merger application filed with the 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 has occurred at the beginning of 2010.

The Company also has a 39.71% direct and indirect (through SCPC & TPC) interest in SLC. In 2010, all of the ownership interest of TPC and STN was assigned to Greenkraft, and the remaining interest of SCPC in SLC is 29.21%.

As at December 31, 2022 and 2021, 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 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 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 2 years extension of principal repayment, reduction of interest rate from 6% to 2% for the first 5 years and further waive interest charges annually until 2019. Consequent to the BOD approval of the conversion of debt to common shares of the Company in 2019, principal and interest payments on long-term debt was suspended beginning July 2019.

Status of Operations

The Group has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P1,070 million and P1,108 million, as at December 31, 2022 and 2021, respectively.

To improve this condition, 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.

On December 29, 2020, upon the SEC's approval of the Company's application for 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 resulting to a provisional gain of P158.27 million from the acquisition of a subsidiary. The realization of these transactions resolved the capital deficiency position of the Group in 2021 and 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 10 in the Notes to the Consolidated Financial Statements, the Company reclassified certain remaining assets and shares of stocks in an associate from investment to assets held-for-sale which was subject to *dacion en pago* under the provisions of the Amended Agreement. The assets and shares are measured at lower of the carrying amount and fair value less cost to sell. The *dacion en pago* is expected to be completed in 2023.

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 in the Notes to Consolidated Financial Statements.

Please also refer to Note 24 - Financial Risk and Capital Management Objectives and Policies of the Notes to Consolidated Financial Statements for additional discussions.

Item 2. Properties

Please refer to Note 10 – Asset-Held-for-Sale and Note 11 – Property and Equipment, of the Notes to Consolidated Financial Statements for the table of properties.

The Group's building and building improvements, leasehold improvements and machinery and equipment were 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 section), the dacion en pago of the Group's idle machines and building had been partially completed as at December 31, 2010 and September 30, 2014 respectively, thereby reducing outstanding principal amount by Php222 million.

With regard to the *dacion* of the shares in SLC, the CARs for the transfer of shares to Greenkraft were issued in 2012. The CARs covering the transfer of shares held by SCPC is currently being processed. These transactions relating to the Group's shares in SLC have a total value of Php190.0 million.

Recent Acquisitions

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

The box plant assets, all located in Davao Del Norte, consist of the buildings, other land improvements, machines, motor vehicles as well as the land where the box plant is located. SCPC acquired the land from Diamond Farms, Inc. on December 1, 2021 for USD2.3 Million and the rest of the box plant assets from Dole on January 24, 2022 for USD8 Million. Dole turned over the operations of the box plant assets to SCPC on February 24, 2022.

Simultaneous to the acquisition of the box plant assets was the execution of an agreement between Dole and SMPC for the supply of boxes, labels and other packaging materials made of paper related products. With a minimum purchase commitment from Dole, the supply agreement shall be effective from August 24, 2022 to February 23, 2032, and later extended to February 23, 2033.

With the foregoing acquisitions and contractual arrangements with Dole, the Company, through SCPC and SMPC, expects to increase the Group's production capacity from 60,000 MT to 120,000 MT and double the sales revenue.

Item 3. Legal Proceedings

As of December 31, 2022, neither the Company nor any of its subsidiaries are involved in, or the subject of, any legal proceedings which, if determined adversely to the Company or the relevant subsidiary's interests, would have a material adverse effect on the business or financial position of Company or any of its subsidiaries.

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

A. Market Price

The Company's common shares are listed on The Philippine Stock Exchange, 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.

B. Holders

As of December 31, 2022, the top twenty (20) stockholders of the Company are the following:

	Name	**Citizenship**	**No. of shares**	**%**
1	Greenkraft Corporation	Filipino	317,916,912	22.41%
2	Golden Bales Corporation	Filipino	275,747,492	19.44%
3	Corbox Corporation	Filipino	275,747,492	19.44%
4	Roxburgh Investments Limited	BVI	261,910,502	18.46%
5	PCD Nominee Corporation	Filipino	71,555,009	5.04%
6	Steniel (Netherlands) Holdings B.V.	Dutch	70,940,604	5.00%
7	Rex Chua	Filipino	30,607,972	2.16%
8	Clement Chua	Filipino	30,607,972	2.16%
9	Valmora Investment & Management Corporation	Filipino	10,443,860	0.74%
10	Rustico and/or Lolita Garingan	Filipino	2,097,276	0.15%
11	Delfin R. Maceda	Filipino	1,980,000	0.14%
12	PCD Nominee Corporation	Non-Filipino	1,954,703	0.14%
13	Calvin C. Chua	Filipino	1,828,500	0.13%
14	Tower Securities Inc.	Filipino	1,685,333	0.12%
15	AB Capital Securities Inc.	Filipino	1,490,886	0.11%
16	Sally C. Ong Pac	Filipino	1,450,000	0.10%
17	Leonardo 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, 2022, the Company has a public float level of 13.11%.

C. Dividends

The Company did not declare any dividends for the years ended December 31, 2020, 2021 and 2022. Based on its By-Laws, dividends may be declared from the surplus profit at such time or times and in such percentage as the Company's Board may deem proper. No dividend shall be declared that will impair the capital of the Company. Stock dividend shall be declared in accordance with the law.

D. 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 the following entities, natural and juridical, as a result of the share swap transaction and debt-to-equity conversion:

1. 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

2. 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 Php 2,205 million while revenue recorded last year amounting to Php 1,276 million. Revenues on both years mainly consist of the manufacturing and selling of cartons and packaging materials to domestic and international markets.

Cost of sales and expenses applicable to the manufacturing business totaled Php 1,824 million for the current year and Php 1,140 million for the previous year. Gross profit margin for the current period posted at 17.31%, compared to last year's margin of 10.71%. The sharp decrease for the current year was due to the consolidation of the manufacturing business.

Operating expenses during the current year posted Php 268.133 million compared to last year of Php 115.079 million. The increase of Php 153.054 million consist of costs incurred to support the manufacturing activities.

Financing charges recognized during the current year is mainly related to long term bank borrowings to support the plant's operation amounted to Php 41.711 million.

Other charges, net for the period ending 2022 amounted to Php 36.722 million compared to last year other income Php 12.183 million. The significant decrease is attributable to foreign exchange loss recognized during the year amounting to Php 51.432 million.

Income tax expense applicable for the current year amounted to Php 2.635 million compared to Php 0.984 million in 2021.

Overall, the Group realized a consolidated net income of Php 28.355 million for the year ended December 31, 2022 compared to Php 17.965 million last year. The significant increase was mainly attributed to the increase in the gross profit resulting from operations this year.

Financial Position

Total current assets as at December 31, 2022, totaled Php 3,117.334 million as compared to Php 1,387.861 million in 2021. The increase was mainly due to the increase in inventories to supply increasing sales of the Group. Non-current assets also increased to Php 873.317 million as at current year-end against last year's Php 693.772 million.

The Group's consolidated current liabilities as at current year-end totaled Php 2,826.918 million as compared in 2021 of Php 1,167.908 million. The significant increase was mainly attributed to the increase in purchases. SMPC, the operating subsidiary's working capital was secured from bank loans to sustain its operation and commitments to clients.

Total assets as at year-end 2022 totaled Php 4,118.229 million compared to Php 2,080.633 million in 2021. In view of the foregoing discussions, the Steniel Group's current ratio during the year recorded at 1.10 and last year at 1.19. Debt-to-equity ratio in 2021 is 4.46 compared last year at 1.85.

Plans and Strategies

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

On December 29, 2020, following the approval of SEC of the Company's application for increase of authorized capital stock from Php1 Billion divided into 1 Billion common shares to Php2 Billion divided into 2 Billion common shares, the Company issued a total of 418,821,081 shares resulting from the debt to equity conversion and share swap transaction.

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

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

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

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

Item 7. Financial Statements

The Company's consolidated and separate audited financial statements for the period ended December 31, 2022 attached as Annexes “A” and “B”.

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 Company

The term of office of directors of the Company is one (1) year. As of December 31, 2022, the directors and executive officers of the Company were:

Directors	Age	Position
Nixon Y. Lim	52	Chairman/President & CEO
Mark O. Vergara	57	Director
Eliza C. Macuray	64	Director and Treasurer
Esteban C. Ku	57	Director
Kenneth George D. Wood	64	Lead Independent Director
Adam Anthony S. Cabe III	47	Independent Director
Rhea M. Alarcon	52	Independent Director

A. 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 Sociedad. He received his Juris Doctor degree from the Ateneo de Manila Law School in 1992, and his Bachelor of Science in Legal Management degree from the Ateneo de Manila University in 1988. He was admitted to the Philippine Bar in 1993. Mr. Vergara is currently a Director 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., CitifFinancial 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 the Group, her previous work experience was with United Pulp and Paper Co., Inc. for more than 2 decades, where she gained her experience in the paper business, particularly in finance with focus on tax matters. She also served as Accountant to Orange Performance Techniques Inc. She is currently the Comptroller of Container Corporation of the Philippines.

Esteban C. Ku

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

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.

B. 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.

C. Family Relationships

There are no family relationships between directors and executive officers of the Company up to the fourth civil degree.

D. Involvement in Legal Proceedings

Neither the Company nor any of its subsidiaries are involved in, or the subject of, any legal proceedings which, if determined adversely to the Company or the relevant subsidiary's interests, would have a material effect on the business or financial position of the Company or any of its subsidiaries.

The Company and its subsidiaries are not involved in any bankruptcy, receivership or similar proceedings.

Item 10. Executive Compensation

A. Compensation Summary

For each of the years ended December 31, 2022, 2021 and 2020, the total salaries, allowances and bonuses paid to the most highly compensated executive officers are as follows:

SUMMARY ANNUAL COMPENSATION TABLE			
Name and Principal Position	**Period**	**Salary**	**Bonus**
Most highly compensated executive officers	2022	2,949,000.00	0
Nixon Lim	2021	2,831,037.00	0
Eliza Macuray	2020	884,000.00	0

No other directors and executive officers are receiving compensation.

B. Standard Arrangements

Other than payment of reasonable gross per diem for every meeting, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as director.

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

A. Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2022, the stockholders holding more than 5% of the Company's voting securities were:

Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percent
Greenkraft Corporation *W. Ng Bldg., MacArthur Highway cor. Rovimar St., Brgy. Balibago, Angeles, Pampanga*	record and beneficial	Filipino	317,916,912	22.41%
Golden Bales Corporation *Km. 14 After Panacan Substation, Panacan, Davao City, Davao del Sur*	record and beneficial	Filipino	275,747,492	19.44%
Corbox Corporation Purok Gemelina, Tayud, Lilo-an, Cebu	record and beneficial	Filipino	275,747,492	19.44%
Roxburgh Investments Limited P.O. Box 957, Offshore Incorporations Center Road Town, Tortola, British Virgin Islands	record and beneficial	BVI	261,910,502	18.46%
PCD Nominee Corporation 6th Flr. Makati Stock Exchange, 6767	Philippine Central Depository, Inc.'s	Filipino	71,555,009	5.04%

Ayala Ave., Makati City	Various Participants			

B. Security Interest of Directors and Management

As of December 31, 2022, 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	Percentage
Nixon Y. Lim	Common	1 (Direct) 478,935,348 (Indirect)	Filipino	33.76
Mark O. Vergara	Common	1 (Direct) 70,940,604 (Indirect)	Filipino	5.00
Eliza C. Macuray	Common	1 (Direct)	Filipino	nil
Esteban C. Ku	Common	1 (Direct) 91,906,639 (Indirect)	Filipino	6.48
Kenneth George D. Wood	Common	1 (Direct)	Filipino	nil
Adam Anthony S. Cabe III	Common	1 (Direct)	Filipino	nil
Rhea M. Alarcon	Common	1 (Direct)	Filipino	nil

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

C. Voting Trust Holders of 5% or More

There are no persons holding more than 5% of a class under a voting trust or nay similar agreements as of balance sheet date.

D. Change in Control

On October 7, 2020, Greenkraft Corporation (Greenkraft), Golden Bales Corporation (Goldenbales), Corbox Corporation (Corbox), Rex Chua and Clement Chua, as purchasers (collectively, the Buyer Group) entered into a Share Purchase Agreement with Steniel (Netherlands) Holdings B.V. ("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%

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

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

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

With the completion of the aforesaid transactions, the cumulative control of the Buyer Group stands at 64.59% of the Company.

Item 12. Certain Relationships and Related Transactions

Transactions with related parties in the day-to-day course of business include inter-company[2] sale and/or transfer of inventories and equipment. Related party transactions are always at arm's-length. Please refer also to Note 15 - 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 SEC. The Company constantly seeks to adhere to the principles of good corporate governance as embodied in the Manual. Internal systems are established to ensure feedback, control and accountability, that relates in particular to integrity of financial reporting and ensure compliance with applicable laws and regulations, thereby fostering Board and Management responsibility to the Company's stakeholders. 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	2022 Consolidated Audited Financial Statements of Steniel Manufacturing Corporation
B	2022 Separate Audited Financial Statements of Steniel Manufacturing Corporation
C	Sustainability Report

(b) Reports on SEC Form 17-C (Current Report) filed in 2022

Date	Description of Document
A	Resignation of Assistant Corporate Secretaries

[2] 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 MAR 11 2024

[redacted]
Nixon Y. Lim
Chairman & President

[redacted]
Eliza C. Macuray
Treasurer/Chief Financial Officer

[redacted]
Janice L. Co
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 11 2024, Pasig City, affiants exhibiting to me the following:

Name	Valid Identification
Nixon Y. Lim	Philippine Passport P7685766B valid until September 23, 2031
Eliza C. Macuray	Philippine Passport P5491063B valid until September 9, 2030
Janice L. Co	Driver's License, Driver's License No. N04-12-004019 valid until July 20, 2032

Doc. No. 449;
Page No. 90;
Book No. V;
Series of 2024.

[redacted]

GENEVIEVE KRISTINE B. MANALAC
Appointment No. 45 (2023-2024)
Notary Public for Pasig City, Pateros and San Juan
Until December 31, 2024
Attorney's Roll No. 80720
33rd Floor, The Orient Square
F. Ortigas Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 1634506; 01.02.24; Pasig City
IBP OR No. 330350; 12.15.23; RSM
Admitted to the Bar in 2022

COVER SHEET

2 3 7 3 6

S.E.C. Registration Number

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

(Company's Full Name)

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

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

C A V I T E

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

Janice L. Co

Contact Person

+632361-9061

Company Telephone Number

1 2 | 3 1

Month Day

Fiscal Year

1 7 - A

FORM TYPE

Last Tuesday of April

Month Day

Annual Meeting

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

3 6 2 6

Total No. of Stockholders

Domestic	Foreign
-	–

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

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 2022

2. SEC Identification Number : 23736

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

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

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

6. (SEC Use Only)
   Industry Classification Code:

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

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

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

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

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

    Yes [✓] No [ ]

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

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

    Yes [ ] No [✓]

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

    Yes [✓] No [ ]

13. The aggregate market value of voting stocks held by non-affiliates is Php48,344,686 computed on the basis of the closing share price on July 5, 2006[1] of Php0.26 per common share.

[1] There were no transactions since July 6, 2006, the date when the Philippine Stock Exchange implemented a temporary trading suspension on the Company's shares.

TABLE OF CONTENTS

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Background

Steniel Manufacturing Corporation (“STN” or the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 13, 1963. The 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 Company is listed in the Philippine Stock Exchange Inc. (PSE).

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

Following a decision made by the Company’s Board of Directors (BOD) in 1996 to reorganize the Group, the 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 Company’s principal activity now limited to holding of investments.

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

Consequent to the restructuring of the loan in 2010, the remaining unissued capital stock of the Company totaling 123,817,953 shares were issued to Roxburgh Investment Limited (Roxburgh) to reduce the Company’s outstanding debts. 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 British Virgin Islands as an investment company), to purchase up to 100% of the issued and outstanding shares of SNHBV. With the sale of shares of SNHBV, Right Total became the owner of the 72.0849% shares of SNHBV consequently making Right Total as the ultimate parent company.

On January 25, 2012, the Company received a tender offer report from SNHBV offering 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 June 26, 2019, the Company approved the reacquisition of Steniel Mindanao Packaging Corporation (“SMPC”), as described below, through a share swap transaction involving the transfer of 100% of the outstanding capital stock of SMPC in favor of the Company in exchange for STN shares. The Company also approved the conversion of the loans extended by Greenkraft Corporation (“Greenkraft”) and Roxburgh into equity. These approvals were made in view of the need to address the negative capital of the Company.

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

On October 7, 2020, Greenkraft Corporation (Greenkraft), Golden Bales Corporation (Goldenbales), Corbox Corporation (Corbox), Rex Chua and Clement Chua, as purchasers (collectively, the Buyer Group) 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%

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

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

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

As at December 31, 2022, SNHBV owns 5% interest in STN.

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

B. Subsidiaries

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

	Percent of Ownership	
	2022	2021
Steniel Cavite Packaging Corporation (SCPC)*	**100**	100

Steniel Mindanao Packaging Corporation (SMPC)**	**100**	100

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

*** SMPC was reacquired on December 29, 2020.*

1. *Steniel Cavite Packaging Corporation (SCPC)*

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

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

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

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

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

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

2. *Steniel Mindanao Packaging Corporation (SMPC)*

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

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

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

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

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

As at December 31, 2022, the operating subsidiaries of the Company are SCPC and SMPC.

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 Company has a total of three (3) employees as at December 31, 2022.

E. Patents, Trademarks Copyrights and Licenses

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

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

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

Not applicable.

G. Cost and Compliance with Environmental laws

The 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

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 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 creditors/lenders signed the Amended and Restated Omnibus Agreement (the “Amended Agreement”), which finally resolved the default situation. The essential elements of the Amended Agreement are summarized below:

- The outstanding principal and accrued interest expense as at September 30, 2010 was restructured for 25years.

- 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 Steniel Land Corporation (SLC); (b) identified idle assets of the Company and its subsidiaries; and (c) by way of conversion into equity though 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 of restructuring.

- The restructured accrued interest expense prior to loan restructuring will be subject to interest of 8% per annum.

- Restructured outstanding principal will be subject to interest of 6% per annum for 15 years and 8% per annum and the sixteenth (16^{th}) year and onwards.

- 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 Company, and

- Other conditions include:

    a. Lenders’ representative to be elected as director in the Company 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.

Dacion en pago and Equity Conversion

The dacion en pago of the Group’s idle machineries, spare parts and the equity conversion through the issuance of the 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 improvements has a total value of P290.0 million. In 2012, certain certificates authorizing registration were issued and reduced the total value from P290.0 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 2022 after the issuance of Certificate Authorizing Registration (CAR) by the BIR. The change in ownership and management in early 2012 and the issuance of CAR generally caused the delay in the implementation of dacion en pago.

In July 2019, the BOD and Stockholders of the Company approved the conversion of debt into common shares of the Company. Consequently, principal payments on long-term debt were 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. 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 TPC. On August 12, 2013, following management's assessment, the Board of the Company and TPC approved the withdrawal of the merger application filed with the 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 has occurred at the beginning of 2010.

The Company also has a 39.71% direct and indirect (through SCPC & TPC) interest in SLC. In 2010, all of the ownership interest of TPC and STN was assigned to Greenkraft, and the remaining interest of SCPC in SLC is 29.21%.

As at December 31, 2022 and 2021, 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 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 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 2 years extension of principal repayment, reduction of interest rate from 6% to 2% for the first 5 years and further waive interest charges annually until 2019. Consequent to the BOD approval of the conversion of debt to common shares of the Company in 2019, principal and interest payments on long-term debt was suspended beginning July 2019.

Status of Operations

The Group has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P1,070 million and P1,108 million, as at December 31, 2022 and 2021, respectively.

To improve this condition, 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.

On December 29, 2020, upon the SEC's approval of the Company's application for 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 resulting to a provisional gain of P158.27 million from the acquisition of a subsidiary. The realization of these transactions resolved the capital deficiency position of the Group in 2021 and 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 10 in the Notes to the Consolidated Financial Statements, the Company reclassified certain remaining assets and shares of stocks in an associate from investment to assets held-for-sale which was subject to *dacion en pago* under the provisions of the Amended Agreement. The assets and shares are measured at lower of the carrying amount and fair value less cost to sell. The *dacion en pago* is expected to be completed in 2023.

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 in the Notes to Consolidated Financial Statements.

Please also refer to Note 24 - Financial Risk and Capital Management Objectives and Policies of the Notes to Consolidated Financial Statements for additional discussions.

Item 2. Properties

Please refer to Note 10 – Asset-Held-for-Sale and Note 11 – Property and Equipment, of the Notes to Consolidated Financial Statements for the table of properties.

The Group's building and building improvements, leasehold improvements and machinery and equipment were 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 section), the dacion en pago of the Group's idle machines and building had been partially completed as at December 31, 2010 and September 30, 2014 respectively, thereby reducing outstanding principal amount by Php222 million.

With regard to the *dacion* of the shares in SLC, the CARs for the transfer of shares to Greenkraft were issued in 2012. The CARs covering the transfer of shares held by SCPC is currently being processed. These transactions relating to the Group's shares in SLC have a total value of Php190.0 million.

Recent Acquisitions

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

The box plant assets, all located in Davao Del Norte, consist of the buildings, other land improvements, machines, motor vehicles as well as the land where the box plant is located. SCPC acquired the land from Diamond Farms, Inc. on December 1, 2021 for USD2.3 Million and the rest of the box plant assets from Dole on January 24, 2022 for USD8 Million. Dole turned over the operations of the box plant assets to SCPC on February 24, 2022.

Simultaneous to the acquisition of the box plant assets was the execution of an agreement between Dole and SMPC for the supply of boxes, labels and other packaging materials made of paper related products. With a minimum purchase commitment from Dole, the supply agreement shall be effective from August 24, 2022 to February 23, 2032, and later extended to February 23, 2033.

With the foregoing acquisitions and contractual arrangements with Dole, the Company, through SCPC and SMPC, expects to increase the Group's production capacity from 60,000 MT to 120,000 MT and double the sales revenue.

Item 3. Legal Proceedings

As of December 31, 2022, neither the Company nor any of its subsidiaries are involved in, or the subject of, any legal proceedings which, if determined adversely to the Company or the relevant subsidiary's interests, would have a material adverse effect on the business or financial position of Company or any of its subsidiaries.

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

A. Market Price

The Company's common shares are listed on The Philippine Stock Exchange, 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.

B. Holders

As of December 31, 2022, the top twenty (20) stockholders of the Company are the following:

	Name	Citizenship	No. of shares	%
1	Greenkraft Corporation	Filipino	317,916,912	22.41%
2	Golden Bales Corporation	Filipino	275,747,492	19.44%
3	Corbox Corporation	Filipino	275,747,492	19.44%
4	Roxburgh Investments Limited	BVI	261,910,502	18.46%
5	PCD Nominee Corporation	Filipino	71,555,009	5.04%
6	Steniel (Netherlands) Holdings B.V.	Dutch	70,940,604	5.00%
7	Rex Chua	Filipino	30,607,972	2.16%
8	Clement Chua	Filipino	30,607,972	2.16%
9	Valmora Investment & Management Corporation	Filipino	10,443,860	0.74%
10	Rustico and/or Lolita Garingan	Filipino	2,097,276	0.15%
11	Delfin R. Maceda	Filipino	1,980,000	0.14%
12	PCD Nominee Corporation	Non-Filipino	1,954,703	0.14%
13	Calvin C. Chua	Filipino	1,828,500	0.13%
14	Tower Securities Inc.	Filipino	1,685,333	0.12%
15	AB Capital Securities Inc.	Filipino	1,490,886	0.11%
16	Sally C. Ong Pac	Filipino	1,450,000	0.10%
17	Leonardo 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, 2022, the Company has a public float level of 13.11%.

C. Dividends

The Company did not declare any dividends for the years ended December 31, 2020, 2021 and 2022. Based on its By-Laws, dividends may be declared from the surplus profit at such time or times and in such percentage as the Company's Board may deem proper. No dividend shall be declared that will impair the capital of the Company. Stock dividend shall be declared in accordance with the law.

D. 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 the following entities, natural and juridical, as a result of the share swap transaction and debt-to-equity conversion:

1. 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

2. 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 Php 2,205 million while revenue recorded last year amounting to Php 1,276 million. Revenues on both years mainly consist of the manufacturing and selling of cartons and packaging materials to domestic and international markets.

Cost of sales and expenses applicable to the manufacturing business totaled Php 1,824 million for the current year and Php 1,140 million for the previous year. Gross profit margin for the current period posted at 17.31%, compared to last year's margin of 10.71%. The sharp decrease for the current year was due to the consolidation of the manufacturing business.

Operating expenses during the current year posted Php 268.133 million compared to last year of Php 115.079 million. The increase of Php 153.054 million consist of costs incurred to support the manufacturing activities.

Financing charges recognized during the current year is mainly related to long term bank borrowings to support the plant's operation amounted to Php 41.711 million.

Other charges, net for the period ending 2022 amounted to Php 36.722 million compared to last year other income Php 12.183 million. The significant decrease is attributable to foreign exchange loss recognized during the year amounting to Php 51.432 million.

Income tax expense applicable for the current year amounted to Php 2.635 million compared to Php 0.984 million in 2021.

Overall, the Group realized a consolidated net income of Php 28.355 million for the year ended December 31, 2022 compared to Php 17.965 million last year. The significant increase was mainly attributed to the increase in the gross profit resulting from operations this year.

Financial Position

Total current assets as at December 31, 2022, totaled Php 3,117.334 million as compared to Php 1,387.861 million in 2021. The increase was mainly due to the increase in inventories to supply increasing sales of the Group. Non-current assets also increased to Php 873.317 million as at current year-end against last year's Php 693.772 million.

The Group's consolidated current liabilities as at current year-end totaled Php 2,826.918 million as compared in 2021 of Php 1,167.908 million. The significant increase was mainly attributed to the increase in purchases. SMPC, the operating subsidiary's working capital was secured from bank loans to sustain its operation and commitments to clients.

Total assets as at year-end 2022 totaled Php 4,118.229 million compared to Php 2,080.633 million in 2021. In view of the foregoing discussions, the Steniel Group's current ratio during the year recorded at 1.10 and last year at 1.19. Debt-to-equity ratio in 2021 is 4.46 compared last year at 1.85.

Plans and Strategies

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

On December 29, 2020, following the approval of SEC of the Company's application for increase of authorized capital stock from Php1 Billion divided into 1 Billion common shares to Php2 Billion divided into 2 Billion common shares, the Company issued a total of 418,821,081 shares resulting from the debt to equity conversion and share swap transaction.

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

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

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

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

Item 7. Financial Statements

The Company's consolidated and separate audited financial statements for the period ended December 31, 2022 attached as Annexes "A" and "B".

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 Company

The term of office of directors of the Company is one (1) year. As of December 31, 2022, the directors and executive officers of the Company were:

Directors	Age	Position
Nixon Y. Lim	52	Chairman/President & CEO
Mark O. Vergara	57	Director
Eliza C. Macuray	64	Director and Treasurer
Esteban C. Ku	57	Director
Kenneth George D. Wood	64	Lead Independent Director
Adam Anthony S. Cabe III	47	Independent Director
Rhea M. Alarcon	52	Independent Director

A. 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 Sociedad. He received his Juris Doctor degree from the Ateneo de Manila Law School in 1992, and his Bachelor of Science in Legal Management degree from the Ateneo de Manila University in 1988. He was admitted to the Philippine Bar in 1993. Mr. Vergara is currently a Director 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., CitifFinancial 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 the Group, her previous work experience was with United Pulp and Paper Co., Inc. for more than 2 decades, where she gained her experience in the paper business, particularly in finance with focus on tax matters. She also served as Accountant to Orange Performance Techniques Inc. She is currently the Comptroller of Container Corporation of the Philippines.

Esteban C. Ku

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

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.

B. 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.

C. Family Relationships

There are no family relationships between directors and executive officers of the Company up to the fourth civil degree.

D. Involvement in Legal Proceedings

Neither the Company nor any of its subsidiaries are involved in, or the subject of, any legal proceedings which, if determined adversely to the Company or the relevant subsidiary's interests, would have a material effect on the business or financial position of the Company or any of its subsidiaries.

The Company and its subsidiaries are not involved in any bankruptcy, receivership or similar proceedings.

Item 10. Executive Compensation

A. Compensation Summary

For each of the years ended December 31, 2022, 2021 and 2020, the total salaries, allowances and bonuses paid to the most highly compensated executive officers are as follows:

SUMMARY ANNUAL COMPENSATION TABLE			
Name and Principal Position	**Period**	**Salary**	**Bonus**
Most highly compensated executive officers	2022	2,949,000.00	0
Nixon Lim	2021	2,831,037.00	0
Eliza Macuray	2020	884,000.00	0

No other directors and executive officers are receiving compensation.

B. Standard Arrangements

Other than payment of reasonable gross per diem for every meeting, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as director.

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

A. Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2022, the stockholders holding more than 5% of the Company's voting securities were:

Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percent
Greenkraft Corporation *W. Ng Bldg., MacArthur Highway cor. Rovimar St., Brgy. Balibago, Angeles, Pampanga*	record and beneficial	Filipino	317,916,912	22.41%
Golden Bales Corporation *Km. 14 After Panacan Substation, Panacan, Davao City, Davao del Sur*	record and beneficial	Filipino	275,747,492	19.44%
Corbox Corporation Purok Gemelina, Tayud, Lilo-an, Cebu	record and beneficial	Filipino	275,747,492	19.44%
Roxburgh Investments Limited P.O. Box 957, Offshore Incorporations Center Road Town, Tortola, British Virgin Islands	record and beneficial	BVI	261,910,502	18.46%
PCD Nominee Corporation 6th Flr. Makati Stock Exchange, 6767	Philippine Central Depository, Inc.'s	Filipino	71,555,009	5.04%

Ayala Ave., Makati City	Various Participants			

B. Security Interest of Directors and Management

As of December 31, 2022, 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	Percentage
Nixon Y. Lim	Common	1 (Direct) 478,935,348 (Indirect)	Filipino	33.76
Mark O. Vergara	Common	1 (Direct) 70,940,604 (Indirect)	Filipino	5.00
Eliza C. Macuray	Common	1 (Direct)	Filipino	nil
Esteban C. Ku	Common	1 (Direct) 91,906,639 (Indirect)	Filipino	6.48
Kenneth George D. Wood	Common	1 (Direct)	Filipino	nil
Adam Anthony S. Cabe III	Common	1 (Direct)	Filipino	nil
Rhea M. Alarcon	Common	1 (Direct)	Filipino	nil

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

C. Voting Trust Holders of 5% or More

There are no persons holding more than 5% of a class under a voting trust or nay similar agreements as of balance sheet date.

D. Change in Control

On October 7, 2020, Greenkraft Corporation (Greenkraft), Golden Bales Corporation (Goldenbales), Corbox Corporation (Corbox), Rex Chua and Clement Chua, as purchasers (collectively, the Buyer Group) entered into a Share Purchase Agreement with Steniel (Netherlands) Holdings B.V. ("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%

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

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

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

With the completion of the aforesaid transactions, the cumulative control of the Buyer Group stands at 64.59% of the Company.

Item 12. Certain Relationships and Related Transactions

Transactions with related parties in the day-to-day course of business include inter-company[2] sale and/or transfer of inventories and equipment. Related party transactions are always at arm's-length. Please refer also to Note 15 - 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 SEC. The Company constantly seeks to adhere to the principles of good corporate governance as embodied in the Manual. Internal systems are established to ensure feedback, control and accountability, that relates in particular to integrity of financial reporting and ensure compliance with applicable laws and regulations, thereby fostering Board and Management responsibility to the Company's stakeholders. 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	2022 Consolidated Audited Financial Statements of Steniel Manufacturing Corporation
B	2022 Separate Audited Financial Statements of Steniel Manufacturing Corporation
C	Sustainability Report

(b) Reports on SEC Form 17-C (Current Report) filed in 2022

Date	Description of Document
A	Resignation of Assistant Corporate Secretaries

[2] 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 MAR 1 1 2024

[redacted]

Nixon Y. Lim
Chairman & President

[redacted]

Eliza C. Macuray
Treasurer/Chief Financial Officer

[redacted]

Janice L. Co
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 1 1 2024, Pasig City, affiants exhibiting to me the following:

Name	Valid Identification
Nixon Y. Lim	Philippine Passport P7685766B valid until September 23, 2031
Eliza C. Macuray	Philippine Passport P5491063B valid until September 9, 2030
Janice L. Co	Driver's License, Driver's License No. N04-12-004019 valid until July 20, 2032

Doc. No. 469;
Page No. 95;
Book No. V;
Series of 2024.

[redacted]

GENEVIEVE KRISTINE B. MAÑALAC
Appointment No. 45 (2023-2024)
Notary Public for Pasig City, Pateros and San Juan
Until December 31, 2024
Attorney's Roll No. 80720
33rd Floor, The Orient Square
F. Ortigas Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 1634506; 01.02.24; Pasig City
IBP OR No. 330350; 12.15.23; RSM
Admitted to the Bar in 2022

ANNEX A
2022 Consolidated Audited Financial Statements

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	3	7	3	6

COMPANY NAME

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

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

Gateway Business Park Brgy. Javalera, General Trias Cavite, Philippines

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

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)
3,624	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 financial statements including the schedules attached therein,for the years ended **December 31, 2022 and 2021,** 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.

[redacted]

NIXON Y. LIM
Chairman of the Board/President/CEO

[redacted]

ELIZA C. MACURAY
Chief Finance Officer

Signed this 5th[th] day of March, 2024

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022, 2021 and 2020

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
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, Philippines

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, 2022 and 2021, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period then ended December 31, 2022 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, was 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.

Revenue Recognition (P2,205,413 million)
Refer to Note 18 of the consolidated financial statements.

The risk
Revenue is an important measure used to evaluate the performance of the Group. It is accounted for when control of the goods or services is transferred to the customer over time or at a point in time. Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

There may be pressure for management to achieve certain targets and budgets which increase the risk of fraudulent premature revenue recognition. There is a potential risk of fraud relating to overstatement of revenue through recording of fictitious sales or recording sales made in subsequent accounting period in the current period. The revenue recognition processes, and measurement of the Group are determined to be not complex and involve little or no judgment and estimation across the Group, therefore, the risk of error around revenue recognition is reduced to low.

Our response
We have performed the following audit procedures on revenue recognition:

- We tested the design and operating effectiveness of the key controls over revenue recognition.

- We tested, on a sampling basis, sales transactions throughout the year and for the first month of the following financial year to the supporting documentation such as sales invoice, delivery receipts, and shipping documents to assess whether these transactions occurred and are recorded in the correct financial year.

- We tested journal entries posted to revenue accounts, including any unusual or irregular items.

- We evaluated the adequacy and appropriateness of relevant 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, 2022, 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, 2022 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.

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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the 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 internal control.

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

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- 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, actions taken to eliminate threats or safeguards applied.

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 therefore the key audit matter. We describe this matter 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
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Tax Identification No. 109-916-107
BIR Accreditation No. 08-001987-023-2022
Issued June 2, 2022; valid until June 2, 2025
PTR No. MKT 10075189
Issued January 2, 2024 at Makati City

March 8, 2024
Makati City, Metro Manila

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	Note	December 31 2022	2021
ASSETS			
Current Assets			
Cash	6, 24	P49,609	P65,853
Receivables - net	5, 7, 15, 24	861,271	424,786
Inventories - net	5, 8	1,888,460	642,676
Prepaid expenses and other current assets - net	5, 9	197,394	132,946
		2,996,734	1,266,261
Asset held-for-sale	10	120,600	120,600
Total Current Assets		3,117,334	1,386,861
Noncurrent Assets			
Property and equipment - net	5, 11, 14	873,317	546,092
Right-of-use asset - net	5, 23	24,870	32,640
Investments in equity instruments	12, 24	99,089	105,712
Other noncurrent assets		3,619	9,328
Total Noncurrent Assets		1,000,895	693,772
		P4,118,229	P2,080,633
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities	5, 13, 24	P2,037,233	P571,784
Amounts owed to related parties	5, 15, 24	59,620	67,622
Loans payable	1, 15, 14, 24	723,388	521,747
Current portion of lease liabilities	5, 23, 24	6,677	6,755
Total Current Liabilities		2,826,918	1,167,908
Noncurrent Liabilities			
Loans payable, net of current portion	1, 14, 24	504,970	130,401
Lease liabilities - net of current portion	5, 23, 24	20,876	27,585
Retirement benefits liability	16	9,904	7,385
Deferred tax liabilities - net	5, 22	1,316	16,075
Total Noncurrent Liabilities		537,066	181,446
Total Liabilities		3,363,984	1,349,354
Equity			
Capital stock	17	1,418,812	1,418,812
Additional paid-in capital		408,423	408,423
Reserve for retirement benefits liability		204	1,211
Net unrealized loss on investments in equity instruments	12	(3,346)	10,646
Deficit	1	(1,069,848)	(1,107,813)
Total Equity		754,245	731,279
		P4,118,229	P2,080,633

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)

	Note	2022	2021	2020
		Years Ended December 31		
REVENUES				
Product sales	*18*	**P1,716,844**	P1,231,289	P -
Service income	*18, 23*	**483,186**	45,216	-
Rent income	*18, 23*	**5,383**	-	40,000
REVENUES		**2,205,413**	1,276,505	40,000
COST OF SALES AND SERVICES	*19*	**1,823,634**	1,139,846	2
GROSS PROFIT		**381,779**	136,659	39,998
OPERATING EXPENSES	*20*	**268,133**	115,079	5,788
OPERATING INCOME		**113,646**	21,580	34,210
FINANCE CHARGES	*13, 14, 23*	**(45,934)**	(14,814)	-
OTHER INCOME - Net	*21*	**(36,722)**	12,183	277,254
INCOME BEFORE INCOME TAX		**30,990**	18,949	311,464
INCOME TAX EXPENSE	*22*	**2,635**	984	10,966
NET INCOME		**28,355**	17,965	300,498
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	*12*	**(4,382)**	23,996	10,619
Remeasurement of defined benefit obligation	*16*	**(1,343)**	1,639	-
Income tax expense (benefit)		**336**	(410)	-
Effect of changes in tax rate		**-**	(18)	-
		(5,389)	25,207	10,619
TOTAL COMPREHENSIVE INCOME		**P22,966**	P43,172	P311,117
Basic and Diluted Earnings Per Share	*17*	**P0.0129**	(P0.0016)	P0.1891

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

Years Ended December 31

	Capital Stock (Note 17)	Additional Paid-In Capital	Net Unrealized Gain (Loss) on Investments in Equity Instruments (Note 12)	Reserve for Retirement Benefits Liability	Deficit (Note 1)	Total Equity
January 1, 2022	P1,418,812	P408,423	P10,646	P1,211	(P1,107,813)	P731,279
Reserve for retirement benefits liability	-	-	-	(1,007)	-	(1,007)
Net income during the year	-	-	-	-	28,355	28,355
Change in fair value of investments in equity instruments	-	-	(4,382)	-	-	(4,382)
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	(9,610)	-	9,610	-
Total comprehensive income during the year	-	-	(13,992)	(1,007)	37,965	22,966
December 31, 2022	P1,418,812	P408,423	(P3,346)	P204	(P1,069,848)	P754,245

Forward

Years Ended December 31

	Capital Stock (Note 17)	Additional Paid-in Capital	Net Unrealized Gain (Loss) on Investments in Equity Instruments (Note 12)	Reserve for Retirement Benefits Liability	Deficit (Note 1)	Total Equity
January 1, 2021	P1,418,812	P408,423	(P10,330)	P -	(P1,128,798)	P688,107
Reserve for retirement benefits liability	-	-	-	1,211	-	1,211
Net income during the year	-	-	-	-	17,965	17,965
Change in fair value of investments in equity instruments	-	-	23,996	-	-	23,996
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	(3,020)	-	3,020	-
Total comprehensive income during the year	-	-	20,976	1,211	20,985	43,172
December 31, 2021	P1,418,812	P408,423	P10,646	P1,211	(P1,107,813)	P731,279

Forward

Years Ended December 31

	Note	Capital Stock (Note 17)	Additional Paid-in Capital	Net Unrealized Gain (Loss) on Investments in Equity Instruments (Note 12)	Reserve for Retirement Benefits Liability	Deficit (Note 1)	Total Equity (Capital Deficiency)
January 1, 2020		P1,000,000	P414,632	(P20,961)	P -	(P1,429,284)	(P35,613)
Issuance of shares	*17*	418,812	(6,209)	-	-	-	412,603
Transactions with owners		418,812	(6,209)	-	-	-	412,603
Net income during the year		-	-	-	-	300,498	300,498
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	-	300,486	311,117
December 31, 2020		P1,418,812	P408,423	(P10,330)	P -	(P1,128,798)	P688,107

See Notes to the Consolidated Financial Statements.

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

	Note	Years Ended December 31 2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P30,990**	P18,949	P311,464
Adjustments for:				
Depreciation	*11, 19, 20, 23*	**232,198**	122,442	967
Unrealized foreign exchange loss	*21*	**(65,901)**	1,009	-
Interest expense	*13, 14*	**41,711**	12,239	-
Allowance for impairment losses on receivables	*7*	**12,582**	20,814	-
Dividend income	*12, 21*	**(4,759)**	(5,715)	(1,697)
Interest on lease	*23*	**4,223**	2,575	-
Gain on sale of property and equipment	*11*	**(4,000)**	-	-
Provision for (reversal) of provision for inventory obsolescence	*8*	**3,960**	(15,388)	-
Retirement expense	*16*	**1,360**	1,450	-
Interest income	*6, 21*	**(38)**	(25)	(19)
Reversal of allowance for impairment of prepaid taxes	*9, 21*	**-**	-	(7,993)
Provisional gain on acquisition of SMPC	*5, 21*	**-**	-	(267,459)
Operating income before working capital changes		**252,326**	158,350	35,263
Decrease (increase) in:				
Receivables		**(449,067)**	(109,144)	63,342
Inventories		**(1,249,744)**	38,722	-
Prepaid expenses and other current assets		**(81,507)**	(31,285)	12,454
Increase (decrease) in:				
Trade payables and other current liabilities		**1,465,449**	90,135	(89,716)
Net cash generated from (used in) operations		**(62,543)**	146,778	21,343
Interest paid		**(41,711)**	(12,239)	-
Dividend received		**4,759**	5,715	1,697
Benefits paid	*16*	**(184)**	(284)	-
Interest received		**38**	25	19
Net cash provided by (used in) operating activities		**(99,641)**	139,995	23,059

Forward

	Note	2022	2021	2020
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	11	**(P514,561)**	(P168,707)	P -
Proceeds from sale of property and equipment		**30,000**	-	-
Proceeds from sale of investments in equity instruments	12	**29,071**	17,951	1,715
Additions to investments in equity instruments	12	**(26,830)**	(15,826)	(28,280)
Decrease in other noncurrent assets		**5,709**	5,942	-
Cash from acquisition of a subsidiary	5	**-**	-	34,257
Net cash provided by (used in) investing activities		**(476,611)**	(160,640)	7,692
CASH FLOW FROM FINANCING ACTIVITIES				
Loan availment		**1,558,111**	769,139	-
Payments of loans payable	14	**(916,000)**	(654,247)	-
Decrease in amounts owed to related parties		**(8,002)**	(61,012)	-
Payment of finance lease liability		**(69,878)**	(8,583)	-
Interest paid on leases		**(4,223)**	(2,575)	-
Net cash provided by financing activities		**560,008**	42,722	-
NET INCREASE (DECREASE) IN CASH		**(16,244)**	22,077	30,751
CASH AT BEGINNING OF YEAR		**65,853**	43,776	13,025
CASH END OF YEAR	6	**P49,609**	P65,853	P43,776

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands Unless Otherwise Indicated)

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). Its secondary purpose includes to do and perform all acts and things necessary, including the exercise of powers, authorities and attributes conferred upon corporations organized under the laws of the Republic of the Philippines in general and upon domestic corporations of like in particular.

On September 11, 2013, the SEC approved the Amended Articles of Incorporation (AOI) of the Parent Company, extending the corporate life for another fifty (50) years from September 13, 2013. Pursuant to the Revised Corporation Code of the Philippines, which took effect in February 2019, the Parent Company shall have a perpetual existence because the Parent Company did not elect to retain its specific corporate term under its AOI.

Following a decision made by the Board of Directors (BOD) in 1996 to reorganize the 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 Amsterdam and the registered owner of 82.2715% of the shares of the Parent Company prior to restructuring of the loan in 2019. The remaining 17.7284% of the shares are widely held.

Consequent to the restructuring of the loan in 2010, remaining unissued capital stock of the Parent Company totaling 123,818,000 shares were issued to Roxburgh Investment Limited (Roxburgh) to reduce the Parent Company's outstanding debts (Note 17). The issuance of shares resulted to recognition of additional paid in capital. As a result, Roxburgh owns 12.3818% of the Parent Company, while the ownership of SNHBV as well as the public have been reduced to 72.0849% and 15.5333%, respectively.

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

On January 25, 2012, the Parent Company received a tender offer report from SNHBV 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 December 31, 2022 and 2021, STN is the ultimate parent company following the completion of the Tender Offer.

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	
	2022	2021
Steniel Cavite Packaging Corporation (SCPC)	**100**	100
Steniel Mindanao Packaging Corporation (SMPC)	**100**	100

SCPC

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

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 17).

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 Corporation (Greenkraft), further assigned some of its loan receivables to Roxburgh.

After the assignment and sale of loans from the lending banks to third parties, discussions were made with new creditors/lenders to restructure the outstanding loans covered by the Omnibus Agreement which the Parent Company has defaulted in 2006. On October 15, 2010, the Parent Company and the 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 the Parent Company 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.

Dacion en pago and Equity Conversion
The dacion en pago of the Group's idle machineries, spare parts and the equity conversion through the issuance of the Parent Company's capital stock have been completed as at December 31, 2010. The dacion en pago transaction reduced the outstanding loan principal amount by 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 2022 after the issuance of Certificate Authorizing Registration (CAR) by the BIR. The change in ownership and management in early 2012 and the issuance of CAR generally caused the delay in the implementation of the dacion en pago.

In July 2019, the BOD and Stockholders of the Parent Company approved the conversion of debt into common shares of the Parent Company. Consequently, principal payments on long-term debt was suspended beginning July 2019. On December 29, 2020, the Parent Company issued shares to the lenders effecting the debt-to-equity conversion following the SEC approval of the Parent Company's increase in authorized capital stock on the same day (Notes 14 and 17). 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 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, 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, 2022 and 2021, 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 Parent Company as a result of difficult economic and business conditions, the Parent Company requested reconsideration to defer the implementation of the loan agreement from the creditors which was acted favorably. The Parent Company was granted another two (2) years extension of principal repayment, reduction of interest rate from 6% to 2% for the first five (5) years and further waived interest charges annually until January 1, 2019. Consequent to the BOD approval of the conversion of debt to common shares of the Parent Company in 2019, the principal repayment was suspended beginning July 2019 and the interest on the remaining principal balance was waived.

Status of Operations

The Group has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P1,069.85 million and P1,107.81 million as at December 31, 2022 and 2021, respectively.

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

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction and the conversion of loans from Greenkraft Corporation and Roxburgh Investments Limited into common shares in the Parent Company. To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the Articles of Incorporation to increase the authorized capital stock from P1 billion, divided into one billion common shares to P2 billion, divided into two billion common shares with par value of P1 per share (Note 17).

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 gain of P267.459 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, 2022 and 2021.

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 which is issued by the Financial and Sustainability Reporting Standards Council (FSRSC) are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

The consolidated financial statements were approved and authorized for issuance by the BOD on March 5, 2024.

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

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 consolidated 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

Changes in Accounting Policies
The accounting policies set out below have been applied consistently to all years presented in the consolidated financial statements, except for the changes in accounting policies as follows:

Adoption of Amendments to Standards
The Group has adopted the amendments to standards starting January 1, 2022 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements.

- *COVID-19-Related Rent Concessions beyond June 30, 2021 (Amendment to PFRS 16, Leases)*
  The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

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. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

- *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 statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  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 financial statements in which the company first applies the amendments.

- *Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37 Provisions, Contingent Liabilities and Contingent Assets)*
  The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

- *Annual Improvements to PFRS Standards 2018-2020 - This Cycle of Improvements Contains Amendments to Four Standards:*

  - *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, Financial Instruments)*
    The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the 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. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- *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.

<u>Amended Standards Not Yet Adopted</u>
A number of amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Group has not early adopted the following amended standards in preparing the consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the consolidated financial statements.

Effective January 1, 2023

- *Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors)*
  To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement, 2 Making Materiality Judgements)*
  The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, Income Taxes)*
  The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

  For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Effective January 1, 2024

- *Lease Liability in a Sale and Leaseback (Amendments to PFRS 16)*
  The amendments confirm the following:

  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains.

  A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. For example, the seller-lessee could determine the lease payments to be deducted from the lease liability as expected lease payments or as equal periodic payments over the lease term, with the difference between those payments and amounts actually paid recognized in profit or loss.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Under PAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of PFRS 16.

- *Classification of Liabilities as Current or Noncurrent - 2020 amendments and Non-Current Liabilities with Covenants - 2022 amendments (Amendments to PAS 1, Presentation of Financial Statements)*
  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 twelve 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 only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

- provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and

- clarified that settlement of a liability includes transferring an entity'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 will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

Effective January 1, 2025

- *PFRS 17, Insurance Contracts*
  PFRS 17 replaces the interim standard, PFRS 4, *Insurance Contracts*. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

  (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;

  (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and

  (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

  Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

  Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

  PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 *Financial Instruments* on or before the date of initial application of PFRS 17.

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

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:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent.

Financial Instruments

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

i. Financial Assets

Initial Recognition and Measurement

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

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

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

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

Business Model and SPPI Test
The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which 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" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

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

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

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

Financial Assets at Amortized Cost (Debt Instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

Financial Assets at FVOCI (Debt Instruments)
The Group measures debt instruments at FVOCI if both of the following conditions are met:

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

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

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

Financial Assets at FVPL
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified as amortized cost or at FVOCI, as described above, debt instruments may be designated as FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in profit or loss.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognized (i.e. removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset has expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

For a modification that does not result in derecognition, the difference between the present value of the modified cash flows discounted using the original effective interest rate and the present value of the original cash flows, is recognized in profit or loss as a gain or loss from modification. Costs or fees in relation to the modification of the financial asset are recognized as part of the carrying amount of the asset and amortized over the remaining term of the instrument. A modification of the original financial asset that results in the derecognition of the financial asset, requires the recognition of a new financial asset in line with the general requirements for the initial recognition (i.e. at fair value plus transaction costs).

Impairment of Financial Assets
The Group recognizes an allowance for Expected Credit Losses (ECLs) for all financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or credit enhancements that are integral to the contractual terms.

ECLs are recognized under either a simplified or general approach, dependent on the nature of the related financial asset.

Under the general approach, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

For financial instruments with low credit risk such as cash in banks, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the financial instrument or the counterparty. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 180 days past due.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii. Financial Liabilities

Initial Recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are initially recognized at fair value and, in the case of loans and borrowings and payables, net of directly attributable costs.

Subsequent Measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities at FVPL
Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered in to by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liabilities at FVPL.

Loans Payable
After initial recognition, interest-bearing loans payable are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking in to account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

iii. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and liabilities simultaneously.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 quoted (unadjusted) market prices 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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2022 and 2021, no financial asset was recognized at fair value. The Group has no other assets or liabilities with recurring and non-recurring fair value measurements.

Business Combination
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "Operating expenses" account in the consolidated statements of comprehensive income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of comprehensive income.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of comprehensive income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statements of comprehensive income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

- *Goodwill in a Business Combination*
  Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

  - represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

  - is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments.*

  Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

<u>Cash</u>
Cash are stated at face value and include petty cash fund, cash on hand and in banks. Cash in banks savings account earn interest at the respective bank deposit rates.

Inventories

Inventories are initially measured at cost. Subsequently, 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. Spare parts that are used in the production process, whether to produce goods or render services to customers, are classified as inventory items under materials and supplies. 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.

When the NRV of the inventories is lower than the cost, the Group recognized provision for inventory losses. Provision for inventory losses (i.e., for write-down and obsolescence) is set up, when necessary:

- Based on a review of the movement and current condition of each inventory item.
- 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 or losses 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.

Inventories are derecognized either when sold or written-off. When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

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.

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the consolidated statements of financial position as current asset when the cost of goods or services related to the prepayments are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

Other current assets initially recorded at transaction cost, and subsequently measured at cost less impairment loss, if any.

Property and Equipment
Property and equipment, except land, are recorded at historical cost less accumulated depreciation, amortization and impairment losses. The initial cost of property and equipment consists of its construction cost or purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Land is stated at cost less any impairment in value.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to profit or loss during the period in which these are incurred.

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of qualifying property and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization, which commences when the assets are available for its intended use, are calculated using the straight-line method over its estimated useful life (in years) as follows:

	Number of Years
Building	10
Leasehold improvement	2 to 10 or lease term, whichever is shorter
Machinery and equipment	3 - 5
Transportation equipment	3 - 5
Furniture, fixtures and equipment	3 - 5

The residual values, estimated useful lives and depreciation method are reviewed periodically, and adjusted if appropriate, at each reporting date to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount.

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 included in profit or loss in the period of retirement and disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss.

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 the Group's nonfinancial assets such as property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

The recoverable amount of a nonfinancial asset is the greater of the asset's fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of the useful life. 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 cash flows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs..

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in profit or loss.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits

The Group is covered by a noncontributory defined benefits retirement plan. The net retirement benefits liability or asset is the aggregate of the present value of the defined benefits obligation at the end of the reporting period reduced by the fair value of plan assets.

Retirement benefits costs comprise the following:

- Service cost
- Net interest on the net defined benefits liability or asset
- Remeasurements of net defined benefits liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefits liability or asset is the change during the period in the net defined benefits liability or asset that arises from the passage of time which is determined by applying the discount rate based on the government bonds to the net defined benefits liability or asset. Net interest on the net defined benefits liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefits liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. These are retained in OCI until full settlement of the obligation.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefits retirement plan when the settlement occurs.

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 contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

Revenue Streams
The following specific recognition criteria must also be met before revenue is recognized:

- *Revenue from Product Sales*
  The Group manufactures and sells a wide range of paper, cartons and packaging materials in the domestic and international markets. Revenue from product sales is recognized at the point in time when control of the goods is transferred to the buyer, which is normally upon delivery of the goods. Trade discounts are determined at inception of the contract and is not subject to variability. Returns do not result to significant variable consideration. The general payment terms with customers are cash upon order and credit terms which generally ranges from 30 to 90 days from invoice date.

  Variable Consideration - Discounts
  In the normal course of business, the Group provides incentives such as discounts to customers which are typically considered in the determination of consideration or prices to be charged to the customers of the date of transaction. There are no variable consideration that is dependent upon fulfillment of certain conditions in the future that may result to reversal of revenue.

- *Service Income*
  Service income represents revenue from tolling and is recognized over time, which is upon rendering of services to a customer through processing of the raw materials into finished goods, to which the customer simultaneously receives and consumes the benefits provided by the Group. Revenue is measured based on customer-approved output per month.

- *Rental Income*
  Rental income arising from certain machinery and equipment is accounted for on a straight-line basis over one year. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

- *Interest Income*
  Interest income on bank deposits, net of withholding tax, and other income are recorded when earned.

- *Other Income*
  Revenue is recognized when earned.

Cost and Expense Recognition
Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized when incurred are presented in profit or loss using function of expense method.

Borrowing Costs
Borrowing costs are recognized as expenses when incurred, except to the extent capitalized. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Leases
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in PFRS 16.

This policy is applied to contracts entered into, on or after January 1, 2019.

Group as Lessor
The Group determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15, *Revenue from Contracts with Customers* to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term.

Group as a Lessee
At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

i. ROU Asset

The Group recognizes a ROU asset (i.e., the date the underlying assets is available for use) at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the ROU asset reflects that the Group will exercise a purchase option. In that case, the ROU asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

ii. Lease Liability

At commencement date, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.
Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero. In the case of modification that is not accounted for as a separate lease and which decreases the scope of the lease, the carrying amount of the ROU asset is decreased to reflect partial or full termination and any gain or loss is recognized in profit or loss. A lease modification is accounted for as a separate lease if it adds the ROU to one or more underlying assets and the increase in consideration is commensurate with the stand-alone selling price for the increase in scope and any appropriate adjustments to reflect circumstances of the contract.

iii. *Short-term Leases and Lease of Low-value Assets*
The Group has elected not to recognize ROU assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Foreign Currency Transactions and Translation
The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are recognized in profit or loss.

Nonmonetary items in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

Taxes
Current Tax
Current tax is the expected tax payable or receivable on the taxable income or loss 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.

Current income tax relating to items directly recognized in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and established provision as appropriate.

Deferred Tax
Deferred tax is recognized 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 and associates, 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 from excess minimum corporate income tax (MCIT) and net operating loss carryover (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 unused tax credits from excess 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 and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 deferred tax 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.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Deferred tax assets and deferred tax 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.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT except:

- where the sales tax incurred on a purchased of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

<u>Related Party Transactions and Relationships</u>
Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Related parties may be individuals or corporate entities.

<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 consolidated statements of comprehensive income. Given the foregoing, SCPC's leasing business with SMPC represents the only reportable segment of the Group in 2020 and 2019. Following the acquisition of SMPC in 2020, the Group has only one business segment which is related to SMPC's packaging business.

<u>Basic and Diluted Earnings Per Share (EPS)</u>
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.

<u>Provisions</u>
General
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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 P5.38 million, nil, and P40.00 million, in 2022, 2021, and 2020, respectively (Note 18).

Incremental Borrowing Rate on Leases
The Group cannot readily determine the interest rate implicit in the leases. Therefore, it uses its relevant incremental borrowing rate to measure lease liabilities.

The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group's lease liabilities amounted to P27.55 million and P34.34 million as at December 31, 2022 and 2021, respectively (Note 23).

Determining the Lease Term of Contracts with Renewal Options - Company as Lessee

The Group has a lease contract that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Classification of Financial Instruments. The Group exercises judgments in classifying financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 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, 2022 and 2021.

Determining Whether the Group is Acting As a Principal or Agent in a Revenue Transaction. The determination of whether the Group acts as a principal or agent in a contract is made by identifying each specified service promised to the customers in the contract and evaluating whether the Group obtains control of the specified service before it is transferred to the customer.

The Group determined that it acts as a principal in its revenue transactions.

Measurement of Fair Values. A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (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.

In 2020, the Group recognized a gain amounting to P267.46 million resulting from the acquisition of SMPC (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 P77.523 million and P64.941 million as at December 31, 2022 and 2021, respectively. The carrying amount of receivables amounted to P861.27 million and P424.79 million as at December 31, 2022 and 2021, 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 2022 and 2021. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	2022	2021
Cash in banks	*6*	**P49,609**	P65,853
Refundable security deposits	*5, 9*	**8,611**	6,925
		P58,220	P72,778

Estimating Allowance for Inventory Obsolescence. The Group's inventories are written down to their net realizable value (NRV) whenever their NRV fall below carrying amounts due to physical damage, obsolescence or adverse changes in prices. In determining NRV, management considers estimated selling price of inventories less the estimated costs of completion and the estimated costs necessary to make the sale.

Allowance for inventory obsolescence amounted to P26.819 million and P22.859 million as at December 31, 2022 and 2021, respectively (Note 8).

The carrying amount of inventories amounted to P1,888.46 million and P642.68 million as at December 31, 2022 and 2021, respectively (Note 8).

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 P873.32 million and P546.09 million at December 31, 2022 and 2021, 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, 2022 and 2021 (Note 9).

Allowance for impairment losses on asset held-for-sale amounted to P199.958 million as at December 31, 2022 and 2021 (Note 10).

No impairment loss was recognized on right-of use assets and property and equipment as at December 31, 2022 and 2021 (Notes 11 and 23).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 16 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's defined benefit retirement obligation.

As at December 31, 2022 and 2021, retirement benefits liability amounted to P9.90 million and P7.39 million, respectively. Retirement benefits expense amounted to P1.36 million, P1.45 million, and nil in 2022, 2021, and 2020, respectively. (Note 16).

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 P24.235 million and P15.351 million as at December 31, 2022 and 2021, respectively, relates to the acquired deferred tax assets of SMPC. Deferred tax assets of STN and SCPC have not been recognized as at December 31, 2022 and 2021 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 2022 and 2021.

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 17).

The following summarizes the recognized provisional and final amounts of assets acquired and liabilities assumed at acquisition date:

	Provisional Amount	Fair Value Adjustment	Final Amount
Assets			
Cash	P34,257	P -	P34,257
Receivables	336,333	-	336,333
Inventories	671,367	-	671,367
Prepaid expenses and other current assets	27,822	-	27,822
Property and equipment	323,705	155,924	479,629
Right-of-use asset	5,767	86	5,853
Advances to third parties	1,060	-	1,060
Deferred tax assets	19,779	-	19,779
Input value-added taxes	12,847	-	12,847
Refundable security deposits	1,343	-	1,343
	1,434,280	156,010	1,590,290

Forward

	Provisional Amount	Fair Value Adjustment	Final Amount
Liabilities			
Trade payables and other current liabilities	(P537,866)	P -	(P537,866)
Loans payable	(346,247)	-	(346,247)
Amounts owed to related parties	(108,653)	-	(108,653)
Lease liabilities (including current portion)	(6,283)	217	(6,066)
Income tax payable	(114)	-	(114)
Deferred tax liability	-	(46,777)	(46,777)
Retirement benefits liability	(7,858)	-	(7,858)
	(1,007,021)	(46,560)	(1,053,581)
Total Identifiable Net Assets	P427,259	P109,450	P536,709

Provisional and final gain as a result of the acquisition of a subsidiary follows:

	Provisional Amount	Adjustments	Final Amount
Consideration transferred:			
Capital stock	P269,250	P -	P269,250
Total identifiable net assets	427,259	109,450	536,709
Gain on acquisition	P158,009	P109,450	P267,459

As a result of adjustments to correct the fair values of properties and equipment acquired, the resulting gain in acquisition increased by P109.450 million. Accordingly, the gain on the acquisition of SMPC amounted to P267.459 million and recognized as "Gain in acquisition of a subsidiary" in the 2020 consolidated statements of comprehensive income.

Since SMPC was acquired on December 29, 2020, SMPC's results of operations in 2020 were considered as pre-acquisition. For the year ended December 31, 2020, the consolidated revenues and net income of the Group would have increased by P1,276.50 million and P15.94 million, respectively, had the acquisition been completed at the beginning of the reporting period.

Receivables
The fair value of receivables amounted to P336.333 million. The gross amount of Receivables is P344.980 million, of which P8.646 million is expected to be uncollectible as at the acquisition date.

Acquisition-related Costs
The Group incurred acquisition-related costs of P5.800 million and P2.021 million for the years ended December 31, 2021 and 2020, respectively, which have been included in the "Operating expenses" account in the consolidated statements of comprehensive income.

6. Cash

This account consists of:

	Note	**2022**	2021
Cash in banks	*24*	**P49,519**	P65,813
Cash on hand		**90**	40
	5	**P49,609**	P65,853

The Group's cash in banks earns annual interest at the respective bank deposit rates.

Interest income from cash in banks amounted to P0.038 million, P0.025 million, and P0.019 million in 2022, 2021, and 2020, respectively (Note 21).

7. Receivables

This account consists of:

	Note	2022	2021
Trade receivables:			
Third parties		**P674,178**	P431,953
Related party	15	**95,117**	30,282
		772,425	462,235
Less allowance for impairment losses on:			
Trade receivables - third parties		**(77,523)**	(64,941)
		694,902	397,294
Non-trade receivables:			
Third party		**118,282**	15,533
Related party	15	**48,087**	11,959
		166,369	27,492
	5, 24	**P861,271**	P424,786

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.

The movements in the allowance for impairment losses is as follows:

	Note	2022	2021
Balance at beginning of year		**P64,941**	P35,480
Allowance on receivables assumed from SMPC		**-**	8,647
Allowance during the year	20	**12,582**	20,814
Balance at end of year		**P77,523**	P64,941

8. Inventories

Inventories stated at lower of cost and NRV consist of:

	Note	2022	2021
Raw materials		**P1,729,512**	P549,309
Work-in-process		**24,574**	13,426
Materials and supplies		**116,775**	81,586
Finished goods		**44,418**	21,214
		1,915,279	665,535
Less allowance for inventory write-down		**26,819**	22,859
	5	**P1,888,460**	P642,676

Inventories are held by SMPC. The cost of inventories recognized as expense and included in "Cost of Sales and Services" account amounted to P1,695.495 million and P1,084.600 million in 2022 and 2021, respectively (Note 19). Allowance for inventory write down pertains to damaged raw materials and unusable or obsolete materials and supplies.

Roll-forward of allowance for inventory losses as follows:

	2022	2021
Balance at beginning of year	**P22,859**	P38,247
Provision for inventory losses	**3,960**	-
Reversal of previously recognized inventory losses	-	(15,388)
Balance at end of year	**P26,819**	P22,859

Based on management's assessment of its inventory conditions and net realizable values, no provision for inventory losses were recognized in the consolidated statements of comprehensive income in 2021.

9. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	2022	2021
Input VAT - net		**P82,370**	P57,145
Prepaid taxes		**67,005**	50,956
Prepaid importation charges		**27,754**	17,695
Prepaid insurance		**14,088**	349
Refundable security deposits	*23, 24*	**4,992**	5,299
Advances to suppliers		**1,863**	1,843
Other prepayments		**1,165**	1,502
		199,237	134,789
Less: Allowance for impairment losses and unrecoverable prepaid taxes		**(1,843)**	(1,843)
	5	**P197,394**	P132,946

Input VAT represents accumulated input taxes from purchases of goods and services for business operations which can be applied against future output VAT.

Prepaid taxes include creditable withholding taxes withheld by the Group's customers which can be applied against future income tax liability. Prepaid importation charges pertain to advance payments to various suppliers of imported paper rolls.

Refundable security deposits pertain to cash deposits on container vans and leases of warehouse and office space. Security deposits on container vans are refundable upon return of container vans while security deposits on leases are refundable at the end of the lease period.

In 2020, the Group applied prepaid tax credits with corresponding allowance for impairment against income tax payable. Gain on reversal of impairment amounting to P7.993 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 movements and balances of the asset held-for-sale as at December 31, 2022 and 2021 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, 2022 and 2021	**P120,600**

Certificate Authorizing Registration of SCPC for the assignment of the preferred shares in SLC to Greenkraft has already been completed on June 5, 2023 after resubmission of all pertinent documents related to the deed of assignment. The transfer and issuance of new stock certificate to Greenkraft was fully consummated on September 29, 2023.

11. Property and Equipment

The movements and balances of property and equipment as at December 31, 2022 and 2021 are as follows:

	Land	Building	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
Cost								
January 1, 2021	P67,539	P -	P366,416	P34,610	P11,402	P4,460	P73,128	P557,555
Additions	117,511	-	7,131	527	-	813	42,725	168,707
Reclassifications	-	-	8,411	2,971	-	959	(6,984)	5,357
Disposals	-	-	-	-	(350)	-	-	(350)
December 31, 2021	185,050	-	381,958	38,108	11,052	6,232	108,869	731,269
Additions	537	235,291	221,074	2,303	7,684	2,025	45,647	514,561
Disposals	-	-	(30,000)	-	-	-	-	(30,000)
Reclassifications	-	109,585	34,899	-	-	4,379	(148,863)	-
December 31, 2022	**185,587**	**344,876**	**607,931**	**40,411**	**18,736**	**12,636**	**5,653**	**1,215,830**
Accumulated Depreciation and Amortization								
January 1, 2021	-	-	72,551	-	-	604	-	73,155
Depreciation and amortization	-	-	92,108	13,220	4,602	2,442	-	112,372
Disposals	-	-	-	-	(350)	-	-	(350)
December 31, 2021	-	-	164,659	13,220	4,252	3,046	-	185,177
Depreciation and amortization	-	42,778	101,929	10,313	2,768	3,548	-	161,336
Disposals	-	-	(4,000)	-	-	-	-	(4,000)
December 31, 2022	**-**	**42,778**	**262,588**	**23,533**	**7,020**	**6,594**	**-**	**342,513**
Carrying Amounts								
December 31, 2021	P185,050	P -	P217,299	P24,888	P6,800	P3,186	P108,869	P546,092
December 31, 2022	**P185,587**	**P302,098**	**P345,343**	**P16,878**	**P11,716**	**P6,042**	**P5,653**	**P873,317**

In 2021, SCPC availed of a long-term loan for the purchase of land acquired in December 2021. The acquired land serves as a security to the loan availment (Note 14).

The land and improvements thereon in San Vicente, Davao del Norte are subject to mortgage under the Omnibus Loan and Security Agreement (OLSA) entered by SCPC, SMPC, and another affiliate as Borrowers in 2021 (see Note 15). The carrying amount of land and improvements as at December 31, 2022 and 2021 amounted to P187.587 million and P185.050 million, respectively.

Depreciation is recognized as follows:

	Note	**2022**	2021	2020
Cost of sales	*19*	**P39,016**	P77,942	P -
Cost of services	*19*	**43,868**	28,997	2
Operating expenses	*20*	**78,452**	5,433	965
		P161,336	P112,372	P967

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, 2022 and 2021.

The movements in investments in equity instruments are as follows:

	Note	**2022**	2021
Cost			
Balance at beginning of year		**P95,066**	P94,171
Additions		**26,830**	15,826
Disposals		**(19,461)**	(14,931)
Balance at end of year		**102,435**	95,066
Changes in Fair Value			
Balance at beginning of year		**10,646**	(10,330)
Changes in fair value		**(4,382)**	23,996
Transfer of fair value reserve for investments in equity instruments designated at FVOCI		**(9,610)**	(3,020)
Balance at end of year		**(3,346)**	10,646
	24	**P99,089**	P105,712

Dividend income earned in 2022, 2021, and 2020 amounted to P4.759 million, P5.715 million, and P1.697 million, respectively (Note 21).

13. Trade Payables and Other Current Liabilities

This account consists of:

	Note	2022	2021
Trade payables:	24		
Third parties		**P158,615**	P91,502
Related parties	15	**59,026**	26,134
Payable to bank		**371,034**	296,247
Advances from customers:			
Third parties		**5,748**	26,826
Related parties	15	**688,093**	43,237
Accrued expenses	24	**705,396**	72,285
Payable to government agencies		**12,442**	7,554
Others	24	**36,879**	7,999
	5	**P2,037,233**	P571,784

Trade payables generally have 30-day term and includes interest-bearing letter of credits with terms ranging from 90 to 180 days.

Payables to bank pertain to trust receipts transaction with banks used to purchase imported paper with terms of 60 to 180 days. Interest expense on letter of credits recognized in profit or loss amounted to P4.383 million, P2.682 million, and nil in 2022, 2021, and 2020, respectively.

Advances from customers pertain to advance payments made by customers for purchase of goods. As of December 31, 2022 and 2021, the Group has not refunded any amount.

Accrued expenses mainly pertain to accrued charges from Bureau of Customs for raw materials importation, payable to other tolling customers and suppliers for paper purchases.

Details of accrued expenses as at December 31 are as follows:

	Note	2022	2021
Importation cost		**P47,687**	P23,260
Salaries and other employee benefits		**2,552**	2,476
Other purchases:			
Third parties		**160,607**	20,521
Related parties	15	**465,941**	78
Insurance		**13,590**	4,984
Outside services		**4,548**	328
Professional fees		**3,522**	1,154
Others		**6,949**	19,484
		P705,396	P72,285

Other purchases pertain to accruals of other supplies and services locally purchased and incurred for the period.

14. Loans Payable

This account consists of:

	Note	2022	2021
Loans payable:			
Current portion of long-term loans		**P118,648**	P -
Short-term loans		**414,740**	331,747
Payable to Greenkraft Corporation	*15*	**190,000**	190,000
		723,388	521,747
Loans payable, net of current portion:			
Local bank loan	*11*	**504,970**	130,401
	1, 24	**P1,228,358**	P652,148

Short-term Loans
Short-term loans from local banks are unsecured, peso-denominated promissory notes intended for additional working capital requirements of the SMPC. These are payable within six months and bear annual interest rates ranging from 2.0% to 5.5% and 2.0% to 3.5% in 2022 and 2021, respectively.

The related interest expense on the above loans recognized in profit or loss amounted to P37.328 million, P9.557, and nil in 2022, 2021, and 2020, respectively. Interest expense in 2020 is considered pre-acquisition.

Long-term Loans
Omnibus Loan and Security Agreement (OLSA)
On November 29, 2021, the SCPC, SMPC, and another affiliate, collectively as Borrowers, entered into an Omnibus Loan and Security Agreement (OLSA) with a local bank. The loan has seven-year term and up to an aggregate amount of P2 billion or its U.S. Dollar equivalent. The proceeds of the loan will be used to finance the purchase by the Borrowers of the subject assets as described in Section 1 of Part C of the OLSA. The loan drawdown will enable the Borrowers to purchase the subject properties and to operate the Dole Philippines Inc. (DPI) box plant property in Davao.

The loan has floating interest rate based on the prevailing market rate at each repricing date, with a one-time option to fix. The loan is secured by mortgaged properties as described in Part C, Section 3.02 and enumerated in Schedule II of the OLSA, and future receivables of the Borrowers, and guaranteed by the major shareholders of the Parent Company.

The other essential elements of the OLSA, among others, are summarized below:

a) The Borrowers are entitled to a grace period on principal payments for the first 12 months reckoned from the initial drawdown and shall pay only interest on the loan amount. At the end of the 13th month from the initial drawdown date, the Borrowers shall commence payment of the principal and interest. The principal payments shall be made in 72 equal monthly amortizations beginning on the 13th month from the initial drawdown date.

b) The Borrowers shall pay interest on the outstanding advance monthly in arrears at the interest rate on each interest payment for the interest period. The interest rate on the advance payment shall be the prevailing market rate as of the repricing date.

c) The Borrowers shall not sell, lease, transfer, grant or otherwise dispose all or substantially all of its properties and assets, except for leases entered into with any of the Borrower's affiliates for the lease of DPI Box Plant and Printing Plant.

d) Cross default and cross acceleration provision as an event of default. This is when the Borrower defaults in the payment of principal or interest or commits violation of any terms and conditions, or accelerate or permit acceleration, of any agreement and the lender believes that the breach or violation will adversely and materially affect the Borrower's operations or ability to perform its obligation under the OLSA.

e) No new borrowing, unless with consent of the lenders.

f) Creditor's consent for change in material ownership in the borrowers and mortgagors.

g) Standard covenants, representations and warranties.

h) Prohibited from declaring dividends to its owners until full payment of all amounts payable, unless consented in writing by the lenders/creditors.

In December 2021, the SCPC initially availed of the loan amounting to $2,588,000 equivalent to P130.401 million for the purchase of land (Note 11).

On January 24, 2022, the SCPC availed the second and final drawdown of the loan amounting to $9,087,396.

As at November 29, 2022, the loan has been fully drawn by the SCPC and an affiliate. SMPC has no loan drawdown as at November 29, 2022.

In 2022, SCPC's outstanding loans payable were converted to Philippine peso.

In accordance with Part B, Section 5.01 (m) of the OLSA, the Borrowers are required to maintain debt to service coverage ratio of at least 1.25x, a total debt-to-equity ratio of 1.5 to 1, and a debt to EBITDA of no more than three times. The SCPC has failed to comply with the financial ratios indicated in the OLSA as at December 31, 2021. The OLSA provides that default provisions, other than payment default, are remediable within 30 days after written notice from the lender of such failure to comply with the terms or covenant in the OLSA.

As at December 31, 2022 and 2021, the Borrowers have not received any notice of default from the lender that will trigger the non-compliance with financial ratios an event of default. On August 23, 2023 and November 3, 2022, upon the request of the Borrowers, the Borrowers received a letter from the lender confirming that the bank did not declare the Borrowers in default under the OLSA notwithstanding their non-compliance with the required financial ratios as at December 31, 2022 and 2021, respectively.

Transaction cost on loan availment pertaining to documentary stamp tax paid in 2021 amounted to P4.522 million, of which P1.002 million relates to initial drawdown in 2021 and recorded as deduction from loans payable, and the remaining balance of P3.520 million relates to final drawdown in January 2022 recorded as part of Prepaid taxes (Note 9).

Payable to Greenkraft Corporation

Omnibus Agreement (Amended in 2010)

Borrowings from Greenkraft and Roxburgh were secured loans and were originally obtained from lending banks under the Omnibus Agreement's revolving working capital facility subject to annual interest rates prior to assignment of the loan to third parties in 2006. The said creditors/lenders are now considered related parties of STN following the dacion en pago arrangements and reassessment of related party relationships in 2010.

The property and equipment of the Group and present and future receivables of the subsidiaries are used as collateral in accordance with the Amended Agreement. In 2012, the total fair value of assets pledged as security, which includes investment in an associate, land and land improvements and building and building improvements, declined from P290 million to P289.88 million (Note 1). In 2014, the land and land improvements and building and building improvements of SCPC were transferred to the creditors/lenders.

Furthermore, the Amended Agreement provides for certain affirmative and negative covenants subject for compliance by the Group and payment terms as discussed in Note 1 which is due after completion of dacion en pago that is expected to be completed in 2022.

Upon approval of the Amended Agreement, the above creditors are aware of the Group's non-compliance with covenant due to the Group's financial condition and such will not be a ground to default from the Amended Agreement.

As discussed in Note 1, the accrued interest amounting to 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 annually until 2019.

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the conversion of loans from Greenkraft and Roxburgh into common shares in STN. The minority shareholders present or represented at the meeting unanimously voted to waive the requirement to conduct a right or public offering of the shares to be issued by virtue of debt-to-equity conversion. Consequently, principal and interest payments on long-term debt was suspended beginning July 2019.

On December 29, 2020, the Parent Company issued 149,562,081 shares to Greenkraft and Roxburgh effecting the debt-to-equity conversion following the SEC approval of the Parent Company's increase in authorized capital stock on the same day (Note 18).

The outstanding long-term debt amounted to P190 million as at December 31, 2022 and 2021.

Changes in liabilities arising from financing activities are as follows:

	2022	2021
Balance at beginning of year	**P652,148**	P536,247
Availment of loans	**1,558,111**	769,139
Payments of loans	**(916,000)**	(654,247)
Effect of exchange rate changes	**(65,901)**	1,009
Balance at end of year	**P1,228,358**	P652,148

15. 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 consolidated 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					
	Year	*Note*	Amount of Transaction	Receivables	Trade Payables and Other Current Liabilities	Amounts Owed to Related Parties	Borrowings	Terms	Conditions
Entity under Common Control									
Associate									
Advances	2022	*a*	P -	P -	P -	P18,367	P -	Payable on demand; non-interest bearing	Unsecured
	2021		-	-	-	26,369	-		
Shareholders									
Borrowings	2022	*14*	-	-	-	-	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 6^{th} until the 15^{th} year, and 8% p.a. on the 16^{th} year onwards until maturity	Secured by various current and noncurrent assets of the Group
	2021		-	-	-	-	190,000		
Other Related Parties									
Lease and warehousing costs	2022	*d*	4,303	-	-	-	-	Payable on demand; non-interest bearing	Unsecured
	2021		60	-	-	-	-		
Sales	2022	*c*	102,986	143,082	-	-	-	Payable within 30 days; non-interest bearing	Unsecured; no impairment
	2021		67,094	37,985	-	-	-		
Purchases	2022	*c*	289,234	-	524,967	-	-	Payable within 30 days; non-interest bearing	Unsecured
	2021		-	-	26,212	-	-		
Reimbursements	2022	*7, b*	14,252	122	-	-	-	Collectible on demand; non-interest bearing	Unsecured; no impairment
	2021		4,134	4,256	-	-	-		
Advances from customer	2022	*e*	601,398	-	688,093	-	-	Payable on demand; non-interest bearing	Unsecured
	2021		-	-	43,237	-	-		
Advances	2022	*a*	-	-	-	41,253	-	Payable on demand; non-interest bearing	Unsecured
	2021		-	-	-	41,253	-		
Key Management Personnel									
Short-term benefits	2022	*20*	4,263	-	-	-	-		
	2021		4,463	-	-	-	-		
	2022			**P143,204**	**P1,213,060**	**P59,620**	**P190,000**		
	2021			P42,241	P69,449	P67,622	P190,000		

a. Amounts owed to related parties consist mainly of noninterest 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. *Sales to and Purchases from Related Parties*
Sales and purchases of inventories with related parties are made in the ordinary course of business. These transactions are unsecured, non-interest bearing and are generally with 30 to 90-day term.

d. *Lease and Warehousing Costs*
On June 1, 2011, SMPC entered into a lease and warehousing cost agreement with Golden Bales Corporation for the lease and warehousing of certain properties for its plate-making process. The contract is for a period of 5 years which expired on October 21, 2016 and was renewed thereafter for another 5-year term. The lease was renewed for another 2 years until October 31, 2023. The lease agreement qualified as lease under PFRS 16 (see Note 23).

e. Advances from customers pertain to advance payments made by related parties for purchase of goods.

f. Compensation of the Group's key management personnel is comprised of short-term benefits amounting to P4.263 million, P4.463 million, and P0.884 million in 2022, 2021, and 2020, 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.

The long-term loan of SCPC under the OLSA is guaranteed by the Parent Company's major shareholders without any charge (Note 14).

16. Retirement Benefits

SMPC maintains a non-contributory, defined benefit pension plan (the "Plan") covering substantially all of its regular employees. Under the provisions of the Plan, the normal retirement age is 60, employees, upon reaching retirement age with at least 5 years of service, can avail of early retirement. Employees covered have a vested right to a certain percentage of retirement benefits after completion of at least 5 years of service.

Contributions and costs are determined in accordance with the actuarial studies made for the Plan. Annual cost is determined using the projected unit credit method. SMPC's latest actuarial valuation date is as at December 31, 2022. Valuation is obtained on a periodic basis.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The reconciliation of the present value of defined benefit obligation and the fair value of the plan assets to the recognized liability presented as "Retirement benefits liability - net" in the consolidated statements of financial position is as follows:

	2022	2021
Balance at beginning of year	**P7,385**	P7,858
Included in Profit or Loss		
Current service cost	**989**	1,150
Interest expense	**371**	300
	1,360	1,450
Included in Other Comprehensive Income		
Actuarial gain due to:		
Changes in financial assumptions	**(954)**	(213)
Experience adjustment	**2,297**	(1,426)
	1,343	(1,639)
Others		
Benefits paid	**(184)**	(284)
	(184)	(284)
Balance at end of year	**P9,904**	P7,385

The retirement benefits cost recognized as part of "Salaries, wages and other employee benefits" in the consolidated statements of comprehensive income are recognized as follows:

	Note	2022	2021
Cost of sales and services	*19*	**P988**	P1,031
Operating expense	*20*	**371**	419
		P1,359	P1,450

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2022	2021
Discount rates	**7.18%**	5.03%
Expected rate of salary increases	**8.00%**	4.00%

The mortality and the disability rates used in the valuation were the 1994 Group Annuity Table and the 1952 Disability Table, respectively.

As at December 31, 2022 and 2021, the weighted average duration of the defined benefit obligation is 18 years.

Sensitivity Analysis on Actuarial Assumptions
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the DBO by the amounts shown below:

	Increase (Decrease)	Effect to Defined Benefit Obligation
2022		
Discount rates	**+100 basis points**	**(P1,319)**
	-100 basis points	**1,616**
Future salary increases	**+1.00%**	**1,584**
	-1.00%	**(1,322)**
2021		
Discount rates	+100 basis points	(950)
	-100 basis points	1,153
Future salary increases	+1.00%	1,153
	-1.00%	(972)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

Maturity analysis of the benefit payments is shown below:

	December 31, 2022				
	Carrying Amount	**Contractual Cash Flows**	**Less than 1 Year**	**Within 1 - 5 Years**	**More than 5 Years**
Defined benefit obligation	**P9,904**	**P185,124**	**P143**	**P1,532**	**P183,449**

	December 31, 2021				
	Carrying Amount	Contractual Cash Flows	Less than 1 Year	Within 1 - 5 Years	More than 5 Years
Defined benefit obligation	P7,385	P72,124	P137	P738	P71,249

Funding Arrangements
The Group is not required to pre-fund the future defined benefits payable under the Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Fund.

17. Equity

Capital Stock
Capital stock as at December 31, 2022 and 2021 consists of:

	No. of Common Shares	Par Value Per Share	Amounts in Thousand
Authorized	**2,000,000,000**	**1**	**P2,000,000**
Issued and outstanding	**1,418,812,081**	**1**	**P1,418,812**

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for shares of 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 14).

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 Parent Company issued 269,250,000 shares to the shareholders of SMPC in exchange for all of their shareholdings to the latter. The Parent Company also issued 149,562,081 shares to its lenders effecting the debt-to-equity conversion.

Expenses incurred that are directly attributable to the issuance of shares, net of related tax benefit, amounted to 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 (P123.82 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:

	2022	2021	2020
Net income	**P18,246**	(P2,315)	P189,490
Divided by weighted average number of common shares, in thousands	**1,418,812**	1,418,812	1,002,295
Basic and diluted earnings per share	**P0.0129**	(P0.0016)	P0.1891

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.

18. Revenues

Recognition of each revenue stream is as follows:

	2022	2021	2020
Point in time	**P1,716,844**	P1,231,289	P -
Over time	**488,569**	45,216	40,000
	P2,205,413	P1,276,505	P40,000

The Group's disaggregation of each source of product sales is presented below:

	2022	2021	2020
Local sales	**P1,037,570**	P432,198	P -
Indirect export sales	**675,932**	778,361	-
Sale of scrap	**40,172**	20,730	-
Sales discount	**(36,830)**	-	-
	P1,716,844	P1,231,289	P -

19. Cost of Sales and Services

This account consists of:

	2022	2021	2020
Cost of sales	**P1,653,233**	P1,063,361	P -
Cost of services	**170,401**	76,485	2
	P1,823,634	P1,139,846	P2

Cost of Sales
Details of the account as follows:

	Note	2022	2021	2020
Cost of Sales				
Raw materials, January 1		**P549,309**	P606,695	P -
Add: Purchases		**2,630,557**	759,385	-
Total raw materials		**3,179,866**	1,366,080	-
Less: Raw materials, December 31	*8*	**(1,729,512)**	(549,309)	-
Raw materials used		**1,450,354**	816,771	-
Direct labor		**15,528**	24,846	-
Factory overhead		**221,704**	225,272	-
Total manufacturing cost		**1,687,586**	1,066,889	-
Add: Work-in-process, January 1		**13,426**	16,708	-
Total goods available for manufacturing		**1,701,012**	1,083,597	-
Less: Work-in-process, December 31	*8*	**(24,574)**	(13,426)	-
Total goods manufactured		**1,676,438**	1,070,171	-
Add: Finished goods, January 1		**21,214**	14,404	-
Total goods available for sale		**1,697,652**	1,084,575	-
Less: Finished goods, December 31	*8*	**(44,419)**	(21,214)	-
		P1,653,233	P1,063,361	P -

Cost of Services
Details of the account as follows:

	Note	2022	2021	2020
Cost of Services				
Depreciation and amortization	*11, 23*	**P62,123**	P31,591	P2
Material used	*8*	**39,819**	18,325	-
Indirect labor		**30,231**	6,505	-
Salaries, wages and benefits		**16,822**	7,008	-
Utilities		**5,948**	5,005	-
Insurance		**5,204**	1,430	-
Supplies	*8*	**2,443**	2,914	-
Outside services		**4,919**	1,609	-
Warehousing cost		**1,861**	1,966	-
Fuel and oil		**477**	35	-
Taxes and licenses		**113**	37	-
Rent		**-**	60	-
Others		**441**	-	-
		P170,401	P76,485	P2

Details of factory overhead are as follows:

	Note	2022	2021	2020
Depreciation and amortization	*11, 23*	**P85,954**	P84,612	P -
Indirect labor		**40,614**	23,062	-
Indirect materials used	*8*	**36,756**	64,972	-
Utilities		**18,197**	17,743	-
Supplies	*8*	**14,964**	10,333	-
Repairs and maintenance		**11,766**	6,970	-
Insurance		**4,804**	5,069	-
Outside services		**4,540**	5,706	-
Warehousing cost		**3,155**	6,550	-
Fuel and oil		**441**	122	-
Taxes and licenses		**105**	133	-
Others		**408**	-	-
		P221,704	P225,272	P -

20. Operating Expenses

This account consists of:

	Note	2022	2021	2020
Depreciation	*11*	**P84,121**	P6,239	P965
Salaries, wages and employee benefits	*16*	**56,328**	12,057	326
Delivery expense		**43,017**	30,973	-
Insurance, taxes and licenses		**18,041**	17,333	618
Utilities and office expenses		**16,043**	2,651	17
Professional fees, outside services, and legal fees		**15,087**	22,421	3,260
Provision for impairment losses of receivables	*7*	**12,582**	20,814	-
Transportation and travel		**6,504**	868	-
Provision (reversal) of previously recognized inventory write-down	*8*	**3,960**	(15,388)	-
Representation and entertainment		**3,717**	2,621	61
Supplies		**2,819**	-	-
Repairs and maintenance		**1,687**	11,361	-
Listing fees		**250**	250	261
Others		**3,977**	2,879	280
		P268,133	P115,079	P5,788

21. Other Income - net

This account consists of:

	Note	2022	2021	2020
Foreign exchange gain (loss) - net		**(P51,432)**	P6,299	P -
Dividend income	*12*	**4,759**	5,715	1,697
Interest income	*6*	**38**	25	19
Gain on acquisition of a subsidiary	*5*	**-**	-	267,459
Reversal of allowance for impairment of prepaid taxes	*9*	**-**	-	7,993
Others		**9,913**	144	86
		(P36,722)	P12,183	P277,254

22. Income Taxes

The components of the income tax expense are as follows:

	2022	2021	2020
Current tax expense	**P17,059**	P13,250	P10,966
Deferred tax expense	**(14,424)**	(6,834)	-
Effect of change in income tax rate - current	-	(914)	-
Effect of change in income tax rate - deferred	-	(4,518)	-
	P2,635	P984	P10,966

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:

	2022	2021	2020
Income before income tax	**P30,990**	P18,949	P311,464
Tax statutory tax rate of 25% in 2022 and 2021, and 30% in 2020	**P7,748**	P4,737	P93,439
Adjustments to income tax resulting from tax effects of:			
Recognition of NOLCO which was previously unrecognized	**(3,900)**	-	-
Dividend income	**(1,190)**	(1,429)	(509)
Movement in unrecognized deferred tax asset	**(98)**	5	100
Excess MCIT over RCIT	**60**	-	-
Non-deductible expenses	**25**	3,109	43
Interest income subjected to final tax	**(10)**	(6)	(6)
Effect of change in income tax rate - current	-	(914)	-
Effect of change in income tax rate - deferred	-	(4,518)	-
Gain on acquisition of a subsidiary	-	-	(80,238)
Stock issuance cost	-	-	(1,863)
	P2,635	P984	P10,966

The components of the Group's deferred tax liability, net of deferred tax assets, are as follows:

	2022	2021
Deferred Tax Assets		
Impairment losses on receivables	**P10,511**	P7,365
Allowance for inventory obsolescence	**6,705**	5,715
Unrealized foreign exchange gain	**3,873**	-
Retirement benefits liability	**2,476**	1,846
Leases	**670**	425
	24,235	15,351
Deferred Tax Liability		
Acquisition of a subsidiary	**(25,551)**	(31,426)
	(P1,316)	(P16,075)

As at December 31, 2022 and 2021, 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.

	2022	2021
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
Unrealized foreign exchange loss	**-**	1,009
	237,281	238,290
MCIT	**1,579**	-
NOLCO	**-**	15,602
	P238,860	P253,892

The Group has NOLCO amounting to nil and P15.602 million as at December 31, 2022 and 2021, respectively which can be carried forward as deduction against future taxable income as follows:

Year Incurred	Amount	Expired/ Applied	Balance	Date of Expiry
2021	P3,532	P3,532	P -	2026
2020	8,327	8,327	-	2025
2019	3,743	3,743	-	2022
	P15,602	P15,602	P -	

Corporate Recovery and Tax Incentives for Enterprise (CREATE) Act
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.

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 was lowered from 30% to 25% effective July 1, 2020.

Presented below is the effect of changes in tax rates under the CREATE Act recorded in 2021.

	Effect of Changes in Tax Rates
Consolidated Statements of Comprehensive Income	
Income tax benefit	(P914)
Deferred tax benefit	(4,518)
Consolidated Statements of Financial Position	
Prepaid taxes	914
Deferred tax liabilities	(4,518)

Bayanihan to Recover as One Act
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.

23. Significant Agreements

Tolling Agreements
The Group has tolling agreements with certain customers wherein these customers will provide paper rolls for the Group to process or manufacture into corrugated fiber board boxes at a guaranteed volume subject to the production frequency and specifications to be agreed by both parties. For the services provided, the Group will receive tolling fees which are recorded as "Service Income" account in the consolidated statements of comprehensive income.

Tolling fees amounted to P463.120 million, P45.216 million, and nil in 2022, 2021, and 2020, respectively.

Lease Agreements

Group as Lessor

On January 24, 2022, the Group entered into a short-term lease contract with Dole Philippines, Inc. (DPI) for the lease of the parcel of land located at Carmen Corrugated Containers, Brgy. Alejal, Carmen, Davao del Norte from December 1, 2021 to December 29, 2021. Upon expiration of the contract, the contract was renewed until February 23, 2022.

Rent income amounted to P5.383 million, nil, and P40.00 million in 2022, 2021 and 2020, respectively (Note 18).

Group as Lessee

The Group 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 the Group as required under the terms and covering lease agreements amounted to P0.34 million and P2.55 million as at December 31, 2022 and 2021, respectively, which were recognized under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts in the consolidated statements of financial position (Note 9).

Movements and balances of right-of-use asset related to the land and building are as follows:

	Note	**2022**	2021
Cost			
Balance at beginning of year		**P42,710**	P5,853
Addition		**63,092**	36,857
Disposals		**(10,568)**	-
Balance at end of year		**95,234**	42,710
Accumulated Depreciation			
Balance at beginning of year		**10,070**	-
Depreciation	*19, 20*	**70,862**	10,070
Disposals		**(10,568)**	-
Balance at end of year		**70,364**	10,070
Carrying Amount		**P24,870**	P32,640

The depreciation expense has been charged to cost of sales and services and operating expenses as follows:

	Note	**2022**	2021
Cost of sales	*19*	**P46,939**	P6,670
Cost of services	*19*	**18,254**	2,594
Operating expenses	*20*	**5,669**	806
		P70,862	P10,070

The following table sets out a maturity analysis of lease payments, showing undiscounted and discounted lease payments to be received after the reporting date:

	2022		
	Minimum Lease Payable	**Interest**	**Present Value of Minimum Lease Payments**
Within one year	**P8,504**	**P1,827**	**P6,677**
Between one to five years	**21,646**	**2,700**	**18,946**
More than five years	**2,011**	**81**	**1,930**
	P32,161	**P4,608**	**P27,553**

	2021		
	Minimum Lease Payable	Interest	Present Value of Minimum Lease Payments
Within one year	P9,047	P2,292	P6,755
Between one to five years	27,845	4,230	23,615
More than five years	4,274	304	3,970
	P41,166	P6,826	P34,340

Movements in lease liabilities for the year ended December 31 follow:

	2022	2021
Beginning balance	**P34,340**	P6,066
Additions	**63,091**	36,856
Interest expense	**4,223**	2,575
Payments	**(74,101)**	(11,157)
	P27,553	P34,340

Amounts recognized in profit or loss are as follows:

	2022	2021
Interest on lease liabilities	**P4,223**	P2,575
Depreciation expense on ROU assets	**70,862**	10,070
Short-term leases	**-**	60
	P75,085	P12,705

Total cash outflows for leases amounted to P74.100 million and P11.157 million in 2022 and 2021, respectively.

Asset Sale Agreement
In August 2021, SCPC, SMPC and certain affiliates executed Asset Sale Agreement (ASA) with DPI, which was amended in December 2021. The asset sale agreement covered the purchase of parcels of land, machinery and equipment, motor vehicles, other assets and shared assets used in the Stanfilco Plants and Dolefil Box and Printing Plants. In the agreement, SCPC will acquire Stanfilco Box Plant and Stanfilco machinery and equipment, SMPC will enter into long term supply agreement with DPI, and other affiliates will acquire other target assets listed in Schedule 2 of the ASA.

SCPC has committed to purchase the allocated target assets with total purchase price of USD 9,383,761. As at November 29, 2022, SCPC has completed the purchase of buildings and improvements, and machineries and equipment amounting to P484.038 million (inclusive of taxes).

Long-term Supply Agreement
In January 2022, in relation to the Asset Sale Agreement, the Group through SMPC entered into a long-term supply agreement with DPI to supply boxes, packaging materials, including parts thereof such as cartons, dividers, pods, lids, joints, walls, slots, panels, labels and other printed materials, made of paper, kraft, corrugated boxes and other paper related products. The long-term supply agreement has a term of nine years and six months beginning from August 24, 2022 until February 23, 2032. The agreement can be renewed subject to discussion of the parties. As at November 29, 2022, the Group is yet to supply the above mentioned materials to DPI.

The transition initiated on February 24, 2022, taking over operations under a tolling arrangement for six months. This period was extended to aid DPI in depleting its substantial inventory of paper rolls. Despite the extension, DPI continued to hold a considerable inventory, leading to an agreement with the Group to further extend the tolling arrangement until depletion or reaching an acceptable inventory level, albeit with liquidation fees considerations.

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 loans payable, 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 payable (Notes 13, 14, 15, 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, 2022	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Trade payables and other current liabilities*	**P1,330,950**	**P1,330,950**	**P1,330,950**	**P -**
Amounts owed to related parties	**59,620**	**59,620**	**59,620**	**-**
Loans payable	**1,228,358**	**1,228,358**	**723,388**	**504,970**
Lease liabilities	**27,553**	**32,161**	**40,623**	**-**
	P2,646,481	**P2,651,089**	**P2,154,581**	**P504,970**

**Carrying amount excludes advances from customers and payable to government agencies amounting to P706,283.*

December 31, 2021	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Trade payables and other current liabilities*	P494,167	P494,167	P494,167	P -
Amounts owed to related parties	67,622	67,622	67,622	-
Loans payable	652,148	652,148	524,443	127,705
Lease liabilities	34,340	41,166	9,047	32,119
	P1,248,277	P1,255,103	P1,095,279	P159,824

**Carrying amount excludes advances from customers and payable to government agencies amounting to P77,617.*

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 loans payable will be paid in full (Notes 10 and 14).

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, 2022 and 2021, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2022**	2021
Cash in banks	*6*	**P49,519**	P65,813
Receivables - net	*7*	**861,271**	424,786
Refundable security deposits	*9*	**8,611**	6,925
		P919,401	P497,524

The credit risk for cash in banks is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any.

The Group does not execute any credit guarantee in favor of any counterparty.

Cash in Banks
Cash in banks are held with counterparties with high external credit ratings. The credit quality of these financial assets is considered to be high grade. Impairment on cash in banks has been measured on a 12-month ECL basis and reflects the short maturities of the exposures. The Group considers that its cash in banks have low credit risk based on the external credit ratings of its counterparties.

Receivables
The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence credit risk of the Group's customer base.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

Refundable Security Deposits
Deposits on property leased by the Group are generally refundable at the end of the term. The Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information, management consider the credit quality of refundable deposits to be good.

Credit Quality and Expected Credit Loss Assessment
In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

The table below shows the credit quality of the Group's financial assets as at December 31, 2022 and 2021:

December 31, 2022	**High Grade**	**Medium Grade**	**Low Grade**	**Total**
Cash in banks	**P49,519**	**P -**	**P -**	**P49,519**
Receivables - net	**-**	**783,748**	**77,523**	**861,271**
Refundable security deposits	**-**	**8,611**	**-**	**8,611**
	P49,519	**P792,359**	**P77,523**	**P919,401**

December 31, 2021	High Grade	Medium Grade	Low Grade	Total
Cash in banks	P65,813	P -	P -	P65,813
Receivables - net	-	359,845	64,941	424,786
Refundable security deposits	-	6,925	-	6,925
	P65,813	P366,770	P64,941	P497,524

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, 2022	**12-month ECL**	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
Cash in banks	**P49,519**	**P -**	**P -**	**P49,519**
Receivables - net	**-**	**783,748**	**77,523**	**861,271**
Refundable security deposits	**4,992**	**3,619**	**-**	**8,611**
	P54,511	**P787,367**	**P77,523**	**P919,401**

	Financial Assets at Amortized Cost			
December 31, 2021	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks	P65,813	P -	P -	P65,813
Receivables - net	347,236	12,609	64,941	424,786
Refundable security deposits	5,299	1,626	-	6,925
	P418,348	P14,235	P64,941	P497,524

The Group believes that the unimpaired amounts are past due by more than 60 days are still collectible based on historical payment behavioral analyses of the underlying counterparties' credit ratings.

Credit Risk Concentration

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous trade customers as at December 31, 2021. However, in 2022, a customer accounted for more than 30% of the total revenues and receivables. The Group does not execute any credit guarantee in favor of any counterparty.

Market Risk

Market risk is the risk that the changes in market prices, such as foreign exchange rates, interest rates and other market prices, will affect the Group's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign Currency Risk

The Group is exposed to foreign currency risk on its cash in banks and loans payable that are denominated in US Dollars. The Group regularly monitors the outstanding balance of its cash in banks and loans payable that are 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.

Information on the foreign currency denominated monetary assets and monetary liabilities and their Philippine peso equivalents as at December 31, 2022 and 2021 are as follows:

	2022	2021
Assets	**$10,072**	$4,011
Liabilities	**(2,000)**	(4,589)
Net payable	**$8,072**	($578)
Philippine Peso equivalent	**P453,000**	(P29,347)

The foreign exchange rate of P56.120 and P50.774 were used in translating the USD denominated monetary liability to Philippine peso as of December 31, 2022 and 2021, respectively.

A 10% strengthening of the Philippine peso against US Dollar as at December 31, 2022 and 2021 would have increased the net income by P33.975 million and P2.199 million, respectively. A 10% weakening of the Philippine peso against the above currencies as at December 31, 2022 and 2021 would have had the equal but opposite effect, on the basis that all other variables remain constant.

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 payable. The Group's exposure to changes in interest rates relates mainly to the long-term loan drawn from a local bank in 2022 and 2022 with a floating interest rate based on the prevailing market rate at each repricing date. The Group's short-terms loans have fixed interest rates over the term of the loan.

The sensitivity to a reasonably possible 10% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax and equity by P0.270 million and P0.202 million, respectively in 2021. A 10% decrease in the interest rate would have had the equal but opposite effect.

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			
	2022		2021	
	1% Increase	**1% Decrease**	6% Increase	6% Decrease
Investment in equity instruments	**P2,238**	**(P2,238)**	P5,933	(P5,933)

Fair Value Estimation of Financial Assets and Liabilities
Cash in Banks and Receivables. The carrying amounts of cash in banks and receivables approximate fair values due to the relatively short-term maturities of these financial instruments.

Investments in Equity Instruments. The fair value of quoted investments in equity instruments is determined by reference to their quoted bid prices at the reporting date (Level 1). The fair values of golf shares and country club memberships are based on cost since there is no realizable basis for fair value. The Group's investment in equity instruments financial assets which is measured at fair value at December 31, 2022 and 2021 is classified under Level 1.

The Group does not have financial assets classified under Level 2 and 3.

Refundable Security Deposits. The carrying amount of refundable security deposits approximate the fair value, since the Group does not anticipate the carrying amount to be significantly different from the actual value that these deposits would be eventually collected.

Trade Payables and Other Current Liabilities, Amounts Owed to Related Parties and Current Portion of Loans. The carrying amounts of trade payables and other current liabilities, amounts owed to related parties and current portion of loans payable approximate fair value due to the relatively short-term maturities of these financial instruments.

Loans Payable, Net of Current Portion. net of current portion are reported at their present values, which approximate the cash amounts that would fully satisfy the obligations as of reporting date. The carrying amount of long-term loans payable with floating interest rate with monthly repricing approximates its fair value.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total liabilities, while equity is total equity as shown in the consolidated statements of financial position. The Parent Company being a listed entity is covered by the PSE requirement of 10% minimum public ownership. The Parent Company is under suspended trading status in PSE since 2006 pursuant to the PSE's Implementing Guidelines for Companies under Corporate Rehabilitation when the Group 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.

KPMG

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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, Philippines

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, 2022 and 2021 and for each of three years in the period ended December 31, 2022, and have rendered our report dated March 8, 2024.

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

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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 are not 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, are fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

JOHN MOLINA
Partner
CPA License No. 0092632
Tax Identification No. 109-916-107
BIR Accreditation No. 08-001987-023-2022
  Issued June 2, 2022; valid until June 2, 2025
PTR No. MKT 10075189
  Issued January 2, 2024 at Makati City

March 8, 2024
Makati City, Metro Manila

KPMG

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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, Philippines

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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report dated March 8, 2024.

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, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

R.G. MANABAT & CO.

JOHN MOLINA
Partner
CPA License No. 0092632
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Makati City, Metro Manila

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2022

STENIEL MANUFACTURING CORPORATION
Gateway Business Park, Brgy. Javalera,
General Trias, Cavite, Philippines

Unappropriated Retained Earnings (Deficit), as adjusted to available for dividend distribution, beginning*	**(P1,605,237)**
Net income actually earned during the period	
Net income during the period closed to Retained Earnings	**18,426**
Unappropriated Retained Earnings (Deficit) available for dividend declaration, ending**	**(P1,586,811)**

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, 2022 AND 2021

	SCHEDULE	
A	- FINANCIAL ASSETS	
B	- AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)	
C	- AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS	
D	- LONG-TERM DEBT	
E	- INDEBTEDNESS TO RELATED PARTIES (LONG- TERM LOANS FROM RELATED COMPANIES)	
F	- GUARANTEES OF SECURITIES OF OTHER ISSUERS	NOT APPLICABLE
G	- CAPITAL STOCK	

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2022

Name of Issuing Entity	Number of Shares	Amount Shown in the December 31, 2021 Consolidated Statement of Financial Position	Income Received and Accrued
Aboitiz Power Corporation	45,000	P1,532,250	P65,250
Alliance Global Inc.	60,000	714,000	11,400
Belle Corporation	250,000	305,000	-
Cemex Holdings Phils. Inc.	100,000	61,000	-
China Banking Corporation	50,000	1,372,500	75,000
Citicore Energy REIT Corp.	200,000	458,000	24,600
DDMP REIT INC.	900,000	1,161,000	74,683
DMCI Holdings, Inc.	1,248,500	14,982,000	2,074,200
DoubleDragon Corporation	100,000	672,000	23,240
East West Banking Corp.	10,000	66,700	4,000
Manila Electric Co.	26,216	7,833,341	420,295
Manila Water Company, Inc.	1,122,000	21,430,200	425,238
Metro Pacific Investments Corp.	10,938,900	37,411,038	1,028,400
Phinma Corporation	198,530	3,783,982	214,365
PLDT Inc.	1,100	1,448,700	128,700
Premium Leisure Corp.	1,180,000	560,500	59,283
Rizal Commercial Banking Corp.	13,800	327,060	8,528
Rockwell Land Corp.	45,700	63,980	2,454
Semirara Mining & Power Corporation	-	-	13,500
Synergy Grid & Dev. Phil. Inc.	333,000	3,696,300	78,020
Union Bank of The Phils.	14,047	1,209,448	28,000
	16,836,793	P99,088,999	P4,759,156

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2022

<u>December 31, 2022</u>

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending Balance
Other related parties	P4,256	P14,252	P18,386	P -	P122	P -	P122
Other related parties of SCPC	-	124,140	31,746	-	92,394	-	92,394
Other related parties of SMPC	37,985	62,260	11,572	-	50,688	-	50,688
	P42,241	**P200,652**	**P61,704**	**P -**	**P143,204**	**P -**	**P143,204**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Amounts in thousands)

December 31, 2022

Name and Designation of Debtor	Beginning Balance	Additions	Assignment/ Condonation	Written Off	Current	Not Current	Ending Balance
Trade receivables							
SCPC	P106,117	P90,407	P -	P -	P196,524	P -	P196,524
Amounts owed by related party							
SCPC	95,073	8,000	-	-	-	-	103,073
SMPC	-	24,250	-	-	-	-	24,250
	95,073	32,250	-	-	-	-	127,323
	P201,190	**P122,657**	**P -**	**P -**	**P196,524**	**P -**	**P323,847**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2022
(Amounts in thousands)

December 31, 2022

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
Loans payable Omnibus Loan and Security Agreement (OLSA)	P623,618	P118,648	P504,970

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE E- INDEBTEDNESS TO RELATED PARTIES
(LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2022
(Amounts in thousands)

December 31, 2022

Name of related party	Balance at the beginning period	Balance at the end of the period
Greenkraft Corporation	P190,000	P190,000

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE F- GUARANTIES OF SECURITIES OF OTHER ISSUER
DECEMBER 31, 2022
(Amounts in thousands)

December 31, 2022

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, 2022

December 31, 2022

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	Directors, Officers and Employees	Others
Common shares	2,000,000,000	1,418,812,081		1,131,322,398	7	287,489,595

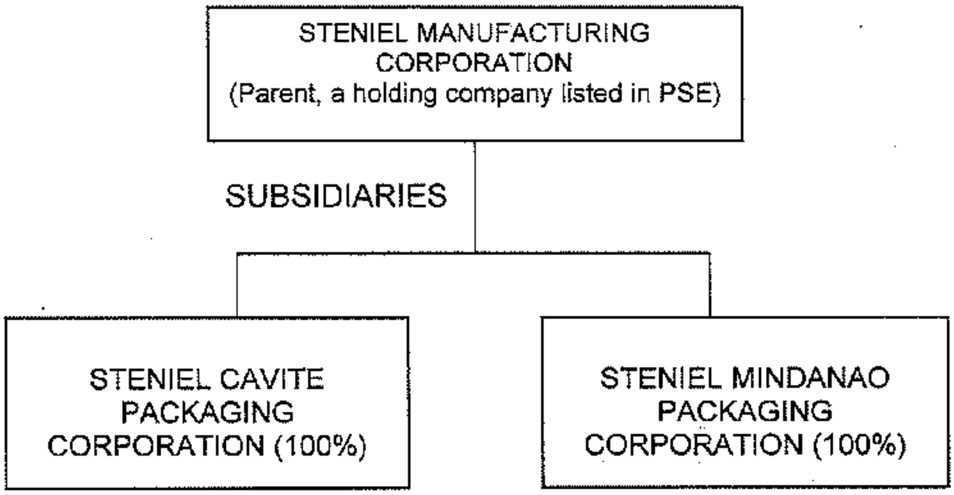
STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratio	Formula	As of December 31, 2022	As of December 31, 2021
Liquidity: Current Ratio	Current Assets / Current Liabilities	**1.10**	1.19
Solvency:			
Debt to Equity Ratio	Total Liabilities (Current + Noncurrent) / Equity	**4.46**	1.85
Asset to Equity Ratio	Total Assets (Current + Noncurrent) / Equity	**5.46**	2.85
Profitability: Return on Average Equity Attributable to Equity Holders of the Parent Company	Net Income Attributable to Equity Holders of the Parent Company / Average Equity Attributable to Equity Holders of the Parent Company	**4%**	3%
		For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
Operating Efficiency:			
Operating Margin	Income from Operating Activities / Net Sales	**5%**	2%
Return on Equity	Net Income / Equity	**4%**	2%
Return on Assets	Net Income / Total Assets	**1%**	1%

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

MAP OF CONGLOMERATE



ANNEX B
2022 (Parent) Audited
Financial Statements

STENIEL MANUFACTURING CORPORATION

SEPARATE FINANCIAL STATEMENTS
December 31, 2022 and 2021

With Independent Auditors' Report

KPMG

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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

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, 2022 and 2021, and the separate statements of comprehensive income, separate statements of changes in equity 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, 2022 and 2021, 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.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

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.

KPMG

- 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 (RR) No. 15-2010 and RR No. 34-2020 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 19 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
Tax Identification No. 109-916-107
BIR Accreditation No. 08-001987-023-2022
Issued June 2, 2022; valid until June 2, 2025
PTR No. MKT 10075189
Issued January 2, 2024 at Makati City

BUREAU OF INTERNAL REVENUE
RECEIVED
MAR 0 1 2024
JOCELYN A. PONTALBA
COLLECTION SECTION

March 1, 2024
Makati City, Metro Manila

KPMG

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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, 2022, on which we have rendered our report dated March 1, 2024.

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
Tax Identification No. 109-916-107
BIR Accreditation No. 08-001987-023-2022
Issued June 2, 2022; valid until June 2, 2025
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March 1, 2024
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

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** (the"**Company**") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein,for the years ended **December 31, 2022 and 2021**, 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

BUREAU OF INTERNAL REVENUE
RECEIVED
MAR 0 1 2024
JOCELYN P. PANTALBA
Revenue Collection Officer
COLLECTION SECTION

ELIZA C. MACURAY
Chief Finance Officer

Signed this 28th day of February, 2024

STENIEL MANUFACTURING CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

		December 31	
	Note	**2022**	2021
ASSETS			
Current Assets			
Cash in banks	*5, 18*	**P5,632**	P18,166
Receivables	*6, 14, 18*	**122**	122
Due from related parties	*14, 18*	**24,250**	-
Prepaid expenses and other current assets - net	*7*	**46,685**	47,199
Total Current Assets		**76,689**	65,487
Noncurrent Assets			
Investment in subsidiaries	*8*	**457,820**	457,820
Property and equipment - net	*9*	**91**	2,843
Investments in equity instruments	*10, 18*	**20,762**	13,385
Total Noncurrent Assets		**478,673**	474,048
		P555,362	P539,535
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities	*11, 18*	**P8,698**	P8,478
Due to related parties	*14, 18*	**119,940**	121,441
Borrowings	*1, 12, 14, 18*	**190,000**	190,000
Total Liabilities		**318,638**	319,919
Equity			
Capital stock	*13*	**1,418,812**	1,418,812
Additional paid-in capital	*13*	**408,423**	408,423
Net unrealized loss on investments in equity instruments		**(3,700)**	(2,382)
Deficit	*1*	**(1,586,811)**	(1,605,237)
Total Equity		**236,724**	219,616
		P555,362	P539,535

See Notes to the Separate Financial Statements.

JOCELYN

STENIEL MANUFACTURING CORPORATION

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, except Basic and Diluted Earnings/Loss Per Share)

		Years Ended December 31	
	Note	**2022**	2021
OPERATING EXPENSES	*15*	**(P6,441)**	(P3,487)
OTHER INCOME - Net	*16*	**25,607**	1,172
INCOME (LOSS) BEFORE INCOME TAX		**19,166**	(2,315)
INCOME TAX EXPENSE	*17*	**740**	-
NET INCOME (LOSS)		**18,426**	(2,315)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss			
Net gain (loss) on financial assets at fair value through other comprehensive income	*10*	**(1,318)**	2,469
TOTAL COMPREHENSIVE INCOME		**17,108**	154
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	*13*	**P0.01299**	(P0.00163)

See Notes to the Separate Financial Statements.

STENIEL MANUFACTURING CORPORATION
SEPARATE STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

					Years Ended December 31
	Capital Stock (Note 13)	Additional Paid-in Capital	Net Unrealized Gain (Loss) on Investment in Equity Instruments (Note 10)	Deficit (Notes 1)	Total Equity (Capital Deficiency)
December 31, 2020	P1,418,812	P408,423	(P5,856)	(P1,601,917)	P219,462
Changes in fair value of equity instruments designated at FVOCI	-	-	2,469	-	2,469
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	1,005	(1,005)	-
Net loss during the year	-	-	-	(2,315)	(2,315)
Total comprehensive income (loss) during the year	-	-	3,474	(3,320)	154
December 31, 2021	1,418,812	408,423	(2,382)	(1,605,237)	219,616
Changes in fair value of equity instruments designated at FVOCI	-	-	(1,318)	-	(1,318)
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	-	-	-
Net loss during the year	-	-	-	18,427	18,427
Total comprehensive income (loss) during the year	-	-	(1,318)	18,427	17,109
December 31, 2022	**P1,418,812**	**P408,423**	**(P3,700)**	**(P1,586,810)**	**P236,725**

See Notes to the Separate Financial Statements.

STENIEL MANUFACTURING CORPORATION

SEPARATE STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

		Years Ended December 31	
	Note	**2022**	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**P19,166**	(P2,315)
Adjustments for:			
Depreciation	*9, 15*	**2,752**	1,928
Dividend income	*16*	**(602)**	(1,214)
Interest income	*5, 16*	**(5)**	(3)
Operating income (loss) before working capital changes		**21,311**	(1,604)
Increase (decrease) in:			
Prepaid expenses and other current assets		**514**	(135)
Due from related parties		**(24,250)**	-
Trade payable and other current liabilities		**220**	(170)
Due to related parties		**(1,501)**	8,293
Net cash generated (used in) from operations		**(3,706)**	6,384
Income taxes paid		**(740)**	-
Dividends received	*16*	**602**	1,214
Interest received		**5**	3
Net cash provided by (used in) operating activities		**(3,839)**	7,601
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investment in equity instruments		**-**	7,459
Additions to investment in equity instruments	*10*	**(8,695)**	-
Net cash provided by (used in) investing activities		**(8,695)**	7,459
NET INCREASE (DECREASE) IN CASH IN BANKS		**(12,534)**	15,060
CASH IN BANKS AT BEGINNING OF YEAR		**18,166**	3,106
CASH IN BANKS AT END OF YEAR		**P5,632**	P18,166

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). Its secondary purpose includes to do and perform all acts and things necessary, including the exercise of powers, authorities and attributes conferred upon corporations organized under the laws of the Republic of the Philippines in general and upon domestic corporations of like in particular.

On September 11, 2013, the SEC approved the Amended Articles of Incorporation (AOI) of the Company, extending the corporate life for another 50 years from September 13, 2013. Pursuant to the Revised Corporation Code of the Philippines, which took effect in February 2019, the Company shall have a perpetual existence because the Company did not elect to retain its specific corporate term under its AOI.

Following a decision made by the Board of Directors (BOD) in 1996 to reorganize the Company and its subsidiaries, the Company ceased manufacturing operations in June 1997 due to continuing business losses. As a result, reorganization of the Company was carried out and completed with the Company's principal activity now limited to holding of investments.

The ultimate parent of the Company is Steniel (Netherlands) Holdings B.V. (SNHBV), incorporated in Amsterdam and the registered owner of 82.2715% of the shares of the Parent Company prior to restructuring of the loan in 2019. The remaining 17.7284% of the shares are widely held.

Consequent to the restructuring of the loan in 2010, remaining unissued capital stock of the Company totaling 123,818,000 shares were issued to Roxburgh Investment Limited (Roxburgh) to reduce the Company's outstanding debts (Notes 12 and 13). The issuance of shares resulted to recognition of additional paid-in capital. As a result, Roxburgh owns 12.3818% of the Company, while the ownership of SNHBV as well as the public have been reduced to 72.0849% and 15.5333%, respectively.

On January 18, 2012, the shareholders of SNHBV entered into a Share Purchase Agreement with Right Total Investments Limited (Right Total, a limited liability company incorporated in the British Virgin Islands as an investment company), to purchase up to 100% of the issued and outstanding shares of SNHBV. With the sale of shares of SNHBV, Right Total became the owner of the 72.0849% shares of SNHBV consequently making Right Total as the ultimate parent company.

On January 25, 2012, the Company received a tender offer report from SNHBV to purchase the 279,151,088 shares of minority investing public or 27.92% of the total issued shares at a price of 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 December 31, 2022 and 2021, STN is the ultimate parent company following the completion of the Tender Offer.

The Company's registered address and principal office is located at Gateway Business Park, Brgy. Javalera, General Trias, Cavite.

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 16th year onwards.

- The restructured accrued interest expense prior to loan restructuring will be subject to interest 8% per annum.

- The restructured loan shall be secured by the assets/collateral pool under the Collateral Trust Agreement.

- All taxes and fees, including documentary stamp taxes and registration fees, shall be for the account of the Company.

- All other costs and expenses of restructuring including documentation costs, legal fees and out-of-pocket expenses shall be of the account of Company; and

- Other conditions include:

  a. Lenders representative to be elected as director in STN and in each of its subsidiaries.

  b. A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.

  c. No dividend declaration or payments until the restructured obligations are fully paid.

  d. No new borrowing, unless with consent of the lenders.

e. No repayment or prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.

f. Creditor's consent for change in material ownership in the Company and mortgagors.

g. Standard covenants, representations and warranties.

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 2022 after the issuance of Certificate Authorizing Registration (CAR) by the BIR. The change in ownership and management in early 2012 and the issuance of CAR generally caused the delay in the implementation of the dacion en pago.

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, 2022 and 2021, 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 waived interest charges annually until January 1, 2019. Consequent to the BOD approval of the conversion of debt to common shares of the Company in 2019, the principal repayment was suspended beginning July 2019 and the interest on the remaining principal balance was waived.

Status of Operations
The Company has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P1,585.40 million and P1,605.24 million as at December 31, 2022 and 2021, respectively. These conditions, among others, indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

To address such going concern matter, the management has taken the following measures:

On July 17, 2019, the BOD and Stockholders of the Company approved the acquisition of shares of SMPC through a share swap transaction and the conversion of loans from Greenkraft Corporation and Roxburgh Investments Limited into common shares in the Company. To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the Articles of Incorporation to increase the authorized capital stock from 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 which is issued by the Financial and Sustainability Reporting Standards Council (FSRSC) are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

The separate financial statements as at and for the year ended December 31, 2022 and 2021 were approved and authorized for issuance by the BOD on February 28, 2024.

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.

Adoption of Amendments to Standards
The Company has adopted the following new and amended standards and interpretations starting January 1, 2022 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of the amended standards did not have a material effect on the Company's financial statements.

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16, *Leases*). The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 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 an entity'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 statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

- 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). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the 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. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - 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.

<u>Amended Standards Not Yet Adopted</u>
A number of amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Company has not early adopted the following amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

The Company will adopt the following amended standards on the respective effective dates:

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors)*. To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgments)*. The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective from January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations.

  The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:

  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. For example, the seller-lessee could determine the lease payments to be deducted from the lease liability as expected lease payments or as equal periodic payments over the lease term, with the difference between those payments and amounts actually paid recognized in profit or loss.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Under PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of PFRS 16.

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1, *Presentation of Financial Statements*). 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 an entity 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 an entity'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, 2024, with early application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

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, receivables, and due from related parties are included under this category.

Cash in banks are stated at face value.

Financial Assets at FVOCI. Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt instruments are recognized in profit or loss. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the separate statements of changes in equity are transferred to and recognized in profit or loss.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in profit or loss when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the separate statements of changes in equity are never reclassified to profit or loss.

The Company's investments in equity instruments are classified under this category.

<u>Financial Liabilities</u>
The Company classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

As at December 31, 2022 and 2021, the Company has no financial liabilities at FVPL.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense" account in the separate statements of comprehensive income. Gains and losses are recognized in the separate statements of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the separate statements of comprehensive income.

The Company's trade payables and other current liabilities, due to related parties and borrowings are included under this category.

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.

<u>Fair Value Measurements</u>
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 Company expects to be entitled in exchange for these goods or services, excluding amounts collected on behalf of third parties.

The following specific recognition criteria must also be met before revenue is recognized:

Dividend Income

Dividend income is recognized when the right to receive the payment is established.

Interest Income

Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income

Other income 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.

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, 2022 and 2021.

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 2022 and 2021. The carrying amounts of other financial assets wat amortized cost are as follows:

	Note	**2022**	2021
Cash in banks	*5, 18*	**P5,632**	P18,166
Receivables	*6, 18*	**122**	122
Due from related parties		**24,250**	-
		P30,004	P18,288

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 P0.09 million and P2.84 million as at December 31, 2022 and 2021, 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, 2022 and 2021 (Note 7).

Allowance for impairment on investment in subsidiaries amounted to P1,559.43 million as at December 31, 2022 and 2021, respectively (Note 8).

No impairment loss was recognized on property and equipment as at December 31, 2022 and 2021 (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, 2022 and 2021 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 2022 and 2021.

5. Cash in Banks

This account consists of cash in banks amounting to P5.632 million and P18.166 million, as at December 31, 2022 and 2021, respectively. Cash in banks earn annual interest at the respective bank deposit rates.

Interest income from cash in banks amounted to P0.005 million and P0.003 million in 2022 and 2021, respectively (Note 16).

6. Receivables

This account consists of advances to employees amounting to P0.122 million as at December 31, 2022 and 2021 (Notes 14 and 18).

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2022	2021
Advances to suppliers	**P1,863**	P1,843
Allowance for impairment loss	**(1,843)**	(1,843)
	20	-
Prepaid taxes	**43,679**	44,419
Input value-added taxes	**2,986**	2,780
	P46,685	P47,199

The remaining balance on prepaid taxes of P43.68 million and P44.42 million as at December 31, 2022 and 2021, respectively, are not considered impaired as this relates to excess tax payments or creditable withholding taxes which have no prescription period and the balances are being carried forward annually in the tax returns.

8. Investment in Subsidiaries

As at December 31, 2022 and 2021, this account consists of:

	2022		2021	
Entity	**% of Ownership**	**Amount**	% of Ownership	Amount
SCPC				
Cost	**100**	**P1,748,000**	100	P1,748,000
Allowance for impairment		**(1,559,430)**		(1,559,430)
		188,570		188,570
SMPC	**100**	**269,250**	100	269,250
		P457,820		P457,820

SCPC and TPC

In 2006, the business operations of SCPC gradually slowed down. The temporary cessation of plant operations was approved by SCPC's BOD on March 27, 2007 in view of the continued losses incurred since its incorporation in addition to difficult economic and business conditions. Its operations are now limited to leasing its existing assets to a related party.

In 2008, TPC temporarily ceased its operations due to continuous losses incurred.

In 2016, the merger between SCPC and TPC (the former as the surviving entity) was approved by the BOD and Shareholders of the respective entities. The application for merger was filed with the SEC on April 10, 2017 and was approved on May 30, 2018.

As at December 31, 2019, the related investment cost for SCPC has been fully provided with allowance for impairment losses. In 2020, the Company has reversed allowance for impairment on investment in SCPC amounting to P188.57 million following management review of SCPC's financial position (Note 16).

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, 2022 and 2021, 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, 2021		14,508
Depreciation	*15*	1,928
December 31, 2021		16,436
Depreciation	*15*	2,752
December 31, 2022		**19,188**
Carrying Amount		
December 31, 2021		P2,843
December 31, 2022		**P91**

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 2022 and 2021.

These investments were measured at fair value based on quoted prices as at December 31, 2022 and 2021 and are as follows:

	Note	2022	2021
Cost			
Balance at beginning of year		**P15,768**	P24,231
Purchases		**8,694**	-
Disposal		**-**	(8,464)
Balance at end of year		**24,462**	15,767
Changes in Fair Value			
Balance at beginning of year		**(2,382)**	(5,856)
Changes in fair value		**(1,318)**	2,469
Transfer of fair value reserve within equity instruments designated at fair value		**-**	1,005
Balance at end of year		**(3,700)**	(2,382)
	18	**P20,762**	P13,385

Dividend income recognized amounted to P0.602 million and P1.214 million in 2022 and 2021, respectively (Note 16).

11. Trade Payables and Other Current Liabilities

This account consists of:

	Note	2022	2021
Trade payables	*18*	**P1,557**	P1,557
Nontrade payables	*18*	**4,017**	6,823
Payable to government agencies		**3,124**	98
		P8,698	P8,478

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	2022	2021
Greenkraft Corporation	*1, 14, 18*	**P190,000**	P190,000

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 party creditors/lenders 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). 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 resulting to a reduction of the borrowing balance. In 2014, the land and land improvements and building and building improvements of a subsidiary (SCPC) were transferred to the creditors/lenders.

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 2022.

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.

The other features of the Amended Agreement are disclosed in Note 1.

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).

As of December 31, 2022 and 2021, Greenkraft confirmed the Company's compliance with the amended agreement.

13. Equity

Capital Stock

This account consists of:

December 31, 2022

	No. of Common Shares	**Par Value Per Share**	**Amounts in Thousand**
Authorized	**2,000,000,000**	**1**	**P2,000,000**
Issued and outstanding	**1,418,812,081**	**1**	**P1,418,812**

December 31, 2021

	No. of Common Shares	Par Value Per Share	Amounts in Thousand
Authorized	2,000,000,000	1	P2,000,000
Issued and outstanding	1,418,812,081	1	P1,418,812

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:

	2022	2021
Net income (loss) for the year available to common shareholders	**P18,427**	(P2,315)
Divided by weighted average number of common shares, in thousand	**1,418,812**	1,418,812
Basic earnings (loss) per share	**P0.01299**	(P0.00163)

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 from Related Parties	Due to Related Parties	Terms	Conditions
Entities under Common Control									
• Reimbursements	2022	6, 14b	P -	P122	P -	P -	P -	Collectible on demand; non-interest bearing	Unsecured; no impairment
	2021		-	122	-	-	-		
• Advances to	2022	c	25,000	-	-	24,250	-	Collectible on demand; non-interest bearing	Unsecured; no impairment
	2021		-	-	-	-	-		
• Advances	2022	14a	1,501	-	-	-	119,940	Payable on demand; non-interest bearing	Unsecured
	2021		8,293	-	-	-	121,441		
• Borrowings	2022	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
	2021		-	-	190,000	-	-		
TOTAL	2022			P122	P190,000	P24,250	P119,940		
TOTAL	2021			P122	P190,000	P -	P121,441		

a. Due to related parties consist mainly of non-interest bearing advances for working capital requirements with no definite repayment dates.

b. Reimbursement of various expenses were paid in advance by the Company and charged to the related party.

c. In 2022, SCPC has entered into a management and operations agreement with the Company for a period of one (1) year amounting to P25,000,000, renewable for another year, subject to terms and conditions mutually agreed by the parties. The key officers of the Company shall manage the affairs of SCPC and shall include such services corporate and business management, planning and budgeting, finance and treasury functions, accounting functions, financial reporting and regulatory filing and reporting, risk management, government and regulatory affairs, and administrative/office services and leasing. It shall be effective on January 1, 2022.

   The Company's key management did not receive any compensation in 2022 and 2021. The Company's finance and administrative functions are being handled by a related party without any charge. (Note 16).

Unless otherwise indicated, amounts due to/from related parties are expected to be settled in cash.

15. Operating Expenses

This account consists of:

	Note	2022	2021
Depreciation	*9*	**P2,752**	P1,928
Professional fees		**2,416**	725
Salaries, wages and employee benefits		**983**	420
Listing fees		**250**	250
Office and computer supplies		**14**	11
Taxes and licenses		**3**	1
Miscellaneous		**23**	152
		P6,441	P3,487

Miscellaneous pertains to mailing and courier services, commission and bank charges.

16. Other Income (Expense)

This account consists of:

	Note	2022	2021
Management fee	*14*	**P25,000**	P -
Dividend income	*10*	**602**	1,214
Interest income	*5*	**5**	3
Others		**-**	(45)
		P25,607	P1,172

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:

	2022	2021
Income (loss) before income tax	**P19,166**	(P2,315)
Income tax expense (benefit) at statutory tax rate of 25%	**P4,792**	(P579)
Adjustments to income tax resulting from:		
Recognition of NOLCO which was previously derecognized	**(3,900)**	-
Dividend income	**(151)**	(303)
Interest income subjected to final tax	**(1)**	(1)
Movement in unrecognized deferred tax assets	**-**	883
	P740	P -

As at December 31, 2022 and 2021, 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.

	2022	2021
Temporary differences:		
Allowance for impairment losses on advances to suppliers	P1,843	P1,843
NOLCO	-	15,602
	P1,843	P17,445

As at December 31, 2022, 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
2021	P3,532	P3,532	P -	2026
2020	8,327	8,327	-	2025
2019	3,743	3,743	-	2022
	P15,602	P15,602	P -	

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, 2022	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Current Liabilities				
Trade payables and other current liabilities*	P5,574	P5,574	P5,574	P -
Due to related parties	119,940	119,940	119,940	-
Borrowings	190,000	190,000	190,000	-
	P315,514	P315,514	P315,514	P -

Carrying amount excludes payable to government amounting to P3,124.

December 31, 2021	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Current Liabilities				
Trade payables and other current liabilities*	P8,380	P8,380	P8,380	P -
Due to related parties	121,441	121,441	121,441	-
Borrowings	190,000	190,000	190,000	-
	P319,821	P319,821	P319,821	P -

Carrying amount excludes payable to government amounting to P98.

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	**2022**	2021
Cash in banks	5	**P5,632**	P18,166
Receivables	6	**122**	122
Due from related parties		**24,250**	-
		P30,004	P18,288

The table below shows the credit quality of the Company's financial assets as at December 31, 2022 and 2021:

December 31, 2022	Financial Assets at Amortized Cost High Grade	Medium Grade	Low Grade	Total
Cash in banks	P5,632	P -	P -	P5,632
Receivables	-	-	122	122
Due from related parties		24,250	-	24,250
	P5,632	P24,250	P122	P30,004

December 31, 2021	Financial Assets at Amortized Cost High Grade	Medium Grade	Low Grade	Total
Cash in banks	P18,166	P -	P -	P18,166
Receivables	-	-	122	122
	P18,166	P -	P122	P18,288

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.

December 31, 2022	Financial Assets at Amortized Cost 12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks	P5,632	P -	P -	P5,632
Receivables	122	-	-	122
Due from related parties	-	24,250	-	24,250
	P5,754	P24,250	P -	P30,004

December 31, 2021	Financial Assets at Amortized Cost 12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks	P18,166	P -	P -	P18,166
Receivables	122	-	-	122
	P18,288	P -	P -	P18,288

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			
	2022		2021	
	1% Increase	**1% Decrease**	6% Increase	6% Decrease
Investment in equity instruments	**P1,098**	**(P1,098)**	P784	(P784)

Fair Value Estimation of Financial Assets and Liabilities

Cash in Banks, Receivables, and Due from Related Parties. The carrying amounts of cash in banks, receivables, and due from related parties approximate fair values due to the relatively short-term maturities of these financial instruments.

Investment in Equity Instruments. The fair value of quoted investment in equity instruments is determined by reference to their quoted bid prices at the reporting date (Level 1). The fair values of golf shares and country club memberships are based on cost since there is no realizable basis for fair value.

Trade Payables and Other Current Liabilities, 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.

Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Cash flow from the activities of the Company's operating subsidiaries is considered a measure that reflects the Company's ability to generate funding from operations for its investing and financing activities and is representative of the realization of value or shareholders from the Company's operations.

Total capital comprises the total equity as shown in the separate statements of financial position. The Company being a listed entity is covered by the PSE requirement of 10% minimum public ownership. The Company is under 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. 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, 2022 (amounts rounded off to the nearest peso):

A. Value Added Tax (VAT)

Output VAT declared for the year ended December 31, 2022 and the revenues upon which the same was based consist of:

Output VAT	**P3,000,000**
Account title used	
Basis of the Output VAT:	
Vatable sales	**P25,000,000**

Movements in input VAT for the year ended December 31, 2022 are as follows:

Input VAT	
Beginning of the year	**P2,780,311**
Current year's domestic purchases:	
a. Services lodged under other accounts	**136,369**
Less: Claimed against Output VAT	**3,000,000**
Ending balance	**(P83,320)**

B. Withholding Taxes

Expanded withholding taxes	**P13,060**
Withholding taxes on compensation	**94,626**
	P107,686

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	**P3,307**

D. Tax Assessment and Cases

As of December 31, 2022, the Company has no pending tax court cases nor has received tax assessment notices from the BIR.

Based on RR No. 34-2020

In relation to Section 4 of RR No. 34-2020, the Company is not covered by the prescribed requirements and procedures for the submission of BIR Form No. 1709, Information Return on Related Party Transactions, Transfer Pricing Documentation (TPD) and other supporting documents.

ANNEX C
Sustainability Report

STENIEL MANUFACTURING CORPORATION
SUSTAINABILITY REPORT FOR 2022

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 2022
Highest Ranking Person Responsible for this report	Eliza C. Macuray – Treasurer/CFO/CAE

ECONOMIC

I. Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount (in Php)
Direct economic value generated (revenue)	2,205,413,000
Direct economic value distributed:	
a. Operating costs	2,091,767,000
b. Employee wages and benefits	73,150,000
c. Payments to suppliers, other operating costs	2,984,946,984
d. Dividends given to stockholders and interest payments to loan providers	
e. Taxes given to government	13,550,000
f. Investments to community (e.g. donations, CSR)	0

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The performance of revenue impacts the value of shares, the capacity to remunerate employees with wages and benefits, the allocation available for Corporate Social Responsibility (CSR) initiatives, and the taxes remitted to the government.	• Stockholders • Employees • Government • Community	The Company adheres to good business practices to ensure consistent performance and healthy revenue growth which may include the following: 1. Market Research and Analysis 2. Customer Retention by

		providing excellent customer services 3. Product and service innovation 4. Expansion of Market Reach 5. Adopting new and effective sales and marketing strategies 6. Operational efficiency 7. Employee Training and Development
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
The revenue may be influenced by the operational effectiveness of the lessee's machinery and equipment, while fluctuations in the market that impact the performance of investments in equity instruments can also affect revenue outcomes. Supply chain disruptions, such as inventory surplus or shortage, can lead to excess waste and production stoppages, resulting in financial losses. Rapid advancements in technology may render existing manufacturing processes or equipment obsolete, requiring costly upgrades or retooling.	• Stockholders • Employees • Government	The company guarantees that both owned and leased machinery and equipment undergo regular inspections and maintenance to facilitate uninterrupted operations. The company will enhance transparency across the supply chain to anticipate and mitigate potential disruptions. Forecasting will be improved by leveraging on historical data, customer insights and market trends. The company will strengthen its lean inventory management practices to minimize excess inventory and reduce the risk of obsolescence. The Company will prioritize investments in scalable and flexible technologies that can adapt to evolving market demands and technological advancements.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Revenue performance can be	• Stockholders	Management is currently

enhanced by a sound investment plan.	• Employees • Government	studying investment opportunities that can help improve revenue performance

II. Procurement Practices

<u>Proportion of spending on local suppliers</u>

Disclosure	Quantity
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	10 to 20%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Procuring raw materials from domestic suppliers offers the advantages of shorter lead times and streamlined communication, enhancing convenience. Furthermore, sourcing locally results in reduced transportation expenses, thereby bolstering the Company's profitability. On the other hand, sourcing raw materials internationally proves advantageous in terms of cost efficiency, particularly for bulk orders.	• Suppliers • Customers • Government	The Company consistently nurtures positive relationships with current suppliers while expanding the diversity of its supply chain by seeking out new suppliers both domestically and internationally. A diversified sourcing strategy can enhance resilience against disruptions such as geopolitical tensions, natural disasters, or transportation issues.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Insufficient planning and forecasting may result in either depleted stock levels, disrupting operational efficiency, or surplus inventory, leading to dormant capital and obsolete items.	• Suppliers • Customers • Governments	The company prioritizes demand planning and forecasting, routinely conducting inventory assessments to maintain an optimal balance of stock on hand. Additionally, it collaborates with other companies to source raw materials, capitalizing on competitive pricing opportunities.

What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Partnerships with domestic and international suppliers can lead to shared innovation, joint product development, and strategic alliances that will benefit both the Company and the supplier.	• Suppliers • Customers • Government	The Company will work on establishing strategic partnerships with local and international suppliers to foster long-term relationships built on trust, collaboration, and mutual benefit.

III. Anti-Corruption

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
The company maintains the utmost integrity standards, and therefore, employees, business partners, suppliers, and customers are expected to adhere to similar standards in their work performance and interactions with the company, stakeholders, and the public in general.	• Directors and Officers • Employees • Business Partners • Government	Management ensures that its anti-corruption policies and procedures are communicated to both employees and business partners. Copies of the Code of Conduct are discussed and distributed to officers and employees and they are strictly forbidden from participating in any form of direct or indirect bribery or corrupt activities. Furthermore, all directors and

		officers of the Company are required to attend the annual Corporate Governance seminars, which cover anti-corruption subjects among other relevant topics.
What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
The Company collaborates with customers known for upholding the highest standards of integrity. Failure to maintain this level of integrity reflects negatively on the company in the eyes of our customers, potentially dissuading ongoing partnerships and relationships with them.	• Directors and Officers • Employees • Business Partners Government	To safeguard the company's reputation against potential integrity lapses, the management is taking proactive steps. These include conducting thorough due diligence on potential partners, clearly communicating integrity expectations to employees and officers, implementing robust monitoring and compliance measures, swiftly addressing any unethical behavior, providing ongoing education on integrity, and maintaining transparent reporting practices. By adopting these approaches, the company can mitigate the risk of reputational harm and foster enduring partnerships with customers who uphold ethical standards.
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Enhance anti-corruption policies and procedures.	• Directors and Officers • Employees	Enhancing company policies and procedures against corruption requires a comprehensive approach. The various management approaches are as follows: Top management will continuously show their unwavering support towards the policy. Regular risk assessments will be

		conducted to help identify potential vulnerabilities in the policy and opportunities for improvement for effective risk management. Designing training programs that cater to the organization's needs, encompassing legal compliance and practical guidance.

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
Incidents of corruption have detrimental effects on both the Company's reputation and the morale of its employees. The Company's involvement is on the management of existing and potential risks.	• Directors and Officers • Employees • Government	Management strictly enforces the Company's anti-corruption policies and procedures and reviews all transactions to ensure that there is no corruption involved. Risk-based assessments are conducted regularly to proactively manage potential risks.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Acts of corruption affect the reputation of the Company and the morale of the people. Corrupt practices may put the company under tight government scrutiny.	• Directors and Officers • Employees • Government	Risk-based assessments are conducted regularly to proactively manage existing and potential risks.

What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Enhance training on anti-corruption policies and procedures	• Directors and Officers • Employees • Government	Management is continuously looking into ways it can enhance training on anti-corruption policies and procedures.

ENVIRONMENT

I. Resource Management

Energy consumption within the organization

Disclosure	Quantity	Units
Energy Consumption (renewable sources)	644,573.45	GJ
Energy Consumption (gasoline)	NA	GJ
Energy Consumption (LPG)	NA	GJ
Energy Consumption (diesel)	32,261.12	GJ
Energy Consumption (electricity)	2,888,996	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy Consumption (renewable sources)	41.04	GJ
Energy Consumption (gasoline)	NA	GJ
Energy Consumption (LPG)	NA	GJ
Energy Consumption (diesel)	0	GJ
Energy Consumption (electricity)	15,600	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
The Group is heavily dependent on electricity to operate, with its primary source being the power utility company, DLPC. Additionally, a portion of its electricity needs is fulfilled by a solar power generator leased and installed on the premises. Diesel is also utilized for operating equipment and vehicles. Optimizing the capacity of the solar power generator and ensuring efficient use of diesel	• Directors and Officers • Employees • Customers • Public	The Company performs routine evaluations to pinpoint significant energy users and their energy sources. Determining which areas to prioritize for energy conservation mainly depends on feasibility or the possibility of reducing energy consumption. Subsequently, a plan to decrease utility usage is developed to fulfill the company's energy consumption goals.

and electricity significantly affect both costs and the environment positively.		The management strategically schedules operations to maximize the utilization of solar power due to its cost-effectiveness and minimal environmental footprint. Moreover, the management purposefully schedules production to minimize diesel consumption while maintaining efficient product output.
What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
Escalating power and diesel rates attributed, but not limited, to factors such as heightened fuel costs resulting from conflicts in import routes. Reduced customer demand compels the company to operate at reduced capacities, consequently impacting the efficiency of power consumption; thus, increasing the cost of operation.	• Directors and Officers • Employees • Customers • Public	The management is continuously working on optimizing the utilization of the solar power generator and exploring additional renewable energy sources. Through which, the company can reduce dependence on conventional electricity and volatile diesel. This shift towards renewable energy not only lowers operational costs but also enhances the organization's environmental sustainability profile.
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Transition to renewable source of energy that is cheaper and may potentially attract environmentally cautious customers and investors. Adoption and implementation of energy-efficient technologies and practices which may include upgrading equipment, improving insulation and adopting smart energy management system.	• Directors and Officers • Employees • Customers • Government	The Company takes a proactive approach in adopting energy-efficient equipment. Additionally, the management is exploring the possibility of expanding the rooftop-mounted solar power generator.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	6,499	Cubic m
Water consumption	16,972.75	Cubic m
Water recycled and reused	935.92	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. Nevertheless, the Company ensures that there is a safe and sufficient source of water for drinking and utility use.	• Employee • Community • Government • Customer	To guarantee the safety of potable water for both employees and guests, the management conducts routine inspections and/or audits of drinking water suppliers. Additionally, the management ensures that regular tests are carried out on alternative water sources to confirm their suitability for utility use. Furthermore, the management maintains the cistern facility and the newly installed 60 cubic meter water tank within the plant to store and utilize rainwater effectively.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Increasing water rates and unstable water supply will have a direct effect on the operating cost and operation. Drinking water failing the standard quality poses health risks to employees.	• Employees • Government	The Company keeps the cistern and water tank in good condition to ensure that it effectively captures and stores rainwater and that the rainwater is efficiently used.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature	NA	NA

and size of operations, the Company has minimal water consumption. Thus, opportunities in relation to this matter are negligible		

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• Renewable	79,258	MT
• Non-renewable	1,777	MT
Percentage of recycled input materials used to manufacture the organization's primary products	13	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company's operations are significantly dependent on the accessibility and sustainability of its primary raw material, paper. In response to the substantial global demand, the Company collaborates with its customers to create products utilizing recycled papers, which not only offer cost advantages but also contribute to environmental preservation, thereby reducing the Company's working capital.	• Suppliers • Customers • Employees	Maximize the utilization of recycled papers through the implementation of novel technologies, ongoing process enhancements, and fostering innovation, alongside offering training programs to cultivate a proficient and technically skilled workforce.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Several factors, including the environmental consequences of global warming and the requirement for domestic wood in bio-energy production, present challenges to the sustainability of paper mills in fulfilling worldwide demands for paper rolls. Furthermore, these factors	• Suppliers • Customers • Employees	Continuous improvement in supply chain management and technological innovation to efficiently consume raw materials. Market analysis and pricing strategies are conducted and implemented to negotiate better

directly influence the pricing of paper rolls in the market.		prices with the suppliers.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
With increasing consumer demand for environmentally friendly packaging, the Company can capitalize on this trend by offering sustainable packaging solutions made from recycled or responsibly sourced paper materials. And as e-commerce continues to grow, there is a rising demand for packaging solutions tailored to shipping products directly to consumers. The Company can develop specialized packaging solutions optimized for e-commerce fulfillment, such as corrugated boxes designed for efficient shipping and product protection.	• Suppliers • Customers • Employees	Conducting market research and analysis, investing in research and development, integration of sustainable practices, strategic partnership and collaboration, service expansion and differentiation, and maintaining strong customer relations.

<u>Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)</u>

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
N/A	N/A	N/A
What are the Risk/s	**Which stakeholders are**	**Management Approach**

identified?	affected?	
N/A	N/A	N/A
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

Environmental impact management

a. GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	6574.35	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	2,992	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	NA	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Energy indirect Greenhouse Gase (GHG) emission is the impact of usage of electricity, which is one of the major inputs in production.	• Employees • Customers • Government • Community	The Company has adopted and implemented energy conservation measures such as the use of LED lights, inverter drive motor, and upgraded the electrical power controls (power-saving devices).
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Poor air quality	• Employees • Customers • Government • Community	The Company has embraced and put into effect energy-saving initiatives, including consistent upkeep of APCD and APSE systems, complying with stack sampling outcomes, and preserving ambient air quality by installing air ventilation fan and air conditioning units.

What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Discover and implement new knowledge on power-saving technologies.	• Employee • Government • Community	The Company will invest in training and new equipment.

b. Air pollutants

Disclosure	Quantity	Units
NOx	4,600	kg
SOx	11,650	kg
Persistent organic pollutants (POPs)	NA	kg
Volatile organic compounds (VOCs)	NA	kg
Hazardous air pollutants (HAPs)	5,250	kg
Particulate matter (PM)	2,700	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 a negligible impact on this matter.	• Employee • Community	The management ensures that the prescribed DENR source emission standards are kept and regular testing is made for the boilers, vehicles, and stan-by generators.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	• Employee • Community	Sources of air pollution regularly undergo preventive maintenance and low sulfur fuel is used.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	NA	NA

c. Solid waste

Disclosure	Quantity	Units
Total solid waste generated	8,808,274	kg
Reusable	2,760	kg
Recyclable	8,741,799	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	66,475	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible impact in relation this matter.	• Employee • Community	Waste management key performance indicators were set and regular inspections/audits are conducted to monitor compliance and performance. Material recovery facilities were established and baling machine was installed to recover recyclable materials. Consistent implementation of solid waste management like proper segregation of waste and recycling.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	• Employee • Community	Assessments are conducted to identify the risks and risks are managed in accordance to the IRR prescribed by the DENR.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	• Employee • Community • Customers	Enhance and endorse the company's current forward-thinking strategy aimed at minimizing solid waste.

d. Hazardous waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	12,916	kg
Total weight of hazardous waste transported	3,676	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible impact in relation this matter.	• Employee • Community	Consistent implementation of hazardous waste management plan as prescribed by the implementing rules and regulations of RA 6969.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	• Employee • Community	Risks concerning hazardous waste are managed by conduction regular inspections and by designating a prescribed storage area, proper labeling for identification, and maintaining an updated inventory of hazardous wastes.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	• Employee • Community	Consistent implementation of hazardous waste management plan as prescribed by the implementing rules and regulations of RA 6969.

e. Effluents

Disclosure	Quantity	Units
Total weight of hazardous waste generated	[_0_]	kg
Total weight of hazardous waste transported	[_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.	• Employee • Community	Wastewater is temporarily held in the cesspool and undergoes treatment at the wastewater facility before being discharged. Regular inspection and review of waste streams are also conducted to identify instances of noncompliance and/or opportunities for improvement.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	• Employee • Community	On a periodic basis, the Company reviews compliance with the applicable government rules and internal campaign to use and recycle wastes.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	• Employee • Community	The Company continuously adopts new ideas and considers new technology that will help reduce and reuse waste.

Environmental compliance

a. Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	NA	
No. of cases resolved through dispute resolution mechanism	NA	

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach

organization's involvement in the impact?		
Taking into account the nature and size of Operations, the Company has negligible impact in relation this matter.	• Community • Employees • Customers	The company conducts annual reviews to ensure compliance with relevant environmental laws and regulations. Additionally, it offers comprehensive seminars and training sessions to its Pollution Control Officers (PCOs) to maintain their proficiency and keep them abreast of updates in regulations, thereby ensuring the company's PCOs remain knowledgeable and skilled.
What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	• Community • Employees • Customers	The company conducts annual reviews to ensure compliance with relevant environmental laws and regulations. Additionally, it offers comprehensive seminars and training sessions to its Pollution Control Officers (PCOs) to maintain their proficiency and keep them abreast of updates in regulations, thereby ensuring the company's PCOs remain knowledgeable and skilled.
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	• Community • Employees • Customers	The company conducts annual reviews to ensure compliance with relevant environmental laws and regulations. Additionally, it offers comprehensive seminars and training sessions to its Pollution Control Officers (PCOs) to maintain their proficiency and keep them abreast of updates in regulations, thereby ensuring the company's PCOs remain knowledgeable and skilled.

SOCIAL

I. Employee Management

Employee data

Disclosure	Quantity	Units
Total number of employees	255	Headcount
a. Number of female employees	47	Headcount
b. Number of male employees	208	Headcount
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)	9	Percent
Ratio of lowest paid employee against minimum wage	0	

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100	100%
PhilHealth	Y	100	100%
Pag-Ibig	Y	100	100%
Parental leaves	Y	4	4%
Vacation leaves	Y	53	90%
Sick leaves	Y	40	62%
Medical benefits (aside from PhilHealth)	Y	100	100%
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 attrition due to competition	• Employees	The Company explores strategies to enhance employee morale and regularly conducts employee engagement surveys to assess the current level of employee engagement and to determine which initiatives have to be prioritized or enhance.
What are the Opportunity/ies identified?	**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. Currently consistent team check-ins were in place.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	302	Hours
b. Male employees	858	Hours
Average training hours provided to employees		
a. Female employees	8	Hours/employee
b. Male employees	9	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
Trainings were conducted within and outside the company premises in partnership with the Company officers, customers, and government agencies. Employees who receive relevant training and skills development seminars generally have high morale and are efficient in	• Directors • Officers • Employees	The Company regularly monitors and reviews key performance indicators which are indicative of the gaps within the company. Based on the result of the review, the Company assesses the needed training and skills development programs for its employees to achieve both the

performing their tasks, reducing operational costs.		employee and company goals.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
The lack of training and skills development programs contributes to higher attrition rates, as employees often seek these opportunities from other companies offering more competitive experiences and positions with higher salaries.	• Directors • Officers • Employees	The Company, through its Human Resource Department, develops and outsources skills development programs to enhance its competitiveness and regularly reviews the Company's salary structure.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
The Company may be able to identify potential leaders who will carry on its culture of excellence.	• Directors • Officers • Employees	The Company demonstrates support for people development programs and consistently reminds employees of the importance of improving their skill sets.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	39	Percent
Number of consultations conducted with employees concerning employee-related policies	2	Sessions

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Harmonious labor-management relationship is a major factor in productivity and production quality. It has a big impact in promoting industrial peace and employee motivation.	• Employees	The operations team conduct meetings to discuss work-related issues. Resolving grievance issue is a priority of HR.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**

Labor dispute may affect productivity, industrial peace and harmony.	• Employees	The operations team conduct meetings to discuss work-related issues. Resolving grievance issue is a priority of HR.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Quick dissemination of new policies. Opportunity to discover immediate solutions if there are labor issues.	• Employees	Regular meetings between dedicated staff and the employees; representative(s) can help resolve labor related issues immediately.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	19	Percent
% of male workers in the workforce	81	Percent
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])	3	Headcount

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Gender equality policies and campaigns are implemented and advocated in the Company. It has a significant impact on keeping the employees motivated, feeling secure, and involved, and preventing issues such as discrimination, bullying, and harassment.	• Directors • Officers • Employees	The Management consistently implements related policies and exemplifies respect at all times, regardless of sex or gender. Related issues are thoroughly discussed to maintain equality in the workplace.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Ineffective and unimplemented policies may result to attritions, discrimination, bullying, and	• Directors • Officers • Employees	The Company conducts pre-employment orientations and annual re-orientations related to

harassment. Lacking policies may lead to unintended offense and mistrust within the organization.		gender sensitivity and other related topics. The Company also conducts individual counseling.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
By working on the Company's gender-friendly image, the Company can attract more talents that will bring new skills and knowledge to the company.	• Directors • Officers • Employees	The Company provides equal opportunities to employees regardless of gender and involves employees in planning.

<u>Workplace Conditions, Labor Standards, and Human Rights</u>

a. Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	1,453,419	Man hours
No. of work-related injuries	10	Incidents
No. of work-related fatalities	0	
No. of work-related ill-health	0	
No. of safety drills	4	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Occupational Health and Safety Committee is responsible for devising and executing workplace programs aimed at ensuring the safety of all stakeholders. Additionally, employees are urged to adhere to health and safety protocols even outside of the workplace. By implementing health and safety programs, the company will guarantee the well-being and safety of its workforce and surroundings.	• Employees • Customers • Visitors • Suppliers	The Company through its Health and Safety Committee continuously and consistently improves and implements programs to sustain a healthy and safety operation.

What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Failure to adhere to the company's health and safety programs and protocols by stakeholders could lead to incidents and security threats that disrupt both the workforce and operations.	• Employees • Customers • Visitors • Suppliers	The company, via its Health and Safety Committee, consistently improves and enacts initiatives aimed at sustaining a healthy and safe operational environment. Furthermore, it furnishes employees with Personal Protective Equipment (PPE) and conducts health and safety seminars and orientations for new hires as well as on an annual basis.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Opportunities for improvement were noted in areas of employee safety and security.	• Employees • Community	The company, via its Health and Safety Committee, persistently enhances and implements programs to maintain a healthy and safe operation.

b. 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
N/A	-	-

What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
N/A	-	-
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	-	-

II. 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
Bribery and corruption within the supply chain can significantly impact the organization, much like environmental issues, human rights, and worker safety concerns.	• Directors • Officers • Employees	Consistently conducts comprehensive business process reviews and audits to pinpoint potential risks, while rigorously assessing the adequacy and efficacy of established controls.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
The issues can expose the Company to various risks such as regulatory noncompliance, reputational damage, operational disruptions stemming from environmental incidents, and legal consequences.	• Directors • Officers • Employees	The Company should implement a multifaceted strategy. This includes conducting thorough risk assessments to identify vulnerabilities, establishing robust compliance management systems, implementing proactive environmental practices,

		developing reputation management strategies, creating crisis response plans, ensuring legal compliance with the help of legal counsel, and continuously monitoring and improving risk management processes. Through these measures, management can mitigate the potential negative impacts on the company's performance and long-term sustainability, promoting resilience and responsible business practices.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Proactive environmental practices and reputation management enhance stakeholder trust, attracting new business. Improving operational efficiency through risk assessments and management boosts competitiveness and reduces costs. Robust compliance systems provide a competitive edge and mitigate regulatory risks. Crisis response plans foster innovation and leadership.	• Directors • Officers • Employees	Management proactively prioritizes strategic initiatives aimed at enhancing stakeholder trust, operational efficiency, compliance, and crisis preparedness. This involves implementing environmentally sustainable practices and effective reputation management strategies to attract new business and solidify stakeholder relationships. Additionally, conducting thorough risk assessments enables the identification of operational inefficiencies and the implementation of measures to streamline processes, reduce costs, and enhance competitiveness.

IV. Relationship with Community

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: N/A

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
N/A	-	-
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	-	-

V. Customer Management

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	

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
The Company implements health and safety protocols within the company premises and promotes to employees to extend the best practices outside the company premises. By adhering to these protocols, the Company provides a safe and healthy working environment for employees and other stakeholders, isolating the exposure to potential hazards.	Health and safety officers conduct regular site inspections to identify hazards and discuss them with management to develop plans to address and/or manage the risks.
What are the Risk/s identified?	**Management Approach**
Among the risks identified were as follows: 1. Inconsistent implementation of plant waste management 2. Accumulated hazardous waste of predecessor owner 3. Some electrical hazards were noted. 4. Rate of obese employees is high	Immediately discuss the hazards and health issues identified and implement action plans to address and manage the risks identified. Continuously improve the health and safety committee by providing training and seminars to update and acquire existing and new knowledge.
What are the Opportunity/ies identified?	**Management Approach**
The Company has the opportunity to improve its health and safety programs by venturing into new services and programs such as: 1. Health and Safety Consulting Services by the company's contracted doctor 2. Remote health and safety training 3. Emergency response and crisis management	The company is fully committed to endorsing health and safety initiatives and has instructed the Human Resource Department to implement new programs aimed at enhancing health and safety standards.

4. Promoting active lifestyle through sports events	

Marketing and Labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling	57	Counts
No. of complaints addressed	57	Counts

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
There have been no grievances regarding the marketing and labeling of the Company's products because the customer owns the design and the Company only follows whatever design was provided. However, there have been a few isolated cases of complaints regarding the product quality. All of which were promptly dealt with.	Consistent communication with customers is in place to discuss issues and product improvements. Issues are resolved and CPAR (Corrective and Preventive Action Report) is communicated to customers to assure them that all issues are properly dealt and a long-term plan is in place to manage the risk of reoccurrence. Follow applicable customer quality assurance policies and other customer requirements. Simultaneously ensure compliance to internal quality assurance policies that is at par or even better than the customers.
What are the Risk/s identified?	**Management Approach**
Persistent unresolved customer complaints could damage the Company's reputation for producing high-quality products, potentially leading to customer loss and a decrease in revenue-generating capability.	The Company keeps a record of all customer complaints for future review reference to identify recurring issues and evaluate the effectiveness of the corrective and preventive action plans implemented.
What are the Opportunity/ies identified?	**Management Approach**
The company's identity as a well-known producer of quality products may be used in marketing and advertising to bolster revenue.	The company capitalizes on its reputation as a renowned producer of quality products by leveraging it in marketing and advertising campaigns to boost revenue. Additionally, it pursues opportunity to improve efficiency and reduce rejection rates by upgrading machinery and facilitating continuous skill development among employees.

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy	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
Considering no complaints were received related to customer privacy, the impact on the company is negligible.	The Company regularly reviews and strictly implements policies set forth to preserve data security.
What are the Risk/s identified?	**Management Approach**
Incidents of data breaches may result in a loss of confidence by stakeholders, dissuading them from being associated with the Company.	The Company strictly implements the policies and best practices related to data privacy.
What are the Opportunity/ies identified?	**Management Approach**
Periodically review, update, and improve the data privacy policies and practices.	Management shall periodically review, update, and improve the Company's data privacy policies and practices to ensure compliance with Data Privacy Law and regulations.

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	incidents

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company protects the data of all company stakeholders by implementing IT controls and secured archives for physical documents. Access to files and documents is also restricted to authorized employees and employees are trained to handle data with utmost confidentiality.	The Company regularly reviews and strictly implements policies set forth to preserve data security.

The company remains trusted by stakeholders because it has a high regard for data security.	
What are the Risk/s identified?	**Management Approach**
Incidents of data breaches may result in a loss of confidence by stakeholders, dissuading them from being associated with the Company.	The Company strictly implements the policies and best practices related to data privacy.
What are the Opportunity/ies identified?	**Management Approach**
Periodically review, update, and improve the data privacy policies and practices	Management shall periodically review, update, and improve the Company's data privacy policies and practices to ensure compliance with Data Privacy Law and regulations

VI. 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
Manufacturing of corrugated boxes, and other paper-based packaging products. Lease of land, facility, machineries and equipment.	Taking into account the nature and size of Operations, the Company has negligible societal value/contribution to UN SDGs.	Taking into account the nature and size of Operations, the Company has negligible potential negative impact of contribution to UN SDGs.	The Company adheres to good business practices and strives to achieve sustainable development where relevant.

ANNEX E

SEC Form 17-A for the Period Ended December 31, 2021

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 2021

2. SEC Identification Number : 23736

3. BIR Tax Identification No. : 000-099-128

4. Exact name of issuer as specified in its charter: Steniel Manufacturing Corporation

5. Province, Country or other jurisdiction of incorporation or organization
Philippines

6. [ ] (SEC Use Only)
Industry Classification Code:

7. Address of principal office
Gateway Business Park, Brgy. Javalera, General Trias, Cavite

8. Issuer's telephone number, including area code
(046) 433-0066

9. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	1,418,821,081

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 [ ]

13. The aggregate market value of voting stocks held by non-affiliates is Php48,344,686 computed on the basis of the closing share price on July 5, 2006[1] of Php0.26 per common share.

[1] There were no transactions since July 6, 2006, the date when the Philippine Stock Exchange implemented a temporary trading suspension on the Company's shares.

TABLE OF CONTENTS

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Background

Steniel Manufacturing Corporation (“STN” or the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (“SEC”) on September 13, 1963. The Company and its subsidiaries (collectively, the “Group”) are engaged in the manufacturing, processing and selling of all kinds of paper products, paper board and corrugated carton containers, and all other allied products and processes. On September 11, 2013, the SEC approved the extension of the Company’s corporate term for another 50 years from September 13, 2013. With the passage of the Revised Corporation Code of the Philippines (“RCC”), the Company now has perpetual existence.

Following a decision made by the Company’s Board of Directors (“Board”) in 1996 to reorganize the Group, the Company ceased its manufacturing operations in June 1997. With the reorganization, the Company’s principal activity is now limited to holding of investments.

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 company became Steniel Netherlands.

Consequent to the restructuring of the loan in 2010, the Company issued 123,817,953 shares to Roxburgh Investment Limited (“Roxburgh”) for purposes of reducing the Company’s outstanding debts. As a result, Roxburgh owned 12.3818% of the Company, while the ownership of Steniel Netherlands as well as the public were reduced to 72.0849% and 15.5333%, respectively.

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, involving the sale and purchase of 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 from Steniel Netherlands offering to purchase 279,151,088 shares of the minority investing public equivalent to 27.92% of the outstanding capital stock. A total of 2,115,692 common shares were tendered and accepted by Steniel Netherlands, which comprised 0.0021% of the total issued and outstanding capital stock of the Company.

On June 26, 2019, the Company approved the reacquisition of Steniel Mindanao Packaging Corporation (“SMPC”), as described below, through a share swap transaction involving the transfer of 100% of the outstanding capital stock of SMPC in favor of the Company in exchange for STN shares. The Company also approved the conversion of the loans extended by Greenkraft Corporation (“Greenkraft”) and Roxburgh into equity. These approvals were made in view of the need to address the negative capital of the Company.

As part of the preparations for these share issuances, the Board approved the increase of the Company’s authorized capital stock from Php1 Billion to Php2 Billion. The same was approved and ratified by the stockholders during the annual stockholders’ meeting held on July 17, 2019 and reconfirmed on November 19, 2020.

On October 7, 2020, Greenkraft Corporation, 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. In compliance with the Securities and Regulations Code and its Implementing Rules and

Regulations, the Buyer Group made a tender offer involving the remaining outstanding shares of the Company, excluding the 70,940,604 common shares of Steniel Netherlands not included in the Share Purchase Agreement. The tender offer commenced on October 12, 2020 and ended on November 10, 2020 (the "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 the Company. Settlement for the tendered shares was made on November 20, 2020. Applications for issuance of Certificates Authorizing Registration ("CARs") for these transfers are currently being processed. Hence, the acquisition of the 11,780,533 shares has not yet been recorded in the books of the Company.

Following the completion of the tender offer, Steniel Netherlands and the Buyer Group executed the deed of sale on November 23, 2020 involving the 649,908,308 shares of the Company. The relevant taxes were paid and the corresponding CAR was secured. As of the date hereof, the transfer of the 649,908,308 common shares in favor of the Buyer Group has been recorded in the books of the Company. The transfer effectively reduced the shareholding of Steniel Netherlands to 5% of the Company's outstanding capital stock.

On December 29, 2020, the SEC approved the Company's application for increase of authorized capital stock from Php1 Billion to Php2 Billion resulting to the issuance of 418,821,081 common shares in favor of the Buyer Group, Greenkraft and Roxburgh. The increase was (i) partly subscribed by the share swap transaction wherein the Company reacquired SMPC in exchange for unissued shares of the Company; and (ii) partly subscribed through conversion of liability into equity.

The Company's principal office is located at Gateway Business Park, Brgy. Javalera, General Trias, Cavite, Philippines.

B. Subsidiaries

The consolidated financial statements include the financial statements of the Company and the following subsidiaries incorporated in the Philippines (the Company and its subsidiaries are collectively referred to as the "Group"):

Subsidiary	Date of Registration	SEC Registration No.
Steniel Cavite Packaging Corporation (SCPC)*	November 9, 1993	AS093-008725
Steniel Mindanao Packaging Corporation (SMPC)	June 30, 1995	AS095-006250

**Treasure Packaging Corporation (TPC) was merged with SCPC on May 30, 2018.*

1. *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 Board of Directors decided to discontinue its packaging operations in light of the difficult economic and business conditions and the continued business losses experienced by the company. Since it discontinued its packaging operations until 2015, SCPC was engaged in purchasing, processing and reselling various paper products and lease its machinery and equipment.

TPC was incorporated and registered with the SEC on May 23, 1994 primarily to engage in the manufacturing, processing, purchasing, and selling on wholesale basis, paper, paper rolls, paper boards, cartons, containers, packaging material and other pulp and paper products. The registered office address and principal office of TPC was located at Hernan Cortes Street, Manduae City, Cebu, Philippines.

In 2016, the merger between SCPC and TPC (the former as the surviving entity) was approved by the Board of Directors and shareholders of both corporations. The application for merger was approved by the SEC on May 30, 2018.

On January 10, 2017, the SEC approved the equity restructuring of SCPC which wiped out the company's deficit as at December 31, 2016.

SCPC's principal office is located at Gateway Business Park, Brgy. Javalera, General Trias, Cavite, Philippines.

2. *SMPC*

SMPC was incorporated on June 30, 1995 primarily to engage in the business of manufacturing, importing, buying, selling or otherwise dealings in, at wholesale and retail, all kinds of paper, paper rolls, paper boards, cartons, containers, packaging materials and other pulp and paper products.

As at December 31, 2012, SMPC was a wholly-owned subsidiary of the Company. In 2013, the Company sold its 9,249,995 common shares in SMPC.

On June 26, 2019, the Company approved the reacquisition of SMPC through a share swap transaction involving the transfer of 100% of the outstanding capital stock of SMPC in favor of the Company in exchange for STN shares. In preparation for these share issuances, the Company's Board approved the increase of the Company's authorized capital stock from Php1 Billion to Php2 Billion. The same was approved and ratified by the stockholders during the annual stockholders' meeting held on July 17, 2019 and reconfirmed on November 19, 2020.

On December 29, 2020, the Company issued 269,250,000 STN shares to the shareholders of SMPC effecting the share swap following the SEC approval of the Company's increase in authorized capital stock on the same day. The transfer of the SMPC shares in favor of the Company was subsequently recorded after the relevant CARs were issued by the Philippine Bureau of Internal Revenue ("BIR"). As of the date hereof, the Company is the registered owner of 100% of the outstanding capital stock of SMPC.

SMPC's principal place of business is located at Km. 25 National Highway, Bunawan District, Davao City.

As at December 31, 2021, the operating subsidiaries of the Company are SCPC and SMPC.

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 Company has a total of three (3) employees as at December 31, 2021.

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 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 in the Notes to Consolidated Financial Statements, 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 make further payments of its bank debts 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 in 2004, 2005 and 2006, and was declared in default by the lending banks on May 24, 2006. Subsequently until 2009, the lending banks assigned and sold their respective outstanding loan balances to various third parties.

In November 2007, the Company, including certain subsidiaries and an associate, separately filed individual Petitions for Rehabilitation with their respective Regional Trial Courts to ensure recovery and address liquidity. The petition, however, was denied by the courts.

Debt Restructuring

After the assignment and sale of loans from the lending banks to third parties, discussions commenced in 2009 with the major creditors/lenders to restructure the Company's outstanding loans. On October 15, 2010, the Company and the creditors/lenders signed an Amended and Restated Omnibus Agreement (the "Amended Agreement") with the essential elements 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.

- 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 the Company 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 and 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 Company; and

- Other conditions include:

    a. Lenders' representative to be elected as director in the Company 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 payment until the restructured obligations is 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. Creditors' consent for change in material ownership in the Steniel Group and mortgagors.
    g. Standard covenants, representations and warranties.

Dacion en pago and Equity Conversion

The *dacion en pago* of the 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. The *dacion en pago* transaction reduced the outstanding principal amount by Php122 million while the equity conversion reduced the outstanding accrued interest by Php248 million.

The *dacion en pago* relating to the Group's shares in Stenial Land Corporation ("SLC") and a subsidiary's land and land improvements and building and building improvements has a total value of Php290 million. In 2012, the CARs were issued in relation to the transfer to Greenkraft of 1,749,500 common shares and 11,820 preferred shares in SLC. The CARs covering the transfer of 727,050 preferred shares in SLC held by SCPC is currently being processed. The change in ownership and management in early 2012 and issuance of CARs generally caused the delay in the implementation of the *dacion en pago*.

In July 2019, the Company's Board and stockholders approved the conversion of debt into common shares of STB. Consequently, principal payments on long-term debts were 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 its application for increase in authorized capital stock on the same day. The outstanding balance of the borrowings were reduced by Php149.56 million as a result of the debt-to-equity conversion.

Interest Payments

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 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, 2019. Consequent to the Board approval of the conversion of debt to equity in 2019, principal and interest payments on long-term debt was suspended beginning July 2019.

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 10 in the Notes to the Consolidated Financial Statements, the Company reclassified certain remaining assets and shares of stocks in an associate from investment to assets held-for-sale which was subject to *dacion en pago* under the provisions of the Amended Agreement. The assets and shares are measured at lower of the carrying amount and fair value less cost to sell. The *dacion en pago* is expected to be completed in 2022.

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 in the Notes to Consolidated Financial Statements.

Please also refer to Note 24 - Financial risk management of the Notes to Consolidated Financial Statements for additional discussions.

Item 2. Properties

Please refer to Note 10 – Asset-Held-for-Sale and Note 11 – Property and Equipment, of the Notes to Consolidated Financial Statements for the table of properties.

The Group's building and building improvements, leasehold improvements and machinery and equipment were 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 section), the dacion en pago of the Group's idle machines and building had been partially completed as at December 31, 2010 and September 30, 2014 respectively, thereby reducing outstanding principal amount by Php222 million.

With regard to the *dacion* of the shares in SLC, the CARs for the transfer of shares to Greenkraft were issued in 2012. The CARs covering the transfer of shares held by SCPC is currently being processed. These transactions relating to the Group's shares in SLC have a total value of Php190.0 million.

Recent Acquisitions

The Company, through SCPC and SMPC, acquired the box plant assets used by Dole Philippines, Inc. ("Dole") in Davao del Norte for the production of its packaging materials. Dole is engaged in producing fresh fruits for export and local sales.

The box plant assets, all located in Davao Del Norte, consist of the buildings, other land improvements, machines, motor vehicles as well as the land where the box plant is located. SCPC acquired the land from Diamond Farms, Inc. on December 1, 2021 for USD2.3 Million and the rest of the box plant assets from Dole on January 24, 2022 for USD8 Million. Dole turned over the operations of the box plant assets to SCPC on February 24, 2022.

Simultaneous to the acquisition of the box plant assets was the execution of an agreement between Dole and SMPC for the supply of boxes, labels and other packaging materials made of paper related products. With a minimum purchase commitment from Dole, the supply agreement shall be effective from August 24, 2022 to February 23, 2032.

With the foregoing acquisitions and contractual arrangements with Dole, the Company, through SCPC and SMPC, expects to increase the Group's production capacity from 60,000 MT to 120,000 MT and double the sales revenue.

Item 3. Legal Proceedings

As of December 31, 2021, neither the Company nor any of its subsidiaries are involved in, or the subject of, any legal proceedings which, if determined adversely to the Company or the relevant subsidiary's interests, would have a material adverse effect on the business or financial position of Company or any of its subsidiaries.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to the vote of security holders during the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

A. Market Price

The Company's common shares are listed on The Philippine Stock Exchange, 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.

B. Holders

As of December 31, 2021, the top twenty (20) stockholders of the Company are the following:

	Name	Citizenship	No. of shares	%
1	Greenkraft Corporation	Filipino	317,916,912	22.41%
2	Golden Bales Corporation	Filipino	275,747,492	19.44%
3	Corbox Corporation	Filipino	275,747,492	19.44%

4	Roxburgh Investments Limited	BVI	261,910,502	18.46%
5	PCD Nominee Corporation	Filipino	71,555,009	5.04%
6	Steniel (Netherlands) Holdings B.V.	Dutch	70,940,604	5.00%
7	Rex Chua	Filipino	30,607,972	2.16%
8	Clement Chua	Filipino	30,607,972	2.16%
9	Valmora Investment & Management Corporation	Filipino	10,443,860	0.74%
10	Rustico and/or Lolita Garingan	Filipino	2,097,276	0.15%
11	Delfin R. Maceda	Filipino	1,980,000	0.14%
12	PCD Nominee Corporation	Non-Filipino	1,954,703	0.14%
13	Calvin C. Chua	Filipino	1,828,500	0.13%
14	Tower Securities Inc.	Filipino	1,685,333	0.12%
15	AB Capital Securities Inc.	Filipino	1,490,886	0.11%
16	Sally C. Ong Pac	Filipino	1,450,000	0.10%
17	Leonardo 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, 2021, the Company has a public float level of 13.11%.

C. Dividends

The Company did not declare any dividends for the years ended December 31, 2019, 2020 and 2021. Based on its By-Laws, dividends may be declared from the surplus profit at such time or times and in such percentage as the Company's Board may deem proper. No dividend shall be declared that will impair the capital of the Company. Stock dividend shall be declared in accordance with the law.

D. 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 the following entities, natural and juridical, as a result of the share swap transaction and debt-to-equity conversion:

1. 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

2. 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 Php1,277 million mainly consist of the manufacturing and selling of cartons and packaging materials to domestic and international markets while revenue recorded last year amounting to Php 40 million was solely from the leasing of machineries and equipment to a subsidiary in Davao.

Cost of sales and expenses applicable to the manufacturing business totaled Php 1,140 million while last year's direct expenses related to the leasing activity was almost negligible. Gross profit margin for the current period posted at 10.71%, compared to last year's margin of 99.99%. The sharp decrease for the current year was due to the consolidation of the manufacturing business.

Operating expenses during the current year posted Php 115.079 million net of reversal of previously recognized inventory write-down amounting to Php 15.388 million compared to last year of P5.788 million. The increase of Php 109.291 million consist of costs incurred to support the manufacturing activities..

Financing charges recognized during the current year is mainly related to short term bank borrowings to support the plant's operation amounted to Php 14.814 million. No financing charges was recognized attributable to the long term debt since 2018 when the creditors agreed to waive the interest charges maintaining their support up to this reporting period.

Other income for the period ending 2021 amounted to Php 12.183 million consist of dividends income, gain on sale of AFS and Forex gain compared to last year Php 277.254 million. The significant decrease consists of the gain on acquisition of SMPC amounted to Php 267.459 and reversal of allowance for impairment of prepaid taxes in the amount of, Php 7.993 million..

Income tax expense applicable for the current year amounted to P .984 million compared to Php 10.966 million in 2020.

Overall, the Group realized a consolidated net income of Php 17.965 million for the year ended December 31, 2021 compared to Php 300.498 million last year. The significant decrease was mainly attributed to the gain on acquisition of a subsidiary arising from the business combination that was implemented in December 29, 2020.

Financial Position

Total current assets as at December 31, 2021, totaled Php 1,387.861 million as compared to Php 1,286.861 million in 2020. The increase was mainly due to consolidation of assets of SMPC brought by the share swap in December 29, 2020. Non-current assets also increased to Php 693.772 million as at current year-end against last year's Php 589.364 million.

The Group's consolidated current liabilities as at current year-end totaled Php 1,167.908 million as compared in 2020 of Php 1,150.043 million with a slight increase. SMPC, the operating subsidiary's working capital was secured from bank loans to sustain its operation and commitments to clients.

Total assets as at year-end 2021 totaled Php 2,080.633 million compared to Php 1,875.674 million in 2020. In view of the foregoing discussions, the Steniel Group's current ratio during the year recorded at 1.19 and last year's at 1.12. Debt-to-equity ratio in 2021 is 1.85 compared last year at 1.73

Plans and Strategies

The Company temporarily ceased its operations due to heavy losses incurred in prior years that Management had to take measures to mitigate the losses and look for means to address the Retained Earnings and Capital Deficiency. Action plans had been gradually implemented until July 2019 when the Board approved the re-acquisition of SMPC through a share swap transaction and the conversion of the outstanding long term loans from creditors Greenkraft and Roxburgh into common shares of the Company. Subsequently, the Company's shareholders approved the amendment of the Company's Articles of Incorporation to accommodate the transactions.

On December 29, 2020, following the approval of SEC of the Company's application for increase of authorized capital stock from Php1 Billion divided into 1 Billion common shares to Php2 Billion divided into 2 Billion common shares, the Company issued a total of 418,821,081 shares resulting from the debt to equity conversion and share swap transaction.

The issuance of 149,562,081 shares to the creditors effecting the debt to equity conversion reduced the outstanding loan by Php 149.56 Million. The issuance of 269,250,000 shares to the shareholders of SMPC and issuance of corresponding CARs, effecting the share swap transaction valued at Php269.250 Million, resulted to the reacquisition of SMPC as a wholly owned subsidiary of the Company.

Corollary to this, the Company recognized a provisional income of Php 158.265 Million for the period ending December 31, 2020 attributed to the share swap. Management employed the services of third party valuation specialists to ascertain the fair value of consideration transferred and the fair value of the net assets of the acquired subsidiary amounting to Php 536.709 Million resulting to a final net gain on acquisition amounting to Php 267.459 Million lodged under Other Income in 2020 and 2021. Further, the realization of the foregoing transactions resolved the capital deficiency of the Group as at December 31, 2021 and 2020.

The Management is optimistic for the Group to get back to its core business, more competitive with sustainable and profitable operation.

There are no known trends, events or uncertainties that will have a material impact on the Group's future operations except those that have already been disclosed in the foregoing.

Item 7. Financial Statements

The 2021 consolidated audited financial statements of the Company are attached as Annex A.

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 Company

The term of office of directors of the Company is one (1) year. As of December 31, 2021, the directors and executive officers of the Company were:

Directors	Age	Position
Nixon Y. Lim	51	Chairman/President & CEO
Mark O. Vergara	56	Director
Eliza C. Macuray	63	Director and Treasurer
Esteban C. Ku	56	Director
Kenneth George D. Wood	63	Lead Independent Director
Adam Anthony S. Cabe III	46	Independent Director
Rhea M. Alarcon	51	Independent Director

A. 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 Sociedad. He received his Juris Doctor degree from the Ateneo de Manila Law School in 1992, and his Bachelor of Science in Legal Management degree from the Ateneo de Manila University in 1988. He was admitted to the Philippine Bar in 1993. Mr. Vergara is currently a Director 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., CitifFinancial 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 the Group, her previous work experience was with United Pulp and Paper Co., Inc. for more than 2 decades, where she gained her experience in the paper business, particularly in finance with focus on tax matters. She also served as Accountant to Orange Performance Techniques Inc. She is currently the Comptroller of Container Corporation of the Philippines.

Esteban C. Ku

Mr. Ku holds a degree in Bachelor of Science, Major in Chemical Engineering from the University of San Carlos in Cebu City, where he graduated in 1988. From 1989 to 1992, he was a production supervisor for International Pharmaceutical, Inc. in Xiamen, China. He has since focused on the packaging business, having gained extensive experience in plant operations, sales and marketing and finance. Mr. Ku is currently the Managing Director of Corbox Corporation and Pakmaster Packaging Co.

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.

B. 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.

C. Involvement in Legal Proceedings

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

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
2020	884,000.00	0	0	884,000.00
2021	2,831,037.00	0	0	2,831,037.00
2022 (est.)	6,402,353.00	0	0	6,402,353.00

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. For 2021, 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 following are the compensation received by the independent directors for 2020 and 2021:

Name	2020 (in PhP)	2021 (in PhP)
Kenneth George D. Wood	40,000.00	40,000.00
Adam Anthony S. Cabe	40,000.00	40,000.00
Rhea M. Alarcon	40,000.00	40,000.00
Total	120,000.00	120,000.00

The executives are engaged under standard terms and conditions and can be terminated for cause. These standard terms and conditions are based on what is required by the law, which 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	:	12 days per year with carry-over of unused to the next year. Unused balances convertible to cash up to a maximum of 7 days annually
Sick Leave	:	14 days per year. Unused balances convertible to cash
Life Insurance	:	24 months' pay with AD & D provision subject to existing plan terms and condition
Hospitalization	:	Based on applicable/existing Company health insurance policy
Performance 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

A. Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2021, the stockholders holding more than 5% of the outstanding stock of the Company were:[2]

[2] Based on records of the stock transfer agent, Stock Transfer Service, Inc. (list of top 100 stockholders as of December 31, 2021)

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	Greenkraft Corporation W. Ng Bldg., MacArthur Highway cor. Rovimar St., Brgy. Balibago, Angeles, Pampanga	record and beneficial	Filipino	317,916,912	22.41%
Common Shares	Golden Bales Corporation Km. 14 After Panacan Substation, Panacan, Davao City, Davao del Sur	record and beneficial	Filipino	275,747,492	19.44%
Common Shares	Corbox Corporation Purok Gemelina, Tayud, Lilo-an, Cebu	record and beneficial	Filipino	275,747,492	19.44%
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	18.46%
Common Shares	PCD Nominee Corporation[3] 6th Flr. Makati Stock Exchange, 6767 Ayala Ave., Makati City (Registered Shareholder)	Philippine Central Depository, Inc.'s Various Participants	Filipino	71,555,009	5.04%

The Company is not aware of any voting trust or similar agreement where persons hold five percent (5%) or more of a class.

B. Security Interest of Directors and Management

As of December 31, 2021, 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 (Direct) 478,935,348 (Indirect)	Filipino	nil
Mark O. Vergara	Common	1 (Direct) 70,940,604 (Indirect)	Filipino	nil
Eliza C. Macuray	Common	1 (Direct)	Filipino	nil
Esteban C. Ku	Common	1 (Direct) 91,906,639 (Indirect)	Filipino	nil
Kenneth George D. Wood	Common	1 (Direct)	Filipino	nil
Adam Anthony S. Cabe III	Common	1 (Direct)	Filipino	nil
Rhea M. Alarcon	Common	1 (Direct)	Filipino	nil
Directors and officers as a group		7 (Direct) 641,782,591 (Indirecr)		

C. Change 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. In compliance with the Securities and Regulations Code and its Implementing Rules and Regulations, the Buyer Group made a tender offer involving the remaining outstanding shares of the Company, excluding the remaining 70,940,604 common shares of Steniel Netherlands not included in

[3] 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.

the Share Purchase Agreement. The tender offer commenced on October 12, 2020 and ended on November 10, 2020. 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 the Company. Settlement for the tendered shares was made on November 20, 2020. Applications for issuance of Certificates Authorizing Registration ("CARs") for these transfers are currently being processed. Hence, the acquisition of the 11,780,533 shares has not yet been recorded in the books of the Company.

Following the completion of the tender offer, Steniel Netherlands and the Buyer Group executed the deed of sale on November 23, 2020 involving the 649,908,308 shares of the Company. The relevant taxes were paid and the corresponding CAR was secured. As of the date hereof, the transfer of the 649,908,308 common shares in favor of the Buyer Group has been recorded in the books of the Company. The transfer effectively reduced the shareholding of Steniel Netherlands to 5% of the Company's outstanding capital stock.

On December 29, 2020, the SEC approved the Company's application for increase of authorized capital stock from Php1 Billion to Php2 Billion resulting to the issuance of 418,821,081 common shares in favor of the Buyer Group, Greenkraft and Roxburgh. The increase was (i) partly subscribed by a share swap transaction wherein the Company reacquired SMPC in exchange for unissued shares of the Company; and (ii) partly subscribed conversion of liability into equity.

With the completion of the aforesaid transactions, the cumulative control of the Buyer Group stands at 65.59% of the Company.

Item 12. Certain Relationships and Related Transactions

Transactions with related parties in the day-to-day course of business include inter-company[4] sale and/or transfer of inventories and equipment. Related party transactions are always at arm's-length. Please refer also to Note 16 - 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 SEC. The Company constantly seeks to adhere to the principles of good corporate governance as embodied in the Manual. Internal systems are established to ensure feedback, control and accountability, that relates in particular to integrity of financial reporting and ensure compliance with applicable laws and regulations, thereby fostering Board and Management responsibility to the Company's stakeholders. 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	2021 Consolidated Audited Financial Statements of Steniel Manufacturing Corporation

[4] Pertaining to transactions within the Steniel Group.

B	2021 Separate Audited Financial Statements of Steniel Manufacturing Corporation
C	Sustainability Report

(b) Reports on SEC Form 17-C (Current Report) filed in 2021

Date	Action Taken
January 11, 2021	Approval by the SEC of the Company's application for increase of authorized capital stock from Php1 Billion to Php 2 Billion
October 18, 2021	Results of Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors

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 FEB 2 0 2023

Nixon Y. Lim	**Eliza C. Macuray**
President	Treasurer/CFO

Janice L. Co
Corporate Secretary

SUBSCRIBED AND SWORN to before me this FEB 2 0 2023 at Pasig City, affiants exhibiting to me the following:

Name	Valid Identification
Nixon Y. Lim	Philippine Passport P7685766B valid until September 23, 2031
Eliza C. Macuray	Philippine Passport P5491063B valid until September 9, 2030
Janice L. Co	Driver's License, Driver's License No. N04-12-004019 valid until July 20, 2032.

Doc. No. 56 ;
Page No. 13 ;
Book No. II ;
Series of 2023.

RAQUEL MONIQUE LUNA
Appointment No. 213 (2022-2023)
Notary Public for Pasig City, Pateros and San Juan
Until December 31, 2023
Attorney's Roll No. 78308
33rd Floor, The Orient Square
F. Ortigas Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 8979098; 01.04.23; Pasig City
IBP OR No. 254479; 12.28.22; RSM
Admitted to the Bar in 2022

ANNEX A

2021 Consolidated Audited Financial Statements of Steniel Manufacturing Corporation

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
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

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, 2021 and 2020, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period then ended December 31, 2021 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, was 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 (P267.459 million)
Refer to Note 1, Reporting Entity, Note 5, Business Combination and Note 18, Equity

The Group acquired a subsidiary in December 2020 for P269.250 million 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 PFRS 3 *Business Combination* as discussed in its policy in Note 3, *Summary of Significant Accounting Policies.* The Group determined the fair value of the net identifiable assets acquired amounting to P536.709 million and recognized gain on acquisition amounting to P267.459 million.

The risk
The accounting for business acquisition in accordance with PFRS involves a high level of judgment and inherent uncertainty in the estimation used in allocating the overall purchase price to assets and liabilities acquired. 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
We have performed the following audit procedures on the evaluation of the business combination:

- We inspected and reviewed minutes of meetings for the approval of the increase in authorized capital stock of Steniel Manufacturing Corporation (Parent Company) to accommodate the acquisition of Steniel Mindanao Packaging Corporation (SMPC) through a share swap transaction.

- We obtained, inspected and reviewed the documents relative to the approval of the Securities and Exchange Commission (SEC) for the increase in authorized capital stock of the Parent Company, including relevant agreements on the assignment and subscription of shares to implement the transaction.

- We evaluated the methodology applied by the Group management in the accounting for business combination in accordance with PFRS 3.

- In relation to the allocation of the purchase price, we have obtained and tested the business combination report from a third party employed by management for the fair value of consideration transferred and the fair value of net assets of the acquired subsidiary. This involved using our own valuation specialist to assist us in evaluating the models and assumptions applied and comparing these assumptions to external data, where applicable.

- We also assessed the appropriateness and 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, 2021, 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, 2021 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.

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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the 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 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.

KPMG

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, actions taken to eliminate threats or safeguards applied.

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 therefore the key audit matter. We describe this matter 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. 08-001987-023-2022
Issued June 2, 2022; valid until June 2, 2025
PTR No. MKT 8854074
Issued January 3, 2022 at Makati City

December 9, 2022
Makati City, Metro Manila

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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 financial statements including the schedules attached therein,for the years ended **December 31, 2021 and 2020,** 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 Companyin 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.

[redacted]

NIXON Y. LIM
Chairman of the Board/President/CEO

[redacted]

ELIZA C. MACURAY
Chief Finance Officer

Signed this 29th of November, 2022

SUBSCRIBED AND SWORN to before me this NOV 29 2022 in Pasig City, affiant(s) exhibiting to me their Competent Evidence of Identity, as follows:

NAME	ID; Date & Place of Issuance
NIXON Y. LIM	[redacted]
ELIZA C. MACURAY	

[redacted]

MIGUEL A. SEVILLA
Appointment No. 193 (2019-2020)
Notary Public for Pasig City, Pateros and San Juan
Until December 31, 2020
(Extended until December 31, 2022 SC En Banc B.M. No. 3795)
Attorney's Roll No. 70991
33rd Floor, The Orient Square
F. Ortigas, Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 8131808; 01.05.22; Pasig City
IBP Receipt No. 171898; 01.0.22; RSM
MCLE Compliance No. VI-0019028; 4.11.25

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Doc. No.: 350
Page No.: 71
Book No.: IV
Series of 2022.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

		December 31	
	Note	2021	2020 (As Restated Note 5)
ASSETS			
Current Assets			
Cash	*6, 24*	**P65,853**	P43,776
Receivables - net	*5, 7, 16, 24*	**424,786**	336,456
Inventories - net	*5, 8*	**642,676**	671,367
Prepaid expenses and other current assets - net	*5, 9*	**132,946**	114,111
		1,266,261	1,165,710
Asset held-for-sale	*10*	**120,600**	120,600
Total Current Assets		**1,386,861**	1,286,310
Noncurrent Assets			
Property and equipment - net	*5, 11, 15*	**546,092**	484,400
Right-of-use asset - net	*5, 23*	**32,640**	5,853
Investments in equity instruments	*12, 24*	**105,712**	83,841
Other noncurrent assets	*5, 13*	**9,328**	15,270
Total Noncurrent Assets		**693,772**	589,364
		P2,080,633	P1,875,674
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities	*5, 14, 24*	**P571,784**	P481,650
Amounts owed to related parties	*5, 16, 24*	**67,622**	128,634
Current portion of borrowings	*1, 15, 16, 24*	**521,747**	536,247
Current portion of lease liabilities	*5, 23*	**6,755**	3,398
Income tax payable	*5*	**-**	114
Total Current Liabilities		**1,167,908**	1,150,043

Forward

			December 31
	Note	2021	2020 (As Restated Note 5)
Noncurrent Liabilities			
Borrowings, net of current portion	1, 15, 16, 24	**P130,401**	P -
Lease liabilities - net of current portion	5, 23	**7,385**	2,668
Retirement benefits liability	17	**27,585**	7,858
Deferred tax liabilities - net	5, 22	**16,075**	26,998
Total Noncurrent Liabilities		**181,446**	37,524
Total Liabilities		**1,349,354**	1,187,567
Equity			
Capital stock	18	**1,418,812**	1,418,812
Additional paid-in capital	18	**408,423**	408,423
Reserve for retirement benefits liability		**1,211**	-
Net unrealized loss on investments in equity instruments	12	**10,646**	(10,330)
Deficit	1	**(1,107,813)**	(1,128,798)
Total Equity		**731,279**	688,107
		P2,080,633	P1,875,674

See Notes to the Consolidated Financial Statements.

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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	**2021**	2020 As Restated (Note 5)	2019
REVENUES				
Product sales		**P1,231,289**	P -	P -
Service income	*23*	**45,216**	-	-
Rent income	*16, 23*	**-**	40,000	60,000
REVENUES		**1,276,505**	40,000	60,000
COST OF SALES AND SERVICES	*19*	**1,139,846**	(2)	(10,385)
GROSS PROFIT		**136,659**	39,998	49,615
OPERATING EXPENSES	*20*	**(115,079)**	(5,788)	(5,344)
FINANCE CHARGES	*14, 15, 23*	**(14,814)**	-	-
OTHER INCOME - Net	*21*	**12,183**	277,254	2,373
INCOME BEFORE INCOME TAX		**18,949**	311,464	46,644
INCOME TAX EXPENSE	*22*	**(984)**	(10,966)	(14,403)
NET INCOME		**17,965**	300,498	32,241
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	*12*	**23,996**	10,619	(20,112)
Remeasurement of defined benefit obligation	*17*	**1,639**	-	-
Income tax expense		**(410)**	-	-
Effect of changes in tax rate		**(18)**	-	-
		25,207	10,619	(20,112)
TOTAL COMPREHENSIVE INCOME		**P43,172**	P311,117	P12,129
Basic and Diluted Earnings Per Share	*18*	**P0.0127**	P0.2998	P0.0322

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

					Years Ended December 31	
	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 Equity
January 1, 2021	P1,418,812	P408,423	(P10,330)	P -	(P1,128,798)	P688,107
Reserve for retirement benefits liability	-	-	-	1,211	-	1,211
Net income during the year	-	-	-	-	17,965	17,965
Change in fair value of investments in equity instruments	-	-	23,996	-	-	23,996
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	(3,020)	-	3,020	-
Total comprehensive income during the year	-	-	20,976	1,211	20,985	43,172
December 31, 2021	P1,418,812	P408,423	P10,646	P1,211	(P1,107,813)	P731,279

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)	Reserve for Retirement Benefits Liability	Deficit (Note 1)	Total Equity (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
Transactions with owners		418,812	(6,209)	-	-	-	412,603
Net income during the year		-	-	-	-	300,498	300,498
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	-	300,486	311,117
December 31, 2020		P1,418,812	P408,423	(P10,330)	P -	(P1,128,798)	P688,107

Forward

Years Ended December 31

	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	P1,000,000	P414,632	(P401)	(P1,461,973)	(P47,742)
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)

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Note	2021	2020 As Restated (Note 5)	2019
			Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P18,949**	P311,464	P46,644
Adjustments for:				
Depreciation	*11, 19, 20*	**122,442**	967	12,313
Allowance for impairment losses on receivables	*7*	**20,814**	-	-
Reversal of provision for inventory obsolescence	*8*	**(15,388)**	-	-
Interest expense	*14, 15*	**12,239**	-	-
Dividend income	*12, 21*	**(5,715)**	(1,697)	(2,368)
Interest on lease	*23*	**2,575**	-	-
Retirement expense	*17*	**1,450**	-	-
Unrealized foreign exchange loss	*21*	**1,009**	-	2
Interest income	*6, 21*	**(25)**	(19)	(8)
Reversal of allowance for impairment of prepaid taxes	*9, 21*	**-**	(7,993)	-
Provisional gain on acquisition of SMPC	*5, 21*	**-**	(267,459)	-
Operating income before working capital changes		**158,350**	35,263	56,583
Decrease (increase) in:				
Receivables		**(109,144)**	63,342	(44,097)
Inventories		**38,722**	-	-
Prepaid expenses and other current assets		**(31,285)**	12,454	4,054
Increase (decrease) in:				
Trade payables and other current liabilities		**90,135**	(89,716)	171
Net cash generated from operations		**146,778**	21,343	16,711
Interest paid		**(12,239)**	-	-
Dividend received		**5,715**	1,697	2,368
Benefits paid	*17*	**(284)**	-	-
Interest received		**25**	19	8
Net cash provided by operating activities		**139,995**	23,059	19,087

Forward

			Years Ended December 31	
	Note	2021	2020 As Restated (Note 5)	2019
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	11	**(P168,707)**	P -	P -
Proceeds from sale of investments in equity instruments	12	**17,951**	1,715	1,901
Additions to investments in equity instruments	12	**(15,826)**	(28,280)	(7,104)
Decrease in other noncurrent assets		**5,942**	-	-
Cash from acquisition of a subsidiary	5	**-**	34,257	-
Net cash provided by (used in) investing activities		**(160,640)**	7,692	(5,203)
CASH FLOW FROM FINANCING ACTIVITIES				
Loan availment		**769,139**	-	-
Payments of borrowings	15	**(654,247)**	-	(5,173)
Decrease in amounts owed to related parties		**(61,012)**	-	-
Payment of finance lease liability		**(8,582)**	-	-
Interest paid on leases		**(2,575)**	-	-
Net cash provided by (used in) financing activities)		**42,723**	-	(5,173)
EFFECTS OF FOREIGN EXCHANGE RATES ON CASH		**-**	-	(2)
NET INCREASE IN CASH		**22,077**	30,751	8,709
CASH AT BEGINNING OF YEAR		**43,776**	13,025	4,316
CASH END OF YEAR	6	**P65,853**	P43,776	P13,025

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands Unless Otherwise Indicated)

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. Pursuant to the Revised Corporation Code of the Philippines, which took effect in February 2019, the Parent Company shall have a perpetual existence because the Parent Company did not elect to retain its specific corporate term under its AOI.

Following a decision made by the Board of Directors (BOD) in 1996 to reorganize the 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.

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 December 31, 2021 and 2020, STN is the ultimate parent company following the completion of the Tender Offer.

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	
	2021	2020
Steniel Cavite Packaging Corporation (SCPC)*	**100**	100
Steniel Mindanao Packaging Corporation (SMPC)**	**100**	100

** Treasure Packaging Corporation (TPC) was merged with SCPC as approved by the SEC on May 30, 2018.*
*** SMPC was reacquired on December 29, 2020.*

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, 2021 and 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 16^{th} 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.

Dacion en pago and Equity Conversion
The dacion en pago of the Group's idle machineries, spare parts and the equity conversion through the issuance of the Parent Company's capital stock have been completed as at December 31, 2010. The dacion en pago transaction reduced the outstanding loan principal amount by 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 2022 after the issuance of Certificate Authorizing Registration (CAR) by the BIR. The change in ownership and management in early 2012 and the issuance of CAR generally caused the delay in the implementation of the dacion en pago.

In July 2019, the BOD and Stockholders of the Parent Company approved the conversion of debt into common shares of the Parent Company. Consequently, principal payments on long-term debt was suspended beginning July 2019. On December 29, 2020, the Parent Company issued shares to the lenders effecting the debt-to-equity conversion following the SEC approval of the Parent Company's increase in authorized capital stock on the same day (Notes 15 and 18). The outstanding balance of the borrowings were reduced by 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, 2021 and 2020, 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 annually until 2019. Consequent to the BOD approval of the conversion of debt to common shares of the Parent Company in 2019, principal and interest payments on long-term debt was suspended beginning July 2019.

Status of Operations
The Group has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P1,107.81 million and P1,128.80 million as at December 31, 2021 and 2020, respectively.

To improve this condition, the management has taken the following measures:

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction and the conversion of loans from Greenkraft Corporation and Roxburgh Investments Limited into common shares in the Parent Company. To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the Articles of Incorporation to increase the authorized capital stock from 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 gain of P267.459 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, 2021 and 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 November 29, 2022.

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
The Group has adopted the following amendments to standards starting January 1, 2021 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of the amended standards did not have any significant impact on the consolidated financial statements.

- *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 apply if:

    - the revised consideration is substantially the same or less than the original consideration;

    - the reduction in lease payments related to payments due on or before June 30, 2021; and

    - no other substantive changes have been made to the terms 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.

  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.

Standards Issued but Not Yet Adopted
A number of amended standards are effective for annual periods beginning after January 1, 2021 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 April 1, 2021

- *COVID-19-Related Rent Concessions beyond June 30, 2021 (Amendment to PFRS 16).* The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. 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. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

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 statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement 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 financial statements in which the company first applies the amendments.

- *Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, Provisions, Contingent Liabilities and Contingent Assets).* The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- *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. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - *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, *Business Combination)*. 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 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, *Presentation of Financial Statements*). 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.

In November 2021, the International Accounting Standards Board issued the *Exposure Draft, Noncurrent Liabilities with Covenants* after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend PAS 1 as follows:

- conditions which the entity must comply within 12 months after the reporting period will have no effect on the classification as current or noncurrent;

- additional disclosure requirements will apply to noncurrent liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within 12 months; and

- separate presentation in the statement of financial position will be required for noncurrent liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

- *Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, Income Taxes).* The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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.

The Group has no financial assets at FVPL as at December 31, 2021 and 2020.

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, receivables and refundable deposits 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, 2021 and 2020, 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, lease liabilities 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.

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. Land is stated at cost less any impairment in value.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to profit or loss during the period in which these are incurred.

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of qualifying property and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Depreciation, 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

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 Company 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:

Revenue from Product Sales
The Group manufactures and sells a wide range of paper, cartons and packaging materials in the domestic and international markets. Revenue from product sales is recognized at the point in time when control of the goods is transferred to the buyer, which is normally upon delivery of the goods. Trade discounts are determined at inception of the contract and is not subject to variability. Returns do not result to significant variable consideration. The general payment terms with customers are cash upon order and credit terms which generally ranges from 30 to 90 days from invoice date.

Service Income
Service income is recognized at a point in time when the performance of contractually agreed task has been rendered and control over the service has been transferred to the customer. General payment terms is on an average of 30 days from invoice date.

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. Cost and expenses are recognized when incurred are presented in profit or loss using function of expense method.

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.

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 consolidated statements of comprehensive income. Given the foregoing, SCPC's leasing business with SMPC represents the only reportable segment of the Group in 2020 and 2019. Following the acquisition of SMPC in 2020, the Group has only one business segment which is related to SMPC's packaging business.

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

Provisions
Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

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 nil, P40.00 million, P60.00 million and P36.00 million in 2021, 2020 and 2019, respectively (Note 16 and 23).

Incremental Borrowing Rate on Leases

The Group cannot readily determine the interest rate implicit in the leases. Therefore, it uses its relevant incremental borrowing rate to measure lease liabilities.

The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group's lease liabilities amounted to P34.34 million and P6.07 million as at December 31, 2021 and 2020, respectively (Notes 5 and 23).

Determining the Lease Term of Contracts with Renewal Options - Company as Lessee

The Group has a lease contract that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Classification of Financial Instruments. The Group exercises judgments in classifying financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 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, 2021 and 2020.

Determining whether the Group is Acting As a Principal or Agent in a Revenue Transaction. The determination of whether the Group acts as a principal or agent in a contract is made by identifying each specified service promised to the customers in the contract and evaluating whether the Group obtains control of the specified service before it is transferred to the customer.

The Group determined that it acts as a principal in its revenue transactions.

Measurement of Fair Values. A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (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.

<u>Estimates and Assumptions</u>
The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Acquisition Accounting. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired assets as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets, if any, and property and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The Group has determined that the acquisition of SMPC represents a business due to the presence of the integrated set of activities acquired.

In 2020, the Group recognized a gain amounting to P266.55 million resulting from the acquisition of SMPC (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 P64.941 million and P35.480 million as at December 31, 2021 and 2020, respectively. The carrying amount of receivables amounted to P424.786 million and P336.456 million as at December 31, 2021 and 2020, 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 2021 and 2020. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2021**	2020
Cash in banks	*6*	**P65,853**	P43,736
Refundable security deposits	*5, 9, 13*	**6,925**	8,303
		P72,778	P52,039

Estimating Allowance for Inventory Obsolescence. The Group's inventories are written down to their net realizable value (NRV) whenever their NRV fall below carrying amounts due to physical damage, obsolescence or adverse changes in prices. In determining NRV, management considers estimated selling price of inventories less the estimated costs of completion and the estimated costs necessary to make the sale.

Allowance for inventory obsolescence amounted to P22.859 million as at December 31, 2021 (Note 8).

The carrying amount of inventories amounted to P642.68 million and P671.367 million as at December 31, 2021 and 2020, respectively (Note 8).

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 P556.36 million and P483.10 million at December 31, 2021 and 2020, 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, 2021 and 2020 (Note 9).

Allowance for impairment losses on asset held-for-sale amounted to P199.958 million as at December 31, 2021 and 2020 (Note 10).

No impairment loss was recognized on right-of use assets and property and equipment as at December 31, 2021 and 2020 (Notes 11 and 23).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 20 to the financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's defined benefit retirement obligation.

As at December 31, 2021 and 2020, retirement benefits liability amounted to P7.39 million and P7.86 million, respectively. Retirement benefits expense amounted to P1,450,681 in 2021 (Note 20).

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 P15.351 million and P19.779 million as at December 31, 2021 and 2020, respectively, relates to the acquired deferred tax assets of SMPC. Deferred tax assets of STN and SCPC have not been recognized as at December 31, 2021 and 2020 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 2021 and 2020.

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 provisional and final amounts of assets acquired and liabilities assumed at acquisition date:

	Provisional Amount	Fair Value Adjustment	Final Amount
Assets			
Cash	P34,257	P -	P34,257
Receivables	336,333	-	336,333
Inventories	671,367	-	671,367
Prepaid expenses and other current assets	27,822	-	27,822
Property and equipment	323,705	155,924	479,629
Right-of-use asset	5,767	86	5,853
Advances to third parties	1,060	-	1,060
Deferred tax assets	19,779	-	19,779
Input value-added taxes	12,847	-	12,847
Refundable security deposits	1,343	-	1,343
	1,434,280	156,010	1,590,290
Liabilities			
Trade payables and other current liabilities	(537,866)	-	(537,866)
Loans payable	(346,247)	-	(346,247)
Amounts owed to related parties	(108,653)	-	(108,653)
Lease liabilities (including current portion)	(6,283)	217	(6,066)
Income tax payable	(114)	-	(114)
Deferred tax liability	-	(46,777)	(46,777)
Retirement benefits liability	(7,858)	-	(7,858)
	(1,007,021)	(46,560)	(1,053,581)
Total Identifiable Net Assets	P427,259	P109,450	P536,709

Provisional and final gain as a result of the acquisition of a subsidiary follows:

	Provisional Amount	Adjustments	Final Amount
Consideration transferred:			
Capital stock	P269,250	P -	P269,250
Total identifiable net assets	427,259	109,450	536,709
Gain on acquisition	158,009	109,450	267,459
Gain on acquisition recognized in other comprehensive income	256	256	-
Gain on acquisition	P158,265	P109,706	P267,459

As a result of adjustments to correct the fair values of properties and equipment acquired, the resulting gain in acquisition increased by P109.450 million. Accordingly, the gain on the acquisition of SMPC amounted to P267.459 million and recognized as "Gain in acquisition of a subsidiary" in the 2020 consolidated statement of comprehensive income.

Since SMPC was acquired on December 29, 2020, SMPC's results of operations in 2020 were considered as pre-acquisition. For the year ended December 31, 2020, the consolidated revenues and net income of the Group would have increased by P1,276.50 million and P15.94 million, respectively, had the acquisition been completed at the beginning of the reporting period.

Receivables
The fair value of receivables amounted to P336.333 million. The gross amount of Receivables is P344.980 million, of which P8.646 million is expected to be uncollectible as at the acquisition date (Note 7).

Acquisition-related Costs
The Group incurred acquisition-related costs of P5.800 million and P2.021 million for the years ended December 31, 2021 and 2020, respectively, which have been included in the "Operating expenses" account in the consolidated statements of comprehensive income.

6. Cash

This account consists of:

	Note	2021	2020
Cash in banks	*24*	**P65,813**	P43,736
Cash on hand		**40**	40
	5	**P65,853**	P43,776

The Group's cash in banks earns annual interest at the respective bank deposit rates.

Interest income from cash in banks amounted to P0.025 million, P0.019 million and P0.008 million in 2021, 2020, 2019, respectively (Note 21).

7. Receivables

This account consists of:

	Note	2021	2020
Trade receivables:			
Third parties		**P431,953**	P274,439
Related party	*16*	**30,282**	62,966
Non-trade receivables:			
Third party		**15,533**	26,613
Related party	*16*	**11,959**	7,918
		489,727	371,936
Less allowance for impairment losses on:			
Trade receivables - third parties		**(64,941)**	(35,480)
	5, 24	**P424,786**	P336,456

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.

The movements in the allowance for impairment losses is as follows:

	Note	2021	2020
Balance at beginning of year		**P35,480**	P35,480
Allowance on receivables assumed from SMPC		**8,647**	-
Allowance during the year	20	**20,814**	-
Balance at end of year		**P64,941**	P35,480

8. Inventories

Inventories stated at lower of cost and NRV consist of:

	Note	2021	2020
Raw materials		**P549,309**	P585,729
Work-in-process		**13,426**	15,587
Materials and supplies		**81,586**	56,420
Finished goods		**21,214**	13,631
		665,535	671,367
Less allowance for inventory write-down		**22,859**	-
	5	**P642,676**	P671,367

Inventories 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. The cost of inventories recognized as expense and included in Cost of sales and cost of services amounted to P836.565 million in 2021 (Note 19).

Allowance for inventory write down in 2021 pertains to damaged raw materials and unusable or obsolete materials and supplies.

In 2021, SMPC had reversal of previously recognized inventory write-down pertaining to certain inventory used in production and certain inventories capitalized to machineries amounting to P10.031 million and P5.357 million, respectively (Note 20).

9. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	2021	2020
Input VAT - net		**P57,145**	P52,097
Prepaid taxes		**50,956**	44,865
Prepaid importation charges		**17,695**	9,085
Refundable security deposits	23, 24	**5,299**	6,940
Advances to suppliers		**1,843**	1,843
Prepaid insurance		**349**	56
Other prepayments		**1,502**	1,068
		134,789	115,954
Less: Allowance for impairment losses and unrecoverable prepaid taxes		**(1,843)**	(1,843)
	5	**P132,946**	P114,111

Input VAT represents accumulated input taxes from purchases of goods and services for business operations which can be applied against future output VAT.

Prepaid taxes include creditable withholding taxes withheld by the Group's customers which can be applied against future income tax liability.

Prepaid importation charges pertain to advance payments to various suppliers of imported paper rolls.

Refundable security deposits pertain to cash deposits on container vans and leases of warehouse and office space. Security deposits on container vans are refundable upon return of container vans while security deposits on leases are refundable at the end of the lease period.

In 2020, the Company applied prepaid tax credits with corresponding allowance for impairment against income tax payable. Gain on reversal of impairment amounting to P7.993 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 2022.

The movements and balances of the asset held-for-sale as at December 31, 2021 and 2020 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, 2021 and 2020	**P120,600**

11. Property and Equipment

The movements and balances of property and equipment as at December 31, 2021 and 2020 are as follows:

	Note	Land	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
Cost								
January 1, 2020		P -	P77,322	P -	P -	P604	P -	P77,926
Property and equipment from acquisition of a subsidiary	5	67,539	289,094	34,610	11,402	3,856	73,128	479,629
December 31, 2020		67,539	366,416	34,610	11,402	4,460	73,128	557,555
Additions	15	117,511	7,131	527	-	813	42,725	168,707
Reclassifications		-	8,411	2,971	-	959	(6,984)	5,357
Disposals		-	-	-	(350)	-	-	(350)
December 31, 2021		**185,050**	**381,958**	**38,108**	**11,052**	**6,232**	**108,869**	**731,269**
Accumulated Depreciation and Amortization								
January 1, 2020		-	71,586	-	-	602	-	72,188
Depreciation and amortization		-	965	-	-	2	-	967
December 31, 2020		-	72,551	-	-	604	-	73,155
Depreciation and amortization		-	92,108	13,220	4,602	2,442	-	112,372
Disposals		-	-	-	(350)	-	-	(350)
December 31, 2021		**-**	**164,659**	**13,220**	**4,252**	**3,046**	**-**	**185,177**
Carrying Amounts								
December 31, 2020		P67,539	P293,865	P34,610	P11,402	P3,856	P73,128	P484,400
December 31, 2021		**P185,050**	**P217,299**	**P24,888**	**P6,800**	**P3,186**	**P108,869**	**P546,092**

In 2021, SCPC availed of a long-term loan for the purchase of land acquired in December 2021. The acquired land serves as a security to the loan availment (Note 15).

The land and improvements thereon in San Vicente, Davao del Norte and land in Carmen, Davao del Norte are subject to mortgage under the Omnibus Loan and Security Agreement (OLSA) entered by the SCPC, SMPC and another affiliate in 2021 (Note 15). As at December 31, 2021, the aggregate carrying amount and fair value of mortgaged land and improvements amounted to P226.887 million and P287.152 million, respectively.

Depreciation is recognized as follows:

	Note	**2021**	2020	2019
Cost of sales	*19*	**P77,942**	P -	P -
Cost of services	*19*	**28,997**	2	10,385
Operating expenses	*20*	**5,433**	965	1,928
		P112,372	P967	P12,313

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, 2021 and 2020.

The movements in investments in equity instruments are as follows:

	Note	**2021**	2020
Cost			
Balance at beginning of year		**P94,171**	P67,618
Additions		**15,826**	28,280
Disposals		**(14,931)**	(1,727)
Balance at end of year		**95,066**	94,171
Changes in Fair Value			
Balance at beginning of year		**(10,330)**	(20,961)
Changes in fair value		**23,996**	10,619
Transfer of fair value reserve for investments in equity instruments designated at FVOCI		**(3,020)**	12
Balance at end of year		**10,646**	(10,330)
	24	**P105,712**	P83,841

Dividend income earned in 2021, 2020 and 2019 amounted to P5.715 million, P1.697 million and P2.368 million, respectively (Note 21).

13. Other Noncurrent Assets

This account consists of:

	Note	2021	2020
Deferred input VAT	*5*	**P7,701**	P12,847
Advances to third parties	*5*	**-**	1,060
Refundable security deposits	*5, 24*	**1,626**	1,363
		P9,327	P15,270

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	2021	2020
Trade payables:	*24*		
Third parties		**P389,815**	P273,996
Related parties	*16*	**24,069**	96,770
Advances from customers		**70,062**	49,632
Accrued expenses	*24*	**72,285**	50,841
Payable to government agencies		**7,554**	2,414
Others	*24*	**7,999**	7,997
	5	**P571,784**	P481,650

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. Interest expense on letter of credits recognized in profit or loss amounted to P2.682 million and nil in 2021 and 2020, respectively.

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	2021	2020
Importation cost:			
Third parties		**P23,260**	P10,275
Related parties	*16*	**-**	15,217
Salaries and other employee benefits		**2,476**	2,570
Other purchases:			
Third parties		**20,521**	11,179
Related parties	*16*	**78**	13
Outside services		**328**	1,370
Insurance		**4,984**	4,958
Professional fees		**1,154**	901
Others		**19,484**	4,358
		P72,285	P50,841

Other accrued expenses include repairs and maintenance and utility payables.

15. Loans and Borrowings

This account consists of:

	Note	2021	2020
Short-term loans	*5*	**P331,747**	P346,247
Current portion of long-term loans:			
Greenkraft Corporation	*16*	**190,000**	190,000
		521,747	536,247
Net of current portion:			
Local bank loan	*11*	**130,401**	-
	1, 24	**P652,148**	P536,247

Short-term Loans
Short-term loans from local banks are unsecured, peso-denominated promissory notes intended for additional working capital requirements of the SMPC. These are payable within six months and bear annual interest rates ranging from 2% to 3.5% and 3.75% to 3.95% in 2021 and 2020, respectively.

The related interest expense on the short-term loans recognized in profit or loss amounted to P9.557 million in 2021. Interest expense in 2020 is considered pre-acquisition.

Omnibus Loan and Security Agreement (OLSA)
On November 29, 2021, the SCPC, SMPC, and another affiliate, collectively as Borrowers, entered into an Omnibus Loan and Security Agreement (OLSA) with a local bank. The loan has seven-year term and up to an aggregate amount of P2 billion or its U.S. Dollar equivalent. The proceeds of the loan will be used to finance the purchase by the Borrowers of the subject assets as described in Section 1 of Part C of the OLSA. The loan drawdown will enable the Borrowers to purchase the subject properties and to operate the Dole Philippines Inc. (DPI) box plant property in Davao.

The loan has floating interest rate based on the prevailing market rate at each repricing date, with a one-time option to fix. The loan is secured by mortgaged properties as described in Part C, Section 3.02 and enumerated in Schedule II of the OLSA, and future receivables of the Borrowers, and guaranteed by the major shareholders of the Parent Company.

The other essential elements of the OLSA, among others, are summarized below:

a) The Borrowers are entitled to a grace period on principal payments for the first 12 months reckoned from the initial drawdown and shall pay only interest on the loan amount. At the end of the 13th month from the initial drawdown date, the Borrowers shall commence payment of the principal and interest. The principal payments shall be made in 72 equal monthly amortizations beginning on the 13th month from the initial drawdown date.

b) The Borrowers shall pay interest on the outstanding advance monthly in arrears at the interest rate on each interest payment for the interest period. The interest rate on the advance payment shall be the prevailing market rate as of the repricing date.

c) The Borrowers shall not sell, lease, transfer, grant or otherwise dispose all or substantially all of its properties and assets, except for leases entered into with any of the Borrower's affiliates for the lease of DPI Box Plant and Printing Plant.

d) Cross default and cross acceleration provision as an event of default. This is when the Borrower defaults in the payment of principal or interest or commits violation of any terms and conditions, or accelerate or permit acceleration, of any agreement and the lender believes that the breach or violation will adversely and materially affect the Borrower's operations or ability to perform its obligation under the OLSA.

e) No new borrowing, unless with consent of the lenders.

f) Creditor's consent for change in material ownership in the borrowers and mortgagors.

g) Standard covenants, representations and warranties.

In December 2021, the SCPC initially availed of the loan amounting to \$2,588,000 equivalent to P130.401 million for the purchase of land (Note 11).

On January 24, 2022, the SCPC availed the second and final drawdown of the loan amounting to \$9,087,396.

As at November 29, 2022, the loan has been fully drawn by the SCPC and an affiliate. SMPC has no loan drawdown as at November 29, 2022.

In accordance with Part B, Section 5.01 (m) of the OLSA, the Borrowers are required to maintain debt to service coverage ratio of at least 1.25x, a total debt-to-equity ratio of 1.5 to 1, and a debt to EBITDA of no more than three times. The SCPC has failed to comply with the financial ratios indicated in the OLSA as at December 31, 2021. The OLSA provides that default provisions, other than payment default, are remediable within 30 days after written notice from the lender of such failure to comply with the terms or covenant in the OLSA.

As at December 31, 2021, the Borrowers have not received any notice of default from the lender that will trigger the non-compliance with financial ratios an event of default. On November 3, 2022, upon the request of SCPC, SCPC received a letter from the lender confirming that the bank did not declare SCPC in default under the OLSA notwithstanding their non-compliance with the required financial ratios as at December 31, 2021.

Transaction cost on loan availment pertaining to documentary stamp tax paid in 2021 amounted to P4.522 million, of which P1.002 million relates to initial drawdown in 2021 and recorded as deduction from loans payable, and the remaining balance of P3.520 million relates to final drawdown in January 2022 recorded as part of Prepaid taxes (Note 9).

Omnibus Agreement (Amended in 2010)
Borrowings from Greenkraft and Roxburgh were secured loans and were originally obtained from lending banks under the Omnibus Agreement's revolving working capital facility subject to annual interest rates prior to assignment of the loan to third parties in 2006. The said creditors/lenders are now considered related parties of STN following the dacion en pago arrangements and reassessment of related party relationships in 2010.

The property and equipment of the Group and present and future receivables of the subsidiaries are used as collateral in accordance with the Amended Agreement. In 2012, the total fair value of assets pledged as security, which includes investment in an associate, land and land improvements and building and building improvements, declined from P290 million to P289.88 million (Note 1). In 2014, the land and land improvements and building and building improvements of SCPC were transferred to the creditors/lenders.

Furthermore, the Amended Agreement provides for certain affirmative and negative covenants subject for compliance by the Company and payment terms as discussed in Note 1 which is due after completion of dacion en pago that is expected to be completed in 2022.

Upon approval of the Amended Agreement, the above creditors are aware of the Group's non-compliance with covenant due to the Group's financial condition and such will not be a ground to default from the Amended Agreement.

As discussed in Note 1, the accrued interest amounting to 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 annually until 2019.

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the conversion of loans from Greenkraft and Roxburgh into common shares in STN. The minority shareholders present or represented at the meeting unanimously voted to waive the requirement to conduct a right or public offering of the shares to be issued by virtue of debt-to-equity conversion. Consequently, principal and interest payments on long-term debt was suspended beginning July 2019.

On December 29, 2020, the Parent Company issued 149,562,081 shares to Greenkraft and Roxburgh effecting the debt-to-equity conversion following the SEC approval of the Parent Company's increase in authorized capital stock on the same day (Note 18).

Changes in liabilities arising from financing activities are as follows:

	Note	**2021**	2020
Balance at beginning of year		**P536,247**	P339,562
Additions to borrowings		**769,139**	-
Payments of borrowings		**(654,247)**	-
Liabilities assumed arising from acquisition of a subsidiary	*1, 5, 18*	**-**	346,247
Conversion of debt to equity	*1, 18*	**-**	(149,562)
Effect of exchange rate changes		**1,009**	-
Balance at end of year		**P652,148**	P536,247

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:

				Outstanding Balance						
	Year	Note	Amount of Transaction	Receivables	Trade Payables	Accrued Expenses	Amounts Owed to Related Parties	Borrowings	Terms	Conditions
Entity under Common Control										
Rent income	2021	7, 23	P -	P -	P -	P -	P -	P -	Collectible within 60 days; non-interest bearing	Unsecured; no impairment
	2020		40,000	-	-	-	-	-		
Reimbursements	2021	7, b	4,134	4,256	-	-	-	-	Collectible on demand; non-interest bearing	Unsecured; no impairment
	2020		-	122	-	-	-	-		
Associate										
Advances	2021	a	-	-	-	-	26,369	-	Payable on demand; non-interest bearing	Unsecured
	2020		-	-	-	-	19,981	-		
Shareholders										
Borrowings	2021	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
	2020		-	-	-	-	-	190,000		
Sales	2021	c	67,094	37,988	-	-	-	-	Payable within 30 days; non-interest bearing	Unsecured; no impairment
	2020		-	70,762	-	-	-	-		
Other Related Parties										
Lease and warehousing costs	2021	d	60	-	248	-	-	-	Payable on demand; non-interest bearing	Unsecured
	2020		-	-	15,526	-	-	-		
Purchases	2021	c	-	-	23,821	78	-	-	Payable within 30 days; non-interest bearing	Unsecured
	2020		-	-	81,244	15,230	-	-		
Advances	2021	a	-	-	-	-	41,253	-	Payable on demand; non-interest bearing	Unsecured
	2020		-	-	-	-	108,653	-		
Key Management Personnel										
Short-term benefits	2021	20	4,463	-	-	-	-	-		
	2020		884	-	-	-	-	-		
	2021			P42,241	P24,069	P78	P67,622	P190,000		
	2020			P70,884	P98,770	P15,230	P128,634	P190,000		

a. Amounts owed to related parties consist mainly of noninterest 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 P4.463 million, P0.884 million and P1.118 million in 2021, 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.

The long-term loan of SCPC under the OLSA is guaranteed by the Parent Company's major shareholders without any charge (Note 15).

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, 2021. Valuation is obtained on a periodic basis.

The reconciliation of the present value of defined benefit obligation and the fair value of the plan assets to the recognized liability presented as "Retirement benefits liability" in the consolidated statements of financial position is as follows:

	Note	2021	2020
Balance at beginning of year		**P7,858**	P -
Included in Profit or Loss			
Current service cost		**1,150**	-
Interest expense		**300**	-
		1,450	-
Included in Other Comprehensive Income			
Actuarial gain due to:			
Changes in financial assumptions		**(213)**	-
Experience adjustment		**(1,426)**	-
		(1,639)	-
Others			
Retirement liabilities assumed arising from acquisition of a subsidiary	*5*	**-**	7,858
Benefits paid		**(284)**	-
		(284)	7,858
Balance at end of year		**P7,385**	P7,858

The retirement benefits cost recognized as part of "Salaries, wages and other employee benefits" in the consolidated statements of comprehensive income are recognized as follows:

	Note	2021
Cost of sales and services	*19*	**P1,031**
Operating expense	*20*	**419**
		P1,450

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2021
Discount rates	**5.03%**
Expected rate of salary increases	**4.00%**

The mortality and the disability rates used in the valuation were the 1994 Group Annuity Table and the 1952 Disability Table, respectively.

As at December 31, 2021 and 2020, the weighted average duration of the defined benefit obligation is 18 years.

Maturity analysis of the benefit payments is shown below:

	December 31, 2021				
	Carrying Amount	Contractual Cash Flows	Less than 1 Year	Within 1 - 5 Years	More than 5 Years
Defined benefit obligation	**P7,385**	**P72,124**	**P137**	**P738**	**P71,249**

	December 31, 2020				
	Carrying Amount	Contractual Cash Flows	Less than 1 Year	Within 1 - 5 Years	More than 5 Years
Defined benefit obligation	P7,858	P88,379	P124	P1,018	P87,237

Sensitivity Analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the DBO by the amounts shown below:

	December 31, 2021		December 31, 2020	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(P951)**	**P1,153**	(P1,086)	P1,345
Salary increase rate (1% movement)	**1,153**	**(972)**	1,327	(975)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

The deferred benefit plan exposes the Group to actuarial risk such as longevity risk, interest risk and market risk.

Funding Arrangements
The Group is not required to pre-fund the future defined benefits payable under the Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Fund.

18. Equity

Capital Stock
Capital stock as at December 31, 2021 and 2020 consists of:

	No. of Common Shares	**Par Value Per Share**	**Amounts in Thousand**
Authorized	**2,000,000,000**	**1**	**P2,000,000**
Issued and Outstanding	**1,418,812,081**	**1**	**P1,418,812**

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for shares of 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:

	2021	2020 As Restated (Note 5)	2019
Net income	**P17,965**	P300,498	P32,241
Divided by weighted average number of common shares, in thousands	**1,418,812**	1,002,295	1,000,000
Basic and diluted earnings per share	**P0.0127**	P0.2998	P0.0322

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 Sales and Services

This account consists of:

	Note	2021	2020	2019
Cost of Sales				
Raw materials, January 1		**P606,695**	P -	P -
Add: Purchases		**759,385**	-	-
Total raw materials		**1,366,080**	-	-
Less: Raw materials, December 31	*8*	**(549,309)**	-	-
Raw materials used		**816,771**	-	-
Direct labor		**22,935**	-	-
Factory overhead		**213,122**	-	-
Total manufacturing cost		**1,052,828**	-	-
Add: Work-in-process, January 1		**16,708**	-	-
Total goods available for manufacturing		**1,069,536**	-	-
Less: Work-in-process, December 31	*8*	**(13,427)**	-	-
Total goods manufactured		**1,056,109**	-	-
Add: Finished goods, January 1		**14,404**	-	-
Total goods available for sale		**1,070,513**	-	-
Less: Finished goods, December 31	*8*	**(21,214)**	-	-
		1,049,299	-	-
Cost of Services				
Depreciation and amortization	*11, 23*	**31,591**	2	10,385
Material used		**23,323**	-	-
Salaries, wages and benefits		**8,919**	-	-
Indirect labor		**8,279**	-	-
Utilities		**6,369**	-	-
Supplies		**3,709**	-	-
Repairs and maintenance		**2,394**	-	-
Outside services		**2,048**	-	-
Warehousing cost		**1,834**	-	-
Insurance		**1,820**	-	-
Fuel and oil		**153**	-	-
Rent		**60**	-	-
Taxes and licenses		**48**	-	-
		90,547	2	10,385
		P1,139,846	P2	P10,385

Details of factory overhead for the years ended December 31 are as follows:

	Note	2021	2020	2019
Depreciation and amortization	11, 23	P84,612	P -	P -
Indirect materials used		59,974	-	-
Indirect labor		21,288	-	-
Utilities		16,379	-	-
Supplies		9,538	-	-
Repairs and maintenance		6,153	-	-
Outside services		5,267	-	-
Warehousing cost		4,716	-	-
Insurance		4,679	-	-
Fuel and oil		393	-	-
Taxes and licenses		123	-	-
		P213,122	P -	P -

20. Operating Expenses

This account consists of:

	Note	2021	2020	2019
Delivery expense		P30,973	P -	P -
Provision for impairment losses of receivables	7	20,814	-	-
Insurance, taxes and licenses		17,333	618	423
Legal fees		14,625	-	-
Salaries, wages and employee benefits	17	12,057	326	559
Repairs and maintenance		11,361	-	-
Depreciation	11	6,239	965	1,928
Professional fees, security and outside services	16	7,796	3,260	1,717
Utilities and office expenses		2,651	17	37
Representation and entertainment		2,621	61	64
Transportation and travel		868	-	44
Listing fees		250	261	250
Trainings and seminar		-	-	73
Reversal of previously recognized inventory write-down	8	(15,388)	-	-
Others		2,879	280	249
		P115,079	P5,788	P5,344

21. Other Income (Charges)

This account consists of:

	Note	2021	2020 As Restated (Note 5)	2019
Unrealized foreign exchange gain		**P6,299**	P -	P -
Dividend income	*12*	**5,715**	1,697	2,368
Interest income	*6*	**25**	19	8
Gain on acquisition of a subsidiary	*5*	**-**	267,459	-
Reversal of allowance for impairment of prepaid taxes	*9*	**-**	7,993	-
Others		**144**	86	(1)
		P12,183	P277,254	P2,373

22. Income Taxes

The components of the income tax expense are as follows:

	2021	2020	2019
Current tax expense	**P13,250**	P10,966	P14,403
Deferred tax expense	**(6,834)**	-	-
Effect of change in income tax rate - current	**(914)**	-	-
Effect of change in income tax rate - deferred	**(4,518)**	-	-
	P984	P10,966	P14,403

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:

	2021	2020 As Restated (Note 5)	2019
Income before income tax	**P18,949**	P310,556	P46,644
Tax statutory tax rate of 25% in 2021 and 30% in 2020 and 2019	**P4,737**	P93,167	P13,993
Adjustments to income tax resulting from tax effects of:			
Effect of change in income tax rate - current	**(914)**	-	-
Effect of change in income tax rate - deferred	**(4,518)**	-	-
Dividend income	**(1,429)**	(509)	(710)
Non-deductible expenses	**3,109**	43	-
Interest income subjected to final tax	**(6)**	(6)	(3)
Movement in unrecognized deferred tax asset	**5**	100	1,123
Gain on acquisition of a subsidiary	**-**	(79,966)	-
Stock issuance cost	**-**	(1,863)	-
	P984	P10,966	P14,403

The components of the Group's deferred tax liability, net of deferred tax assets, are as follows:

	2021	2020
Deferred Tax Assets		
Allowance for inventory obsolescence	**P5,715**	P -
Impairment losses on receivables	**7,365**	-
Retirement benefits liability	**1,846**	-
Leases	**425**	-
Acquisition of a subsidiary	**-**	19,779
	15,351	19,779
Deferred Tax Liability		
Acquisition of a subsidiary	**31,426**	46,777
	(P16,075)	(P26,998)

The movements of deferred tax liabilities - net are accounted for as follows:

	2021
Amount charged to profit or loss	**(P11,352)**
Amount charged to OCI relating to remeasurement of defined benefit liability	**428**
	(P10,924)

As at December 31, 2021 and 2020, 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.

	2021	2020
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
Unrealized foreign exchange loss	**1,009**	-
	238,290	237,281
NOLCO	**15,602**	13,106
	P253,892	P250,387

The Group has NOLCO amounting to P15.602 million and P13.106 million as at December 31, 2021 and 2020, respectively which can be carried forward as deduction against future taxable income as follows:

Year Incurred	Amount	Expired/ Applied	Balance	Date of Expiry
2021	P3,532	P -	P3,532	2026
2020	8,327	-	8,327	2025
2019	3,743	-	3,743	2022
2018	1,036	1,036	-	2021
	P16,638	P1,036	P15,602	

Corporate Recovery and Tax Incentives for Enterprise (CREATE) Act

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.

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 was lowered from 30% to 25% effective July 1, 2020.

Presented below is the effect of changes in tax rates under the CREATE Act recorded in 2021.

	Effect of Changes in Tax Rates
Statement of Comprehensive Income	
Income tax benefit	**(P914)**
Deferred tax benefit	**(4,518)**
Statement of Financial Position	
Prepaid taxes	**914**
Deferred tax liabilities	**(4,518)**

Bayanihan to Recover as One Act

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.

23. Significant Agreements

Tolling Agreements

The SMPC has tolling agreements with certain customers wherein these customers will provide paper rolls for the SMPC to process or manufacture into corrugated fiber board boxes at a guaranteed volume subject to the production frequency and specifications to be agreed by both parties. For the services provided, the SMPC will receive tolling fees which are recorded as "Service income" account in the statement of comprehensive income.

Tolling fees amounted to P45.216 million in 2021.

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. Following the acquisition of SMPC in 2020, intercompany rent has been eliminated upon consolidation.

Rent income amounted to nil, P40.00 million, P60.00 million and P36.00 million in 2021, 2020 and 2019, 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 P2.55 million and P2.79 million as at December 31, 2021 and 2020, 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 P5.85 million and P6.07 million, respectively (Note 5).

Movements and balances of right-of-use asset related to the land and building are as follows:

	Note	**2021**	2020
Cost			
Balance at beginning of year		**P5,853**	P -
From acquisition of a subsidiary	*5*	**-**	5,853
Addition		**36,857**	-
Balance at end of year		**42,710**	5,853
Accumulated Depreciation			
Balance at beginning of year		**-**	-
Depreciation	*19, 20*	**10,070**	-
Balance at end of year		**10,070**	-
Carrying Amount		**P32,640**	P5,853

The depreciation expense has been charged to cost of sales and services and operating expenses as follows:

	Note	**2021**
Cost of sales	*19*	**P6,670**
Cost of services	*19*	**2,594**
Operating expenses	*20*	**806**
		P10,070

The following table sets out a maturity analysis of lease payments, showing undiscounted and discounted lease payments to be received after the reporting date:

	2021		
	Minimum Lease Payable	**Interest**	**Present Value of Minimum Lease Payments**
Within one year	**P9,047**	**P2,292**	**P6,755**
Between one to five years	**27,845**	**4,230**	**23,615**
More than five years	**4,274**	**304**	**3,970**
	P41,166	**P6,826**	**P34,340**

Movements in lease liabilities for the year ended December 31 follow:

	Note	2021	2020
Beginning balance		**P6,066**	P -
From acquisition of a subsidiary	5	**-**	6,066
Additions		**36,856**	-
Interest expense		**2,575**	-
Payments		**(11,157)**	-
		P34,340	P6,066

Amounts recognized in profit or loss are as follows:

	2021
Interest on lease liabilities	**P2,575**
Depreciation expense on ROU assets	**10,070**
Short-term leases	**60**
	P12,705

Total cash outflows for leases amounted to P11.521 million in 2021.

Asset Sale Agreement
In August 2021, the SCPC, SMPC and certain affiliates executed Asset Sale Agreement (ASA) with DPI, which was amended in December 2021. The asset sale agreement covered the purchase of parcels of land, machinery and equipment, motor vehicles, other assets and shared assets used in the Stanfilco Plants and Dolefil Box and Printing Plants. In the agreement, the SCPC will acquire Stanfilco Box Plant and Stanfilco machinery and equipment, SMPC will enter into long term supply agreement with DPI, and other affiliates will acquire other target assets listed in Schedule 2 of the ASA.

The SCPC has committed to purchase the allocated target assets with total purchase price of USD 9,383,761. As at November 29, 2022, the SCPC has completed the purchase of buildings and improvements, and machineries and equipment amounting to P484.038 million (inclusive of taxes).

Long-term Supply Agreement
In January 2022, in relation to the Asset Sale Agreement, SMPC entered into a long-term supply agreement with DPI to supply boxes, packaging materials, including parts thereof such as cartons, dividers, pods, lids, joints, walls, slots, panels, labels and other printed materials, made of paper, kraft, corrugated boxes and other paper related products. The long-term supply agreement has a term of nine years and six months beginning from August 24, 2022 until February 23, 2032. The agreement can be renewed subject to discussion of the parties. As at November 29, 2022, SMPC is yet to supply the above mentioned materials to DPI.

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, 2021	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Trade payables and other current liabilities*	P494,168	P494,168	P494,168	P -
Amounts owed to related parties	67,622	67,622	67,622	-
Loans and borrowings	652,148	665,730	524,443	141,287
Lease liabilities	34,340	41,166	9,047	32,119
	P1,248,278	P1,268,686	P1,095,280	P173,406

Carrying amount excludes advances from customers and payable to government agencies amounting to P77,616.

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	6,066	6,852	4,014	2,838
	P1,100,551	P1,101,337	P1,098,499	P2,838

Carrying amount excludes advances from customers and payable to government agencies amounting to P52,046.

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, 2021 and 2020, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2021**	2020
Cash in banks	*6*	**P65,813**	P43,736
Receivables - gross	*7*	**489,727**	371,936
Refundable security deposits	*9, 13*	**6,925**	8,303
		P562,465	P423,975

The table below shows the credit quality of the Group's financial assets as at December 31, 2021 and 2020:

December 31, 2021	**High Grade**	**Medium Grade**	**Low Grade**	**Total**
Cash in banks	**P65,813**	**P -**	**P -**	**P65,813**
Receivables	**-**	**424,786**	**64,941**	**489,727**
Refundable security deposits	**-**	**6,925**	**-**	**6,925**
	P65,813	**P431,711**	**P64,941**	**P562,465**

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

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, 2021	**12-month ECL**	**Lifetime ECL not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total**
Cash in banks	**P65,813**	**P -**	**P -**	**P65,813**
Receivables	**412,177**	**12,609**	**64,941**	**489,727**
Refundable security deposits	**5,299**	**1,626**	**-**	**6,925**
	P483,289	**P14,235**	**P64,941**	**P562,465**

	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

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 and loans payable that are denominated in US Dollars. The Group regularly monitors the outstanding balance of its cash in banks and loans payable that are 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.

Information on the foreign currency denominated monetary assets and monetary liabilities and their Philippine peso equivalents as at December 31, 2021 and 2020 are as follows:

	2021	2020
Assets	**$4,011**	$2,763
Liabilities	**(4,589)**	(2,000)
Net payable	**($578)**	$763
Philippine Peso equivalent	**(P29,347)**	P36,642

The foreign exchange rate of P50.774 and P48.023 were used in translating the USD denominated monetary liability to Philippine peso as of December 31, 2021 and 2020, respectively.

A 10% strengthening of the Philippine peso against US Dollar as at December 31, 2021 and 2020 would have increased (decreased) the net income by P2.199 million and (P2.749 million), respectively. A 10% weakening of the Philippine peso against the above currencies as at December 31, 2021 and 2020 would have had the equal but opposite effect, on the basis that all other variables remain constant.

Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposures to interest rate risk relates primarily to the Group's loans and borrowings. The Group's exposure to changes in interest rates relates mainly to the long-term loan drawn from a local bank in 2021 with a floating interest rate based on the prevailing market rate at each repricing date. The Group's short-terms loans have fixed interest rates over the term of the loan.

The sensitivity to a reasonably possible 10% increase in the interest rates, with all other variables held constant, would have decreased the Company's profit before tax and equity by P0.270 million and P0.202 million, respectively in 2021. A 10% decrease in the interest rate would have had the equal but opposite effect.

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			
	2021		2020	
	6% Increase	6% Decrease	4% Increase	4% Decrease
Investment in equity instruments	**P5,933**	**(P5,933)**	P4,676	(P4,676)

Fair Value Estimation of Financial Assets and Liabilities

Cash in Banks and Receivables. The carrying amounts of cash in banks and receivables approximate fair values due to the relatively short-term maturities of these financial instruments.

Investments in Equity Instruments. The fair value of quoted investments in equity instruments is determined by reference to their quoted bid prices at the reporting date (Level 1). The fair values of golf shares and country club memberships are based on cost since there is no realizable basis for fair value. The Group's investment in equity instruments financial assets which is measured at fair value at December 31, 2021 and 2020 is classified under Level 1.

The Group does not have financial assets classified under Level 2 and 3.

Refundable Security Deposits. The carrying amount of refundable security deposits approximate the fair value, since the Group does not anticipate the carrying amount to be significantly different from the actual value that these deposits would be eventually collected.

Trade Payables and Other Current Liabilities, Amounts Owed to Related Parties and Current Portion of Loans and Borrowings. The carrying amounts of trade payables and other current liabilities, amounts owed to related parties and current portion of borrowings approximate fair value due to the relatively short-term maturities of these financial instruments.

Borrowings, Net of Current Portion. Borrowings, net of current portion are reported at their present values, which approximate the cash amounts that would fully satisfy the obligations as of reporting date. The carrying amount of long-term loans payable with floating interest rate with monthly repricing approximates its fair value.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total liabilities, while equity is total equity as shown in the consolidated statements of financial position. The Parent Company being a listed entity is covered by the PSE requirement of 10% minimum public ownership. The Parent Company is under suspended trading status in PSE since 2006 pursuant to the PSE's Implementing Guidelines for Companies under Corporate Rehabilitation when the Company notified the PSE in a disclosure that the stockholders have approved entering into rehabilitation proceedings (Note 1).

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capitalization requirements.

25. Other Matters

Effect of Corona Virus Disease 2019 (COVID-19)

Since the beginning of 2020, the Philippines, along with many other countries in the world, has been experiencing a pandemic in the cases of COVID-19. This pandemic has impacted working arrangements, specific industries and overall business climate in the country due to the efforts taken by the government to minimize and mitigate the local transmission of COVID-19 amongst its citizens.

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.

Currently, the Group does not foresee that this prevailing norm brought about by COVID-19 will have any going concern issue which will affect the Group's ability to continue its operations. Management will continue to assess the impact of COVID-19 in 2022.

Provisions and Contingencies

In the normal course of business, SMPC is involved in regulatory matters that arose from tax assessments with details as follows:

a. In 2021, SMPC received the Closing Agreement for Letter of Authority (LOA) for income and other internal revenue taxes for the taxable period January 1 to December 31, 2019. The total assessment amounting to P705.521 million was settled by SMPC in 2021.

b. In December 2021, SMPC received LOA for income and other internal revenue taxes for the taxable period January 1 to December 31, 2020. The total assessment amounting to P705.521 million was settled by SMPC in 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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report dated December 9, 2022.

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.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

KPMG

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, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 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. 08-001987-023-2022
Issued June 2, 2022; valid until June 2, 2025
PTR No. MKT 8854074
Issued January 3, 2022 at Makati City

December 9, 2022
Makati City, Metro Manila

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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, 2021 and 2020 and for each of three years in the period ended December 31, 2021, and have rendered our report dated December 9, 2022.

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

Firm Regulatory Registration & Accreditation
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

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 are not 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, are fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

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
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PTR No. MKT 8854074
Issued January 3, 2022 at Makati City

December 9, 2022
Makati City, Metro Manila

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS AT DECEMBER 31, 2021

STENIEL MANUFACTURING CORPORATION
Gateway Business Park, Brgy. Javalera,
General Trias, Cavite, Philippines

Unappropriated Retained Earnings (Deficit), as adjusted to available for dividend distribution, beginning*	**(P1,601,918)**
Net income actually earned during the period	
Net loss during the period closed to Retained Earnings (Deficit)	**(2,315)**
Unappropriated Retained Earnings (Deficit) available for dividend declaration, ending**	**(P1,604,233)**

*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, 2021 AND 2020

SCHEDULE		
A	- FINANCIAL ASSETS	
B	- AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)	NOT APPLICABLE
C	- AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS	
D	- LONG-TERM DEBT	
E	- INDEBTEDNESS TO RELATED PARTIES (LONG- TERM LOANS FROM RELATED COMPANIES)	
F	- GUARANTEES OF SECURITIES OF OTHER ISSUERS	NOT APPLICABLE
G	- CAPITAL STOCK	

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2021

Name of Issuing Entity	Number of Shares	Amount Shown in the December 31, 2021 Consolidated Statement of Financial Position	Income Received and Accrued
Aboitiz Power Corporation	45,000	P1,336,500	P38,250
Alliance Global Inc.	60,000	708,000	-
Belle Corporation	250,000	337,500	-
China Banking Corporation	50,000	1,300,000	50,000
DDMP REIT, Inc.	900,000	1,611,000	70,721
DMCI Holdings, Inc.	2,848,500	21,961,935	2,303,280
East West Banking Corp.	10,000	96,000	-
Manila Electric Co.	26,216	7,738,963	337,688
Manila Water Company, Inc.	1,122,000	27,769,500	16,992
Metro Pacific Investments Corp.	7,508,900	29,285,570	788,148
Phinma Corporation	428,730	8,638,910	218,080
PLDT Inc.	1,100	1,993,200	70,200
Premium Leisure Corp.	1,180,000	507,400	48,085
Rizal Commercial Banking Corp.	13,800	276,000	6,693
Rockwell Land Corp.	45,700	67,636	1,613
Semirara Mining & Power Corporation	9,000	192,150	1,737,000
Synergy Grid & Dev. Phil. Inc.	83,000	1,095,600	-
Union Bank of The Phils.	8,000	796,000	28,000
	14,589,946	P105,711,864	P5,714,750

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2021

December 31, 2021

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, 2021
(Amounts in thousands)

December 31, 2021

Name and Designation of Debtor	Beginning Balance	Additions	Assignment/ Condonation	Written Off	Current	Not Current	Ending Balance
Trade receivables							
SCPC	P80,243	P14,830	P -	P -	P95,073	P -	P106,117
Amounts owed by related party							
SCPC	95,073	-	-	-	95,073	-	95,073
Advances to subsidiaries, at gross							
SCPC	-	-	-	-	-	-	-
	P175,316	**P14,830**	**P -**	**P -**	**P95,073**	**P -**	**P175,316**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2021
(Amounts in thousands)

December 31, 2021

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
Loans payable			
Omnibus Loan and Security Agreement (OLSA)	P130,401	P -	P130,401
	P130,401	**P -**	**P130,401**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE E- INDEBTEDNESS TO RELATED PARTIES
(LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2021
(Amounts in thousands)

December 31, 2021

Name of related party	Balance at the beginning period	Balance at the end of the period
Shareholders	P190,000	P190,000
	P190,000	**P190,000**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE F- GUARANTIES OF SECURITIES OF OTHER ISSUER
DECEMBER 31, 2021
(Amounts in thousands)

December 31, 2021

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, 2021

December 31, 2021

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	1,418,812,081		579,827,414	7	838,984,660

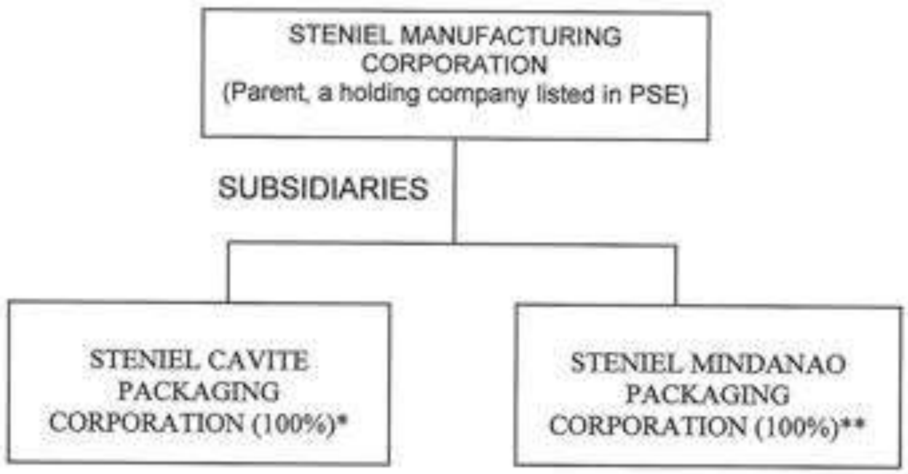
STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratio	Formula	As of December 31, 2021	As of December 31, 2020
Liquidity: Current Ratio	Current Assets / Current Liabilities	1.19	1.12
Solvency: Debt to Equity Ratio	Total Liabilities (Current + Noncurrent) / Equity	1.85	1.73
Asset to Equity Ratio	Total Assets (Current + Noncurrent) / Equity	2.85	2.73
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	3%	92%
		For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Operating Efficiency: Operating Margin	Income from Operating Activities / Net Sales	2%	86%
Return on Equity	Net Income / Equity	2%	44%
Return on Assets	Net Income / Total Assets	1%	16%

**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.*

ANNEX B

2021 Separate Audited Financial Statements of Steniel Manufacturing Corporation

STENIEL MANUFACTURING CORPORATION

SEPARATE FINANCIAL STATEMENTS
December 31, 2021 and 2020

With Independent Auditors' Report

KPMG

R.G. Manabat & Co.
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6787 Ayala Avenue, Makati City
Philippines 1209
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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

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, 2021 and 2020, and the separate statements of comprehensive income, separate statements of changes in equity 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, 2021 and 2020, 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 19 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.

KPMG

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. 08-001987-023-2022
Issued June 2, 2022; valid until June 2, 2025
PTR No. MKT 8854074
Issued January 3, 2022 at Makati City

December 9, 2022
Makati City, Metro Manila

KPMG

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SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

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, 2021, on which we have rendered our report dated December 9, 2022.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said Company has three thousand five seventy-three (3,573) stockholders owning one hundred (100) shares or more each.

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. 08-001987-023-2022
Issued June 2, 2022; valid until June 2, 2025
PTR No. MKT 8854074
Issued January 3, 2022 at Makati City

December 9, 2022
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

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 financial statements including the schedules attached therein,for the years ended **December 31, 2021 and 2020,** 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 Companyin 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 Finance Officer

ERNESTO S. MARIANO JR.
Revenue Collection Officer

STENIEL MANUFACTURING CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	Note	December 31 2021	2020
ASSETS			
Current Assets			
Cash in banks	*5, 18*	**P18,166**	P3,106
Receivables	*6, 14, 18*	**122**	122
Prepaid expenses and other current assets - net	*7*	**47,199**	47,063
Total Current Assets		**65,487**	50,291
Noncurrent Assets			
Investment in subsidiaries	*8*	**457,820**	457,820
Property and equipment - net	*9*	**2,843**	4,771
Investments in equity instruments	*10, 18*	**13,385**	18,375
Total Noncurrent Assets		**474,048**	480,966
		P539,535	P531,257
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities	*11, 18*	**P8,478**	P8,648
Due to related parties	*14,18*	**121,441**	113,148
Borrowings	*1, 12, 14, 18*	**190,000**	190,000
Total Liabilities		**319,919**	311,796
Equity			
Capital stock	*13*	**1,418,812**	1,418,812
Additional paid-in capital	*13*	**408,423**	408,423
Net unrealized loss on investments in equity instruments		**(2,382)**	(5,856)
Deficit	*1*	**(1,605,237)**	(1,601,918)
Total Equity		**219,616**	219,461
		P539,535	P531,257

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	**2021**	2020
OPERATING EXPENSES	*15*	**(P3,487)**	(P2,118)
OTHER INCOME - Net	*16*	**1,172**	191,608
NET INCOME (LOSS)		**(2,315)**	189,490
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss			
Net gain (loss) on financial assets at fair value through other comprehensive income	*10*	**2,469**	(1,506)
TOTAL COMPREHENSIVE INCOME		**P154**	P187,984
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	*13*	**(P0.00163)**	P0.18906

See Notes to the Separate Financial Statements.

STENIEL MANUFACTURING CORPORATION
SEPARATE STATEMENTS OF CHANGES IN EQUITY
(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 (Note 10)	Deficit (Notes 1)	Total Equity (Capital Deficiency)
December 31, 2019	P1,000,000	P414,632	(P4,350)	(P1,791,408)	(P381,126)
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	1,418,812	408,423	(5,856)	(1,601,918)	219,461
Changes in fair value of equity instruments designated at FVOCI	-	-	**2,469**	-	**2,469**
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	**1,005**	**(1,005)**	-
Net loss during the year	-	-	-	**(2,315)**	**(2,315)**
Total comprehensive income (loss) during the year	-	-	**3,474**	**(3,320)**	**154**
December 31, 2021	**P1,418,812**	**P408,423**	**(P2,382)**	**(P1,605,238)**	**P219,615**

See Notes to the Separate Financial Statements.

STENIEL MANUFACTURING CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

		Years Ended December 31	
	Note	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**(P2,315)**	P189,490
Adjustments for:			
Depreciation	*9, 15*	**1,928**	963
Dividend income	*16*	**(1,214)**	(825)
Interest income	*5, 16*	**(3)**	(4)
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		**(1,604)**	(1,155)
Increase in prepaid expenses and other current assets		**(135)**	(89)
Increase (decrease) in:			
Trade payable and other current liabilities		**(170)**	142
Due to related parties		**8,293**	1,500
Net cash generated from operations		**6,384**	398
Dividends received	*16*	**1,214**	825
Interest received		**3**	4
Net cash provided by operating activities		**7,601**	1,227
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investment in equity instruments		**7,459**	267
Additions to investment in equity instruments	*10*	**-**	(47)
Net cash provided by investing activities		**7,459**	220
NET INCREASE IN CASH IN BANKS		**15,060**	1,447
CASH IN BANKS AT BEGINNING OF YEAR		**3,106**	1,659
CASH IN BANKS AT END OF YEAR		**P18,166**	P3,106

See Notes to the Separate Financial Statements.

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 (AOI) of the Company, extending the corporate life for another 50 years from September 13, 2013. Pursuant to the Revised Corporation Code of the Philippines, which took effect in February 2019, the Company shall have a perpetual existence because the Company did not elect to retain its specific corporate term under its AOI.

Following a decision made by the Board of Directors (BOD) in 1996 to reorganize the Company and its subsidiaries, the Company ceased manufacturing operations in June 1997 due to continuing business losses. As a result, reorganization of the Company was carried out and completed with the Company's principal activity now limited to holding of investments.

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 December 31, 2021 and 2020, STN is the ultimate parent company following the completion of the Tender Offer.

The Company's registered address and principal office is located at Gateway Business Park, Brgy. Javalera, General Trias, Cavite, 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 16th year onwards.

- The restructured accrued interest expense prior to loan restructuring will be subject to interest 8% per annum.

- The restructured loan shall be secured by the assets/collateral pool under the Collateral Trust Agreement.

- All taxes and fees, including documentary stamp taxes and registration fees, shall be for the account of the Company.

- All other costs and expenses of restructuring including documentation costs, legal fees and out-of-pocket expenses shall be of the account of Company; and

- Other conditions include:

  a. Lenders representative to be elected as director in STN and in each of its subsidiaries.

  b. A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.

  c. No dividend declaration or payments until the restructured obligations are fully paid.

  d. No new borrowing, unless with consent of the lenders.

  e. No repayment or prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.

  f. Creditor's consent for change in material ownership in the Company and mortgagors.

  g. Standard covenants, representations and warranties.

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 2022 after the issuance of Certificate Authorizing Registration (CAR) by the BIR. The change in ownership and management in early 2012 and the issuance of CAR generally caused the delay in the implementation of the dacion en pago.

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, 2021 and 2020, 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 annually until January 1, 2019. Consequent to the BOD approval of the conversion of debt to common shares of the Company in 2019, principal and interest payments on long-term debt was suspended beginning July 2019.

Status of Operations
The Company has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P1,605.24 million and P1,601.92 million as at December 31, 2021 and 2020, respectively. These conditions, among others, indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

To address such going concern matter, the management has taken the following measures:

On July 17, 2019, the BOD and Stockholders of the Company approved the acquisition of shares of SMPC through a share swap transaction and the conversion of loans from Greenkraft Corporation and Roxburgh Investments Limited into common shares in the Company. To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the Articles of Incorporation to increase the authorized capital stock from 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, 2021 and 2020 were approved and authorized for issuance by the BOD on November 29, 2022.

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.

Amended Standards Issued but Not Yet Adopted
A number of amended standards and framework are effective for annual periods beginning after January 1, 2021 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. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  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, *Business Combination*). 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, *Presentation of Financial Statements*). 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.

In November 2021, the International Accounting Standards Board issued the *Exposure Draft, Noncurrent Liabilities with Covenants* after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend PAS 1 as follows:

- conditions which the entity must comply within 12 months after the reporting period will have no effect on the classification as current or noncurrent;

- additional disclosure requirements will apply to noncurrent liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within 12 months; and

- separate presentation in the statement of financial position will be required for noncurrent liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

The effective date of the amendments will be deferred to no earlier than January 1, 2024.

- *Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective from January 1, 2023. Earlier application is permitted.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, Income Taxes)*. The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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.

As at December 31, 2021 and 2020, the Company has no financial liabilities at FVPL.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense" account in the separate statements of comprehensive income. Gains and losses are recognized in the separate statements of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the separate statements of comprehensive income.

The Company's trade payables and other current liabilities, due to related parties and borrowings are included under this category.

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 Company expects to be entitled in exchange for these goods or services, excluding amounts collected on behalf of third parties.

The following specific recognition criteria must also be met before revenue is recognized:

Dividend Income
Dividend income is recognized when the right to receive the payment is established.

Interest Income
Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income
Other income 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.

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, 2021 and 2020.

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.

<u>Estimates and Assumptions</u>
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 2021 and 2020. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2021**	2020
Cash in banks	*5, 18*	**P18,166**	P3,106
Receivables	*6, 18*	**122**	122
		P18,288	P3,228

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 P2.84 million and P4.77 million as at December 31, 2021 and 2020, 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, 2021 and 2020 (Note 7).

Allowance for impairment on investment in subsidiaries amounted to P1,559.43 million as at December 31, 2021 and 2020, respectively (Note 8).

No impairment loss was recognized on property and equipment as at December 31, 2021 and 2020 (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, 2021 and 2020 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 2021 and 2020.

5. Cash in Banks

Cash in banks earn annual interest at the respective bank deposit rates.

Interest income from cash in banks amounted to P0.003 million and P0.004 million in 2021 and 2020, respectively (Note 16).

6. Receivables

This account consists of advances to employees amounting to P0.122 million as at December 31, 2021 and 2020 (Notes 14 and 18).

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2021	2020
Advances to suppliers	**P1,843**	P1,843
Allowance for impairment loss	**(1,843)**	(1,843)
	-	-
Prepaid taxes	**44,419**	44,419
Input value-added taxes	**2,780**	2,644
	P47,199	P47,063

The remaining balance of P44.42 million as at December 31, 2021 and 2020, 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, 2021 and 2020, this account consists of:

	2021		2020	
Entity	**% of Ownership**	**Amount**	% of Ownership	Amount
SMPC	**100**	**P269,250**	100	P269,250
SCPC	**100**	**1,748,000**	100	1,748,000
		2,017,250		2,017,250
Allowance for impairment		**(1,559,430)**		(1,559,430)
		P457,820		P457,820

SCPC and TPC

In 2006, the business operations of SCPC gradually slowed down. The temporary cessation of plant operations was approved by SCPC's BOD on March 27, 2007 in view of the continued losses incurred since its incorporation in addition to difficult economic and business conditions. Its operations are now limited to leasing its existing assets to a related party.

In 2008, TPC temporarily ceased its operations due to continuous losses incurred.

In 2016, the merger between SCPC and TPC (the former as the surviving entity) was approved by the BOD and Shareholders of the respective entities. The application for merger was filed with the SEC on April 10, 2017 and was approved on May 30, 2018.

As at December 31, 2019, the related investment cost for SCPC 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 (Note 16).

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, 2021 and 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, 2020		13,545
Depreciation	*15*	963
December 31, 2020		14,508
Depreciation	*15*	1,928
December 31, 2021		**16,436**
Carrying Amount		
December 31, 2020		P4,771
December 31, 2021		**P2,843**

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 2021 and 2020.

These investments were measured at fair value based on quoted prices as at December 31, 2021 and 2020 and are as follows:

	Note	2021	2020
Cost			
Balance at beginning of year		**P24,231**	P24,451
Purchases		**-**	47
Disposal		**(8,464)**	(267)
Balance at end of year		**15,767**	24,231
Changes in Fair Value			
Balance at beginning of year		**(5,856)**	(4,350)
Changes in fair value		**2,469**	(1,506)
Transfer of fair value reserve within equity instruments designated at fair value		**1,005**	-
Balance at end of year		**(2,382)**	(5,856)
	18	**P13,385**	P18,375

Dividend income recognized amounted to P1.214 million and P0.825 million in 2021 and 2020, respectively (Note 16).

11. Trade Payables and Other Current Liabilities

This account consists of:

	Note	2021	2020
Trade payables		**P1,557**	P1,557
Nontrade payables		**6,823**	6,764
Payable to government agencies		**98**	327
	18	**P8,478**	P8,648

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	2021	2020
Greenkraft Corporation	*1, 14, 18*	**P190,000**	P190,000

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 party creditors/lenders 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). 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 resulting to a reduction of the borrowing balance. In 2014, the land and land improvements and building and building improvements of a subsidiary (SCPC) were transferred to the creditors/lenders.

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 2022.

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.

The other features of the Amended Agreement are disclosed in Note 1.

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	**2021**	2020
Balance at beginning of year		**P190,000**	P339,562
Conversion to equity	*13*	-	(149,562)
Balance at end of year		**P190,000**	P190,000

13. Equity

Capital Stock
This account consists of:

December 31, 2021

	No. of Common Shares	**Par Value Per Share**	**Amounts in Thousand**
Authorized	**2,000,000,000**	**1**	**P2,000,000**
Issued and Outstanding	**1,418,812,081**	**1**	**P1,418,812**

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	P1,000,000
Issuances during the year	418,812,081	1	418,812
Balance at end of year	1,418,812,081	1	P1,418,812

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:

	2021	2020
Net income (loss) for the year available to common shareholders	**(P2,315)**	P189,490
Divided by weighted average number of common shares, in thousand	**1,418,812**	1,002,295
Basic earnings (loss) per share	**(P0.00163)**	P0.18906

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	**2021**	*5, 14b*	P -	**P122**	**P -**	**P -**	Receivable on demand; non-interest bearing	Unsecured; no impairment
	2020		-	122	-	-		
• Advances	**2021**	*14a*	**8,293**	-	-	**121,441**	Payable on demand; non-interest bearing	Unsecured
	2020		1,500	-	-	113,148		
• Borrowings c	**2021**	*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
	2020		-	-	190,000	-		
TOTAL	**2021**			**P122**	**P190,000**	**P121,441**		
TOTAL	2020			P122	P190,000	P113,148		

a. Due to related parties consist mainly of non-interest bearing advances for working capital requirements with no definite repayment dates.

b. Reimbursement of various expenses were paid in advance by the Company and charged to the related party.

c. There is no key management compensation as the Company's finance and administrative functions are being handled by a related party without any charge.

Unless otherwise indicated, amounts due to/from related parties are expected to be settled in cash.

15. Operating Expenses

This account consists of:

	Note	**2021**	2020
Depreciation	*9*	**P1,928**	P963
Professional fees		**725**	560
Salaries, wages and employee benefits		**420**	326
Listing fees		**250**	261
Office and computer supplies		**11**	-
Taxes and licenses		**1**	4
Miscellaneous		**152**	4
		P3,487	P2,118

Miscellaneous pertains to mailing and courier services, commission and bank charges.

16. Other Income (Expense)

This account consists of:

	Note	2021	2020
Dividend income	10	**P1,214**	P825
Interest income	5	**3**	4
Reversal of impairment of investment in subsidiaries	8	**-**	188,570
Reversal of impairment of prepaid taxes	7	**-**	2,209
Others		**(45)**	-
		P1,172	P191,608

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:

	2021	2020
Income (loss) before income tax	**(P2,315)**	P189,490
Income tax benefit at statutory tax rate of 25% and 30%	**(P579)**	P56,847
Adjustments to income tax resulting from:		
Movement in unrecognized deferred tax asset	**883**	(54,736)
Dividend income	**(303)**	(247)
Interest income subjected to final tax	**(1)**	(1)
Stock issuance cost	**-**	(1,863)
	P -	P -

As at December 31, 2021 and 2020, 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.

	2021	2020
Temporary differences:		
Allowance for impairment losses on advances to suppliers	**P1,843**	P1,843
Provision for impairment of investment in subsidiaries	**-**	1,559,430
	1,843	1,561,273
NOLCO	**15,602**	13,106
	P17,445	P1,574,379

As at December 31, 2021, 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
2021	P3,532	P -	P3,532	2026
2020	8,327	-	8,327	2025
2019	3,743	-	3,743	2022
2018	1,036	(1,036)	-	2021
	P16,638	(P1,036)	P15,602	

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
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. Minimum corporate income tax (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.

The corporate income tax of the Company was lowered from 30% to 25% effective July 1, 2020.

The enactment of the CREATE Act is a non-adjusting subsequent event in 2020, thus the current and deferred income tax as at December 31, 2020 were measured using applicable income tax rate as at reporting date. Having NOLCO position in 2021 and 2020 and the Company have not recognized deferred tax assets, the implementation of the CREATE Act did not have significant impact on the Company's financial statements.

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, 2021	**Carrying Amount**	**Contractual Cash Flow**	**Less than 1 Year**	**More than 1 Year**
Current Liabilities				
Trade payables and other current liabilities*	**P8,380**	**P8,380**	**P8,380**	**P -**
Due to related parties	**121,441**	**121,441**	**121,441**	**-**
Borrowings	**190,000**	**190,000**	**190,000**	**-**
	P319,821	**P319,821**	**P319,821**	**P -**

**Carrying amount excludes payable to government amounting to P98.*

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	-
Borrowings	190,000	190,000	190,000	-
	P311,469	P311,469	P311,469	P -

**Carrying amount excludes payable to government amounting to P327.*

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	**2021**	2020
Cash in banks	*5*	**P18,166**	P3,106
Receivables	*6*	**122**	122
		P18,288	P3,228

The table below shows the credit quality of the Company's financial assets as at December 31, 2021 and 2020:

	Financial Assets at Amortized Cost			
December 31, 2021	**High Grade**	**Medium Grade**	**Low Grade**	**Total**
Cash in banks	**P18,166**	**P -**	**P -**	**P18,166**
Receivables	**-**	**122**	**-**	**122**
	P18,166	**P122**	**P -**	**P18,288**

	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

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, 2021	**12-month ECL**	**Lifetime ECL not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total**
Cash in banks	**P18,166**	**P -**	**P -**	**P18,166**
Receivables	-	**122**	-	**122**
	P18,166	**P122**	**P -**	**P18,288**

	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

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			
	2021		2020	
	6% Increase	**6% Decrease**	6% Increase	6% Decrease
Investment in equity instruments	**P784**	**(P784)**	P1,025	(P1,025)

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.

Capital Management
The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Cash flow from the activities of the Company's operating subsidiaries is considered a measure that reflects the Company's ability to generate funding from operations for its investing and financing activities and is representative of the realization of value or shareholders from the Company's operations.

Total capital comprises the total equity as shown in the separate statements of financial position. The Company being a listed entity is covered by the PSE requirement of 10% minimum public ownership. The Company is under 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. 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, 2021 (amounts rounded off to the nearest peso):

A. Value Added Tax (VAT)

Input VAT:	
Beginning of the year	**P2,644,931**
Current year's domestic purchases:	
Services lodged under other accounts	**135,266**
Balance at the end of the year	**P2,780,197**

B. Withholding Taxes

Expanded withholding taxes	**P17,266**
Withholding taxes on compensation	**25,222**
	P42,488

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	**P500**

D. Tax Assessment and Cases

As of December 31, 2021, the Company has no pending tax court cases nor has received tax assessment notices from the BIR.

ANNEX C

SUSTAINABILITY REPORT

STENIEL MANUFACTURING CORPORATION
SUSTAINABILITY REPORT FOR 2021

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 2021
Highest Ranking Person Responsible for this report	Eliza C. Macuray – Treasurer/CFO/CAE

ECONOMIC

I. Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount (in Php)
Direct economic value generated (revenue)	1,276,504,693
Direct economic value distributed:	
II. Operating costs	82,290,738
III. Employee wages and benefits	12,056,627
IV. Payments to suppliers, other operating costs	2,013,898,663
V. Dividends given to stockholders and interest payments to loan providers	12,238,906
VI. Taxes given to government	38,169,027
VII. Investments to community (e.g. donations, CSR)	108,195

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 performance of its investments in equity instruments can also affect revenue performance.	• Stockholders • Employees • Government	The Company ensures that its machineries and equipment for lease are periodically checked and serviced to ensure smooth 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

Climate-related risks and opportunities

Governance	Strategy	Risk Management	Metrics and Targets
N/A	N/A	N/A	N/A

II. Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	10% to 20%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Domestic sourcing of raw materials is more convenient in terms of communications and shorter delivery lead time. However, sourcing the materials from abroad is cheaper especially when in bulk.	• Suppliers • Customers • Government	Establish good partnership with local suppliers and at the same time continue to look for other potential suppliers here and abroad.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Availability of materials. Poor planning and forecasting are direct causes of inventories that are out of balance with business needs.	• Suppliers • Customers • Government	Engage in collaborative strategic sourcing. The Company will place emphasis on demand planning and forecasting as an additional means of

		ensuring optimal inventory levels.
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Sourcing locally results to shorter lead time and less expensive compared to shipping from international suppliers.	• Suppliers • Customers • Government	To identify potential local partners.

III. Anti-Corruption

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, all directors and officers of the Company undergo the 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.

<u>Incidents of Corruption</u>

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 employees.	• 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**
Corrupt practices and acts.	• Directors and Officers • Employees • Government	Review and strictly enforce 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.

ENVIRONMENT

I. Resource Management

Energy consumption within the organization - monthly average

Disclosure	Quantity	Units
Energy Consumption (renewable sources)	11.42	GJ
Energy Consumption (gasoline)	N/A	GJ
Energy Consumption (LPG)	N/A	GJ
Energy Consumption (diesel)	130.8	GJ
Energy Consumption (electricity)	0.9034	kWh

Reduction of energy consumption - - monthly average

Disclosure	Quantity	Units
Energy Consumption (renewable sources)	3.41	GJ
Energy Consumption (gasoline)	N/A	GJ
Energy Consumption (LPG)	N/A	GJ
Energy Consumption (diesel)	2.1	GJ
Energy Consumption (electricity)	0.0013	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
The Group relies heavily on electricity for their operations. To minimize the adverse effect of power interruption, the Group has standby generators that may be used at the manufacturing plants. Efficient use of power and fuel directly affects the costs and expenses.	• Employees • Customers	Identify high potential energy users & energy type. Prioritize area for energy savings principally based on feasibility or energy reduction potentials. Develop utility reduction plan to achieve energy usage objectives target
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Increasing cost of power supply. Increase consumption but decrease in production.	• Employees • Customers	As part of contingency measures, standby generators are available as back up to supply power.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Use of renewable energy	• Employees • Customers • Government	Management is pro-active in adoption of energy-efficient equipment and office facilities. Management is also considering alternative sources of

		power (such as rooftop solar panels) for the supply of electricity.

Water consumption within the organization - monthly average

Disclosure	Quantity	Units
Water withdrawal	0	Cubic meters
Water consumption	684.75	Cubic meters
Water recycled and reused	155.92	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of operations, the Company has minimal water consumption. Thus, impact is negligible.	• Employees • Customers	Management use rainwater & recycled water in production operations.
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.	• Employees • Customers	The management installed an additional rainwater tank with a capacity of 60 cubic meter. This is to support the water supply inside the plant
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	• Employees • Customers	The company adopted the method of rainwater harvesting & the use of renewable source.

Materials used by the organization - monthly

Disclosure	Quantity	Units
Materials used by weight or volume		
• Renewable	2698.6	metric tons/month
• Non-renewable	148,103	Kgs/month
Percentage of recycled input materials used to manufacture the organization's primary products	30	%

What is the impact and where does it occur? What is the organization's involvement in the	Which stakeholders are affected?	Management Approach

impact?		
Taking into account the nature of the operation, the main raw material used are paper which is recyclable. Many but not all corrugated boards and boxes produced and its wastes in the operation are recycled back to paper.	• Employees • Customers • Government	Management is pro-active with its commitment in using recycled materials in its operation. Full implementation for monitoring.
What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
No risk since the materials are recyclable and biodegradable.	• Employees • Customers • Government	Management is in the packaging business using raw materials that are recyclable and biodegradable. It is one of the main commitments of the Company to care for the environment
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Taking into account the nature of the business, the current trend in the world is using biodegradable and recyclable materials lessen the environmental impact	• Employees • Customers • Government	Management is in the business of packaging where majority of the finished goods are recyclable and biodegradable.

<u>Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)</u>

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
N/A	N/A	N/A
What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A

What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A

II. Environmental impact management

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	201.9 mg/Nm3	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	(NOx)64.7 mg/Nm3 (SOx)526.2 mg/Nm3	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
Energy indirect Greenhouse Gas (GHG) emission is the impact of usage of electricity, which is one of the major inputs in production.	• Employees • Customers • Government • Community	The Company has adopted and implemented energy conservation measures such as 1. steam looping system 2. water scrabber
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Poor air quality	• Employees • Customers • Government • Community	The Company has adopted and implemented energy conservation measures such as Air ventilation fan & Air conditioning unit
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Solar Power	• Employees • Government • Community	The Company is currently studying the viability of meeting the power needs of the Company through solar power sources.

Air pollutants

Disclosure	Quantity	Units
NOx	64.7mg/Nm3	kg
SOx	526.2 mg/Nm3	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)	70.5mg/Nm3	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.	• Community • Employees	The Company has a regular source emission testing & sampling of feed fuels.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	• Community • Employees	The Company has a regular source emission testing & sampling of fuels.
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.	-	-

Solid waste

Disclosure	Quantity	Units
Total solid waste generated	4,277,091	kg
Reusable	2760	pcs
Recyclable	4,215,566.00	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	61,525	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
Solid waste could create to environment impact & threat to human health.	• Community • Employees • Customers	Management set a waste management goal & perform a professional waste audit.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**

Water pollution & health problem.	• Community • Employees • Customers	The Company has a material recovery facility with baling machine that helps recover reusable and recyclable materials.
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Improve water & air quality	• Community • Employees • Customers	Support & improve the existing futuristic plan of the company in reducing solid waste.

<u>Hazardous waste (SLUGE DATA) – monthly average</u>

Disclosure	Quantity	Units
Total weight of hazardous waste generated	3676.05	kg
Total weight of hazardous waste transported	3676.05	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.	• Community • Employees	The Company has a waste water facility that treat waste water & create an emergency preparedness & contingency plan.
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.	-	-

<u>Effluents (RAW WATER)</u>

Disclosure	Quantity	Units
Total weight of hazardous waste generated	70,402.86	kg
Total weight of hazardous waste transported	0 (recycled water)	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.	• Community • Employees	Review waste streams.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	• Community • Employees	Review waste streams.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	• Community • Employees	Review waste streams

III. Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	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
N/A	N/A	N/A
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**

N/A	N/A	N/A

SOCIAL

I. Employee Management

Employee data

Disclosure	Quantity	Units
Total number of employees	134	person
a. Number of female employees	37	person
b. Number of male employees	97	person
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)	-0.1	%
Ratio of lowest paid employee against minimum wage	0	person

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100	100
PhilHealth	Y	100	100
Pag-Ibig	Y	100	100
Parental leaves	Y	0	0
Vacation leaves	Y	100	100
Sick leaves	Y	89	82
Medical benefits (aside from PhilHealth)	Y	100	100
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 attrition due to competition	• Employees	Management is looking into ways on 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.

<u>Employee Training and Development</u>

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	299	Hours
b. Male employees	725	Hours
Average training hours provided to employees		
a. Female employees	8	Hours/employee
b. Male employees	8	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
The trainings increased the employees' skills and knowledge and boosted their confidence.	• Directors • Officers • Employees	Management identifies the right and mandatory trainings. Review of internal and external trainings periodically.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Employees acquiring the right skills and knowledge may results to look for other companies who will give higher position opportunities and higher salary.	• Directors • Officers • Employees	Management will review the position and benefits of the employees.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Periodic review of employee's skills and knowledge to identify possible future leaders.	• Directors • Officers • Employees	Management is looking in to periodical review of employee skills and knowledge to address the employees' needs and concerns. Management is also taking into

		consideration the career growth of the employees and considering succession planning.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	37	percent
Number of consultations conducted with employees concerning employee-related policies	4	session

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Harmonious labor-management relationship is a major factor in productivity and production quality. It has a big impact in promoting industrial peace and employee motivation.	• Directors • Officers • Employees	The operations team conduct meetings to discuss work-related issues. Resolving grievance issue is a priority of HR.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Labor dispute may affect productivity, industrial peace and harmony.	• Directors • Officers • Employees	The operations team conduct meetings to discuss work-related issues. Resolving grievance issue is a priority of HR.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Quick dissemination of new policies. Opportunity to discover immediate solutions if there are labor issues.	• Directors • Officers • Employees	Regular meetings between dedicated staff and the employees; representative(s) can help resolve labor related issues immediately.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	28	percent
% of male workers in the workforce	72	percent
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])	0	person

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 of the business, the diversity of the workforce has negligible impact on the operations.	-	-
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature of the business, 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 of the business, the Company is yet to identify the opportunities.	-	-

II. Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety – EMD & HR

Disclosure	Quantity	Units
Safe Man-Hours	627,919	Man hours
No. of work-related injuries	9	
No. of work-related fatalities	0	
No. of work-related ill-health	0	
No. of safety drills	2 (fire drill & earthquake drill)	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Occupational Safety & Health Committee help the workers at the workplace do their task efficiently with the effective & improve safety program. It keeps workers & customers safe from hazard exposure.	• Employees • Customers	Management provides safety & health trainings to the employees &conducts drills.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**

Injuries, Fatalities, illnesses	• Employee • Customers	The Company issued personal protective equipment (PPE) to the employees & customers. The workers also undergone safety & health orientation & seminars before the deployment to the designated areas.
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
It could allow workers to have morale at the workplace.	• Employee • Customers	To continue with the implementation of the safety & health programs.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	person

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
N/A	N/A	N/A
What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A

III. 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
Bribery & Corruption in the supply chain can lead to have a great impact in the organization, likewise with the environmental issues, aspects like human rights and worker safety.	• Directors • Officers • Employees	Management has to work on identifying and implementing procedures taking into consideration a risk assessment program.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Reputational risk is one of the risks that can greatly affect the organization once corruption in the supply chain is made public.	• Directors • Officers • Employees	Management has to work on mitigating the risk relating to the sustainability in the supply chain. Strengthen internal control procedure.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Review and implementation of the internal control and procedures of the organization.	• Directors • Officers • Employees	Set-up and strict implementation of internal controls of the organization.

IV. Relationship with Community

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: N/A

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
N/A	N/A	N/A
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

V. Customer Management

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	N/A
What are the Risk/s identified?	**Management Approach**
N/A	N/A
What are the Opportunity/ies identified?	**Management Approach**
N/A	N/A

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.	-

Marketing and Labelling Sales

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling	54	# of complaints
No. of complaints addressed	54	# of complaints

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Non-conforming products which occurs on production. Rejection is inevitable in manufacturing firm.	Continuous improvement of the machines to comply with the clients' requirements.
What are the Risk/s identified?	**Management Approach**
None	-
What are the Opportunity/ies identified?	**Management Approach**
Opportunity to increase efficiency and reduce rejection rate to minimize operating cost by upgrading the machines and helping employees develop their skills	The Company supports the program of the continuous improvement of the machines and provide trainings and workshops to employees in order to increase the efficiency and to reduce operating cost.

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
N/A	N/A
What are the Risk/s identified?	**Management Approach**
N/A	N/A
What are the Opportunity/ies identified?	**Management Approach**
N/A	N/A

Data Security MIS

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, in compliance with the Data Privacy Law and relevant 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, in compliance with the Data Privacy Law and relevant 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 relevant regulations.

VI. 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.

Minutes of the Stockholders' Meeting held on October 13, 2021

MINUTES OF THE ANNUAL MEETING
OF THE SHAREHOLDERS

OF

STENIEL MANUFACTURING CORPORATION

Held on October 13, 2021, at 1:30 p.m.
(via Zoom Videoconferencing)

STOCKHOLDERS PRESENT:

	No. of Shares	Percentage
Total shares issued and outstanding	1,418,812,081	100%
Stockholders Present and Represented		
In Person	7	0%
By Proxy	1,263,478,946	89.05%

DIRECTORS PRESENT:

Nixon Y. Lim	-	President/CEO/Chairman
Eliza C. Macuray	-	Vice President/CFO
Esteban Ku	-	Director
Mark O. Vergara	-	Director
Kenneth George D. Wood	-	Independent Director
Adam Anthony S. Cabe III	-	Independent Director
Rhea M. Alarcon	-	Independent Director

ALSO PRESENT:

Phil Ivan A. Chan	-	Corporate Secretary
Janice L. Co	-	Assistant Corporate Secretary
Jose Luis P. Salud	-	Assistant Corporate Secretary

PROCEEDINGS

I. CALL TO ORDER

Mr. Nixon Y. Lim, Chairman of the Board of Directors, called the meeting to order and presided over the same. The Chairman informed the stockholders that this meeting is being recorded.

Atty. Phil Ivan A. Chan, the Corporate Secretary, recorded the minutes of the proceedings.

II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary certified that notices for the annual stockholders' meeting together with the agenda, the Definitive Information Statement of Steniel Manufacturing Corporation (the "**Company**" or "**Corporation**"), along with the guidelines for participation through remote communication and voting *in absentia,* were disclosed via PSE EDGE and posted on the Corporation's website. Further, the notice of this meeting was published in BusinessWorld and The Manila Times, newspapers of general circulation, both in print and online formats, on September 21 and 22, 2021.

Further, the Corporate Secretary certified that based on the record of attendance, present for the meeting were stockholders, in person and by proxy, holding a total of **1,263,478,953** common shares or equivalent to **89.05**% of the total outstanding capital stock of the Corporation. The Corporate Secretary therefore certified that there was a quorum for the transaction of business and proceeded to record the minutes of the proceedings.

III. APPROVAL OF MINUTES OF 2020 ANNUAL SHAREHOLDERS' MEETING

The Chairman presented for approval the Minutes of the Annual Stockholders' Meeting held on November 19, 2020. The Corporate Secretary then presented the results of voting for the approval of the minutes:

	Number of Shares	Percentage
In Favor	1,263,478,953	100%
Against	0	0%
Abstain	0	0%

IV. APPROVAL OF PRESIDENT'S REPORT AND FINANCIAL STATEMENTS

Mr. Lim then gave his report on the operations of the Corporation for the fiscal year 2020 and the Audited Financial Statements as of December 31, 2020.

Thereafter, the Corporate Secretary presented the results of voting for the approval of the President's Report and the 2020 Audited Financial Statements of the Corporation:

	Number of Shares	Percentage
In Favor	1,263,478,953	100%
Against	0	0%
Abstain	0	0%

V. APPROVAL AND RATIFICATION OF ALL ACTS OF THE BOARD OF DIRECTORS AND MANAGEMENT DURING THEIR TERM OF OFFICE

The Chairman presented for approval the acts and proceedings of the Board of Directors, Board Committees and Management of the Corporation during their last term. The Corporate Secretary presented the results of voting:

	Number of Shares	Percentage
In Favor	1,263,478,953	100%
Against	0	0%
Abstain	0	0%

VI. ELECTION OF DIRECTORS

The Corporate Secretary presented to the shareholders the following nominees to the Board of Directors of the Corporation for the year 2021 to 2022:

Name		Position
Mark O. Vergara		
Nixon Y. Lim		
Eliza C. Macuray		
Esteban C. Ku		
Kenneth George D. Wood	-	Independent Director
Adam Anthony S. Cabe III	-	Independent Director
Rhea M. Alarcon	-	Independent Director

There being no other nominations, and based on the election results, the nominations were closed and the above-named nominees were duly elected as members of the Board of Directors for the year 2021 to 2022 and until such time as their respective replacements shall have been elected and qualified.

VII. APPOINTMENT OF EXTERNAL AUDITOR

The shareholders approved the re-appointment KPMG R.G. Manabat & Co. as the external auditor of the Corporation for the current fiscal year as follows:

	Number of Shares	Percentage
In Favor	1,263,478,953	100%
Against	0	0%
Abstain	0	0%

VIII. OTHER MATTERS

The Chairman then proceeded to the Open Forum. The Corporate Secretary read the lone question which was answered by the Chairman.

IX. ADJOURNMENT

There being no other matters to be discussed, the meeting was, upon motion made and duly seconded, adjourned.

Actions taken by the Board and Management from 2021 to May 2024

Actions taken by the Board and
Management from 2021 to May 2024

Date of Board Meeting	Action Taken
February 1, 2021	- Designation of Person-In-Control pursuant to SEC Memorandum Circular No. 28-2020
May 28, 2021	- Approval of the 2020 Annual Financial Statements
August 16, 2021	- Setting the annual stockholders' meeting and record date
October 13, 2021	- Annual Stockholder's Meeting - Election of directors
October 13, 2021	- Appointment of officers
December 7, 2021	- Updating of bank signatories (BDO Unibank, Inc.) - Authority to apply for Authority to Print receipts and invoices - Confirmation on the authority of Ms. Eliza Macuray to sign the agreements relating to the share swap and debt to equity transactions
March 25, 2022	- Updating of registration with Social Security System
May 4, 2022	- Designation of authorized filers with the SEC eFAST system
July 11, 2022	- Registration of the "Steniel" mark with the Intellectual Property Office
December 22, 2022	- Registration with the Social Security System
April 14, 2023	- Postponement of the annual stockholder's meeting
May 19, 2023	- Filing of application for the listing of 542,630,036 common shares
October 19, 2023	- Authority to request for a certification from the Bureau of Internal Revenue in relation to the Company's filings of its annual reports with the BIR
February 28, 2024	- Approval of the 2022 Annual Financial Statements
March 5, 2024	- Approval of the 2022 Consolidated Annual Financial Statements
March 14, 2024	- Setting the annual stockholders' meeting and record date - Approval to conduct a public offering of shares of stock - Approval to change the date of the annual meetings of shareholders and amend the By-Laws
March 25, 2024	- Appointment of representative for transactions with BDO in relation to the Company's bank accounts.
April 12, 2024	- Postponement of the special stockholders' meeting earlier scheduled to be held on May 2, 2024 - Postponement of the annual stockholders' meeting for 2024
April 15, 2024	- Appointment of Valdez Abad & Company as the new external auditor to audit the financial statements of the Company for the years 2022-2023 and 2023–2024.

	- Issuance of the Company's Annual Financial Statement (AFS) for the period ended December 31, 2023. - Appointment of Atty. Hosea LejIan L. Salazar as the Assistant Corporate Secretary effective April 15, 2024.
April 18, 2024	- Approval of the 2023 Consolidated Annual Financial Statements
May 23, 2024	- Opening of bank account with RCBC - Opening of escrow account with RCBC Trust in connection with the planned follow-on offering.

Certification of Rhea M. Alarcon

REPUBLIC OF THE PHILIPPINES)
Pasig City)S.S.

CERTIFICATION

I, **RHEA M. ALARCON**, Filipino, of legal age and with office address at 580 Bagumbayan St., Sta. Mesa, Manila, after having been duly sworn in accordance with law, hereby certify that:

1. I am a nominee for independent director of **STENIEL MANUFACTURING CORPORATION** (the "Corporation") and have been its independent director since July 31, 2018.

2. I am affiliated with the following companies or organizations, including Government-Owned and Controlled Corporations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Manalang-Alarcon Advertising Corporation	Managing Partner	2017 – Present
Design to Make a Difference, Inc.	Founding Partner	2011 - Present

3. I possess all the qualifications and none of the disqualifications to as Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code ("SRC"), its Implementing Rules and Regulations ("IRR") and other issuance of the Securities and Exchange Commission ("SEC").

4. I am not related to any director, officer or substantial shareholder of the Corporation and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director under the SRC, its IRR, Code of Corporate Governance and other issuances of the SEC.

7. I shall inform the Corporate Secretary of the Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have hereunto affixed my signature this ____ of MAY 2 3 2024.

RHEA M. ALARCON
Affiant

SUBSCRIBED AND SWORN to before me this day of MAY 2 3 2024, affiant who exhibited to me her PASSPORT ID NO: [illegible] VALID UNTIL 19 APRIL 2028 as competent evidence of her identity.

HAROLD BRYANT V. PASION
Appointment No. 148 (2024-2025)
Notary Public for Pasig and Pateros
Until December 31, 2025
Attorney Roll No. 90844
IBP OR No. 300904; 01.02.24; RSM
PTR OR No. 1634521; 01.02.24; Pasig City
33rd Flr., The Orient Square
F Ortigas, Jr. Road, Ortigas Center
Pasig City, Metro Manila 1600
Admitted to the Bar in 2023

Doc. No. 249;
Page No. 51;
Book No. I;
Series of 2024.

Certification of Arnold San Gabriel

REPUBLIC OF THE PHILIPPINES)
Pasig City)S.S.

CERTIFICATION

I, **ARNOLD SAN GABRIEL**, Filipino, of legal age and with address at 22H East Tower at One Serendra, Mckinley Parkway cor. 32nd Street, Bonifacio Global City, Taguig City, Philippines, after having been duly sworn in accordance with law, hereby certify that:

1. I am a nominee for independent director of **STENIEL MANUFACTURING CORPORATION** (the "Corporation"). This is the first time that I have been nominated to be its independent director.

2. I am affiliated with the following companies or organizations, including Government-Owned and Controlled Corporations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Olongapo Maintenance Services, Inc	Director / Treasurer	2022 – present / 2023 - present
LT Dausons Industries Inc	Director	2022 – present

3. I possess all the qualifications and none of the disqualifications to as Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code ("SRC"), its Implementing Rules and Regulations ("IRR") and other issuance of the Securities and Exchange Commission ("SEC").

4. I am not related to any director, officer or substantial shareholder of the Corporation and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director under the SRC, its IRR, Code of Corporate Governance and other issuances of the SEC.

7. I shall inform the Corporate Secretary of the Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have hereunto affixed my signature this ____ of MAY 24 2024.

[redacted]

ARNOLD SAN GABRIEL
Affiant

SUBSCRIBED AND SWORN to before me this day of MAY 2 4 2024, affiant who exhibited to me his Phil. ID Card 5917-0612-8425-1924 valid until ______________ as competent evidence of his identity.

[redacted]

GENEVIEVE KRISTINE B. MAÑALAC
Appointment No. [illegible] (2023-2024)
Notary Public for Pasig City, Pateros and San Juan
Until December 31, 2024
Attorney's Roll No. 80720
33rd Floor, The Orient Square
F. Ortigas Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 1634506; 01.02.24; Pasig City
IBP OR No. 330350; 12.18.23; RSM
Admitted to the Bar in 2022

Doc. No. 306;
Page No. 63;
Book No. IV;
Series of 2024.

ANNEX J

Certification of Jose Luis G. Santillan

REPUBLIC OF THE PHILIPPINES)
PASIG CITY)S.S.

CERTIFICATION

I, **JOSE LUIS G. SANTILLAN**, Filipino, of legal age and with address at Unit 236, Chateu Verde Condominium, Kaimito St., Valle Verde I, Pasig City, Philippines, after having been duly sworn in accordance with law, hereby certify that:

1. I am a nominee for independent director of **STENIEL MANUFACTURING CORPORATION** (the "Corporation"). This is the first time that I have been nominated to be its independent director.

2. I am affiliated with the following companies or organizations, including Government-Owned and Controlled Corporations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Asian Institute of Management	Adjunct Faculty	July 2022 to present
University of the Philippines, Diliman	Senior Lecturer	September 2023 to present

3. I possess all the qualifications and none of the disqualifications to as Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code ("SRC"), its Implementing Rules and Regulations ("IRR") and other issuance of the Securities and Exchange Commission ("SEC").

4. I am not related to any director, officer or substantial shareholder of the Corporation and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director under the SRC, its IRR, Code of Corporate Governance and other issuances of the SEC.

7. I shall inform the Corporate Secretary of the Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have hereunto affixed my signature this ____ of MAY 1 7 2024.

[redacted]

JOSE LUIS G. SANTILLAN
Affiant

SUBSCRIBED AND SWORN to before me this day of MAY 1 7 2024, affiant who exhibited to me his Passport No. P8332830A valid until August 13, 2028 as competent evidence of his identity.

[redacted]

Appointment No. 45
Notary Public for Pasig City, Pateros and San Juan
Until December 31, 2024
Attorney's Roll No. 80720
33rd Floor, The Orient Square
F. Ortigas Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 1634506; 01.02.24; Pasig City
IBP OR No. 330350; 12.18.23; RSM
Admitted to the Bar in 2022

Doc. No. 270;
Page No. 5;
Book No. VI;
Series of 2024.

UNIVERSITY OF THE PHILIPPINES
Cesar E A Virata School of Business
Diliman, Quezon City 1101, Philippines

20 May 2024

C E R T I F I C A T I O N

This is to acknowledge that MR. JOSE LUIS G. SANTILLAN, a part-time faculty member of the Cesar E.A. Virata School of Business with a rank of Senior Lecturer 1, has been appointed as an Independent Director of Steniel Manufacturing Corporation, a company listed in the Philippine Stock Exchange. His current appointment as Senior Lecturer 1 from September 1, 2023 to August 31, 2024 does not conflict with his role as Independent Director.

This certification is being issued as requested by Mr. Santillan to meet a Security and Exchange Commission requirement.

[redacted]

PAMELA ANNE S. LLOREN-ALCANTARA
Chair, Department of Accounting and Finance
Cesar E.A. Virata School of Business
University of the Philippine Diliman