STENIEL MANUFACTURING CORPORATION

22 September 2021

THE PHILIPPINE STOCK EXCHANGE, INC.
PSE Tower, 5th Avenue cor. 28th Street,
Bonifacio Global City, Taguig City
1634, Metro Manila, Philippines

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Ms. Midori V. Cosico
Disclosure Department

Re: Steniel Manufacturing Corporation Definitive Information Statement

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Ladies and Gentlemen:

We submit the attached Definitive Information Statement on SEC Form 20-IS (**DIS**) of Steniel Manufacturing Corporation (the **Company**) in relation to the Company's annual shareholders' meeting scheduled on 13 October 2021.

We are filing said DIS via email since we have been unable to upload the DIS through the PSE Edge website since yesterday.

We trust that you will find the foregoing in order.

Very truly yours,

Phil Ivan A. Chan
Corporate Secretary

Encl. a/s

COVER SHEET

2 3 7 3 6

STENIEL MANUFACTURING CORPORATION

(Company's Full Name)

GATEWAY BUSINESS PARK BARANGAY JAVALERA GENERAL TRIAS CAVITE

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

PHIL IVAN A. CHAN	**(02) 8687 1195**
Contact Person	Company Telephone Number

1 2	**3 1**	**Definitive Information Statement**	**Last Tuesday of April**
Month	*Day*	FORM TYPE	
Fiscal Year			Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	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.

NOTICE OF

ANNUAL STOCKHOLDERS' MEETING

STENIEL MANUFACTURING CORPORATION

NOTICE OF 2021 ANNUAL MEETING OF STOCKHOLDERS

Dear Stockholder:

Please be advised that **STENIEL MANUFACTURING CORPORATION** (the **Company**) will hold its annual stockholders' meeting (**ASM**) **VIRTUALLY**[1] on **October 13, 2021**, Wednesday at 1:30 p.m.

The agenda of the meeting shall be as follows:

1. Call to Order
2. Certification of Notice and Determination of Quorum
3. Approval of the Minutes of the Previous Annual Stockholders' Meeting held on November 19, 2020
4. President's Report
5. Ratification of all acts of the Board, the Board Committees and Management during their term
6. Election of Directors
7. Appointment of the External Auditor for 2021-2022
8. Other Matters
9. Open Forum
10. Adjournment

Attached is the rationale for the above agenda items for reference.

In light of the COVID-19 pandemic, the Company will not be conducting a physical ASM. Stockholders of record as of August 31, 2021 are entitled to notice of, and may only attend and/or participate in, the ASM or any adjournment thereof via proxy and remote communication, and vote *in absentia.*

Should you choose to participate in the ASM via remote communication and to cast your votes *in absentia*, please notify the Office of the Corporate Secretary at **steniel.asm@gmail.com** and submit the complete supporting documents no later than **October 3, 2021**. The detailed registration and voting procedures may be accessed at **http://www.steniel.com.ph/asm-2021**, and in the Guidelines for Participation via Remote Communication and Voting *In Absentia* (the **Guidelines**) appended hereto as Annex "A".

In case you wish to appoint a proxy for the meeting, you may accomplish a proxy form (which need not be notarized) together with complete supporting documents set forth in the *Guidelines* and submit the same to the Office of the Corporate Secretary at the 33rd Floor, The Orient Square, F. Ortigas Jr. Road, Ortigas Center, Pasig City via courier delivery or by email to **steniel.asm@gmail.com** on or before **October 3, 2021.**

Stockholders who have successfully registered may cast their votes and will be provided access to the live streaming of the meeting. For complete information on the ASM, please visit **http://www.steniel.com.ph/asm-2021**.

[1] Through remote or electronic means of communication

STENIEL MANUFACTURING CORPORATION

Your attendance is earnestly requested.

PHIL IVAN A. CHAN
Corporate Secretary

Rationale for Agenda Items:

Agenda Item No. 3: Approval of Minutes of the Annual Stockholders' Meeting Held on November 19, 2020

The Minutes of the annual stockholders' meeting held on November 19, 2020 were prepared within the period prescribed by pertinent laws, rules and regulations. The results of the annual stockholders' meeting were also disclosed with The Philippine Stock Exchange, Inc. immediately after the annual meeting. The Board of Directors recommends the shareholders to consider subject minutes for approval on October 13, 2021.

Agenda Item No. 4: Approval of Annual Report for the Year 2020

The Company's 2020 performance results have been duly summarized in the Annual Report, which includes the Audited Financial Statements (AFS) of the Company for the year ended 2020. The AFS have been reviewed by the Audit Committee and the Board of Directors, and have been audited by the external auditors who expressed an unqualified opinion on the aforementioned financial statements. The Annual Report is posted in the Company's website.

Agenda Item No. 5: General ratification of the acts of the Board of Directors, Board Committees and the Management from the date of the last annual stockholders' meeting up to the date of this meeting

The Company's performance in 2020, as detailed in the Annual Report, is attributed to the strategic directions and key policies set by the Board of Directors which were effectively executed and complied with by management in conformance with good corporate governance and ethical best practices.

Agenda Item No. 6: Election of Directors for 2021-2022

The Company's Nomination Committee has pre-screened the list of candidates for directors. Their proven competence, expertise and qualifications based on current regulatory standards, will help sustain the Company's solid performance for the benefit of all its shareholders.

Agenda Item No. 7: Appointment of External Auditor

Based on the recommendation of the Audit Committee, the Board concurred with the recommendation to re-appoint KPMG R.G. Manabat & Co. as the Company's external auditors for the fiscal year 2021. KPMG R.G. Manabat & Co. is one of the leading auditing firms in the country and is duly accredited with the SEC.

Annex "A"

STENIEL MANUFACTURING CORPORATION
2021 ANNUAL STOCKHOLDERS' MEETING
October 13, 2021 at 1:30 p.m.

Guidelines for Participating via Remote Communication and Voting **In Absentia**

The 2021 Annual Stockholders' Meeting (**ASM**) of Steniel Manufacturing Corporation (the **Company**) will be held on **October 13, 2021**, Wednesday, at **1:30 p.m.** Stockholders of record as of August 31, 2021 are entitled to notice of, to attend and, to participate in and vote at the ASM or any adjournment thereof.

In light of the COVID-19 pandemic and in consideration of the health risks and safety concerns of everyone involved, the Company will not be conducting a physical ASM. Stockholders may attend, vote at, and participate in, the ASM via proxy and remote communication or *in absentia*.

Pursuant to Sections 57 and 23 of the Revised Corporation Code and SEC Memorandum Circular No. 6-2020, which allow voting *in absentia*, the Company has set up the following procedure for stockholder registration, participation via remote communication and voting *in absentia* on the ASM agenda items.

Stockholders who vote *in absentia* or who participate via remote communication shall be deemed present for purposes of quorum.

(1) Pre-ASM Registration and Validation Procedures

Stockholders who choose to participate in the ASM via remote communication and cast their votes *in absentia* must notify the Corporate Secretary *no later than* **October 3, 2021** by sending scanned copies of the foregoing via EMAIL to **steniel.asm@gmail.com**.

Scanned copies of the documents submitted as attachments via email must be in clear copies in JPG or PDF format, with each file size not exceeding 2MB.

The Office of the Corporate Secretary, shall reply via email, within three (3) business days from receipt of the documents, confirming successful registration and providing the link and meeting details to the Company's 2021 ASM **OR** requiring re-submission in case of deficient documents. Should you not receive an e-mail reply within three (3) business days from receipt of your submission, please call +632 8687 1195 to 96. You may also call +632 8403 9853 and look for Mr. Zaldy A. Adana.

Documentary Requirements
Certificated Individual Stockholders

1. Stockholder's valid government-issued ID[2] with photo, signature and personal details, preferably with residential address
2. Stock certificate number/s
3. A valid and active e-mail address and contact number of the stockholder
4. In case of proxy appointment, a duly accomplished and signed proxy indicating the votes on the agenda items.

Certificated Multiple Stockholders or Joint Owners

1. Valid government-issued ID[3] of ALL stockholders - with photo, signature and personal details, preferably with residential address
2. Stock certificate number/s
3. A valid and active e-mail address and contact number of the authorized representative
4. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need not be notarized)
5. In case of proxy appointment, a duly accomplished and signed proxy indicating the votes on the agenda items.

Certificated Corporate/Partnership Stockholders

1. Secretary's Certification of Board resolution attesting to the authority of the representative to participate by remote communication for and on behalf of the Corporate/Partnership
2. Stock certificate number/s
3. Authorized representative's valid government-issued ID[4] with photo, signature and personal details, preferably with residential address
4. A valid and active e-mail address and contact number of the authorized representative
5. In case of proxy appointment, a duly accomplished and signed proxy indicating the votes on the agenda items.

Stockholders with Shares under PCD Participant/Broker Account

1. Certification from broker as to the number of shares owned by the stockholder
2. Stockholder's valid government-issued ID[5] with photo, signature and personal details, preferably with residential address
3. A valid and active e-mail address and contact number of the stockholder
4. In case of proxy appointment, a duly accomplished and signed proxy indicating the votes on the agenda items.

(2) Procedure for Voting *in Absentia*

Stockholders who have successfully registered will be duly notified via email by the Office of the Corporate Secretary. Registered stockholders may then cast their votes for the agenda items by accomplishing the print-out of the Company's ballot form. The ballot form can be accessed and downloaded from the Company's website at http://www.steniel.com.ph/asm-2021.

[2] E.g. passport, driver's license, unified multipurpose ID
[3] E.g. passport, driver's license, unified multipurpose ID
[4] E.g. passport, driver's license, unified multipurpose ID
[5] E.g. passport, driver's license, unified multipurpose ID

Steps for Voting in Absentia
1. Access and download the ballot form. 2. Vote on each agenda item on the ballot print-out. *Kindly refer to the rationale for agenda items appended to the Notice of Meeting for a brief description of each agenda item.* 2.a. Stockholders may vote "Yes", "No", or "Abstain" on each agenda item for approval. 2.b. For the election of directors, a stockholder has the following options: i. vote for all nominees; ii. withhold vote for any of the nominees; or iii. vote for certain nominees only ***Reminder:*** *A stockholder (a) may vote such number of his/her shares for as many persons as there are directors to be elected, or (b) may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected (15 Directors) multiplied by the number of his shares shall equal, or (c) may distribute them on the same principle among as many candidates as he/she shall see fit, provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder.* 3. Upon finalizing his/her vote, the stockholder can submit the ballot by sending a **clear, scanned copy** thereof in **JPG or PDF** format to steniel.asm@gmail.com **no later than October 12, 2021.** ***The e-mail attachment file size must not exceeding 2MB.***

(3) ***ASM Proper via Livestream***

Livestream Access

The ASM will be broadcasted live. Registered stockholders can participate via remote communication by accessing the livestream through the link and meeting details provided by the Office of the Corporate Secretary. Instructions on how to access the livestream will also be provided to registered stockholders in the confirmation of registration via e-mail reply from the Office of the Corporate Secretary.

The meeting proceedings shall be recorded and adequately maintained by the Company in video format, and will be made available to participating stockholders upon request. Stockholders may access the video recording of the ASM by sending an e-mail request to steniel.asm@gmail.com

Open Forum

The Company will hold an Open Forum during a portion of the virtual ASM, during which the meeting's moderator will read and where representatives of the Company shall endeavor to answer as many of the matters or issues raised by stockholders as time will permit.

Stockholders may send their questions/comments in advance by sending an email with the subject head "**ASM 2021 Open Forum**" to **steniel.asm@gmail.com** not later than 1:30 p.m. of October 13, 2021. Stockholders may also course their comments and/or questions during the ASM through the "chatbox" feature to be provided in the livestreaming platform.

Matters or issues raised and received but not entertained during the Open Forum due to time constraints will be addressed separately by the Company through the stockholders' email address.

For any clarifications on the foregoing procedures, or for any other ASM-related queries, please contact the Office of the Corporate Secretary at **steniel.asm@gmail.com**.

DEFINITIVE INFORMATION STATEMENT

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [✓] Definitive Information Statement

2. Name of Registrant as specified in its charter: **Steniel Manufacturing Corporation**

3. Province, country or other jurisdiction of incorporation or organization: **Manila, Philippines**

4. SEC Identification Number: **23736**

5. BIR Tax Identification Code: **000-099-128**

6. Address of Principal Office/Postal Code: **Gateway Business Park, Brgy. Javalera General Trias, Cavite City**

7. Registrant's telephone number, including area code: **(046) 433-00-66**

8. Date, time and place of the meeting of security holders:

October 13, 2021, Wednesday, at 1:30 p.m.
via Remote Communication from the Company's principal address at
Gateway Business Park, Brgy. Javalera, General Trias, Cavite

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **September 21, 2021**

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

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

11. Are any or all of registrant's securities listed on a Stock Exchange?
    Yes ___x____ No _____

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
    Philippine Stock Exchange – Common Shares

STENIEL MANUFACTURING CORPORATION

INFORMATION STATEMENT

WE ARE NOT ASKING FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

A. GENERAL INFORMATION

ITEM 1. DATE, TIME AND PLACE OF ANNUAL MEETING OF SECURITY HOLDERS (THE "ANNUAL MEETING") OF STENIEL MANUFACTURING CORPORATION (THE "COMPANY")

(a) Date: **October 13, 2021, Wednesday**
Time: **1:30 p.m.**
Place: **The annual meeting will be conducted virtually from Gateway Business Park, Brgy. Javalera, General Trias, Cavite**

Complete mailing address of the Principal office of the Registrant:

Gateway Business Park, Brgy. Javalera
General Trias, Cavite

(b) Approximate date on which copies of the Information Statement are first to be sent or given to Security Holders:

September 21, 2021

In light of the COVID-19 pandemic, the Company will not be conducting a physical Annual Meeting. Stockholders of record as of **August 31, 2021** are entitled to notice of, and may only attend and/or participate in, the Annual Meeting or any adjournment thereof via proxy or remote communication, and vote *in absentia*. The detailed registration and voting procedures may be accessed at http://steniel.com.ph/asm-2020, and in the Guidelines for Participation via Remote Communication and Voting *In Absentia* (the "Guidelines") appended hereto as **Annex A**.

ITEM 2. DISSENTERS' RIGHT OF APPRAISAL

There is no matter to be presented for stockholders' approval during the Annual Meeting that may occasion the exercise of the right of appraisal.

ITEM 3. INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No director or officer of the Company since the beginning of the last fiscal year, or any nominee for election as director, nor any of their associates, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the meeting, other than election to office.

No director of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company at the Annual Meeting.

B. CONTROL AND COMPENSATION INFORMATION

ITEM 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

(a) Voting securities entitled to vote at the Annual Meeting:

As of August 31, 2021, there are 1,418,812,081 shares of the Company's common stock outstanding and entitled to vote at the Annual Meeting. One share is equivalent to one vote except in the election of directors where one share is entitled to as many votes as there are directors to be elected.

(b) Record Date

Only holders of the Company's stock of record at the close of business on August 31, 2021 (the **"Record Date"**) acting in person or by proxy on the day of the meeting are entitled to vote at the Annual Meeting to be held on October 13, 2021.

(c) Election of directors and voting rights (Cumulative Voting)

Each stockholder may vote the number of shares of stock outstanding in his own name as of Record Date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected. No delinquent stock shall be voted. Cumulative voting is allowed for election of members of the Board.

(d) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

The table below shows persons or groups known to the Company as of August 31, 2021 to be directly or indirectly the record or beneficial owner of more than 5% of the Company's voting securities:

Title of Class	Name, Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner And Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
Common	Greenkraft Corporation[1] W. Ng Bldg., MacArthur Highway cor. Rovimar St., Brgy. Balibago, Angeles, Pampanga *Registered Stockholder*	Same as record holder	Filipino	317,916,912	22.41%
Common	Corbox Corporation[2] Purok Gemelina, Tayud, Lilo-an, Cebu	Same as record holder	Filipino	275,747,492	19.44%

[1] Nixon Y. Lim, President of Greenkraft Corporation is authorized to vote on the shares on behalf of Greenkraft Corporation.

[2] Nixon Y. Lim, President of Corbox Corporation is authorized to vote on the shares on behalf of Corbox Corporation.

Title of Class	Name, Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner And Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
	Registered Stockholder				
Common	Golden Bales Corporation[3] Km. 14 After Panacan Substation, Panacan, Davao City, Davao del Sur *Registered Stockholder*	Same as record holder	Filipino	275,747,492	19.44%
Common	Roxburgh Investments Limited[4] P.O. Box 957 Offshore Incorporations Center Road Town, Tortola British Virgin Islands *Registered Stockholder*	Same as record holder	British Virgin Islands	261,910,502	18.46%
Common	PCD Nominee Corporation (Filipino)[5] 6th Flr. Makati Stock Exchange, 6767 Ayala Ave., Makati City *Registered Stockholder*	Philippine Central Depository, Inc. Various Participants	Filipino	71,555,009	5.04%
Common	Steniel (Netherlands) Holdings B.V.[6] Strawinskylaan 3105 Atrium, 1077 ZX Amsterdam, The Netherlands *Registered Stockholder*	Right Total Investments Limited (owner of 100% of Steniel (Netherlands) Holdings B.V.)	Dutch	70,940,604	5.00%

(2) Security Ownership of Management

As of August 31, 2021, the security interest of directors and management is as follows:

[3] Nixon Y. Lim, President of Golden Bales Corporation is authorized to vote on the shares on behalf of Golden Bales Corporation.

[4] Nixon Y. Lim, Director of Roxburgh Investments Limited is authorized to vote on the shares on behalf of Roxburgh Investments Limited.

[5] 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.

[6] Steniel (Netherlands) Holdings B.V. is a corporation organized and existing under the laws of Netherlands. Mark O. Vergara, Director, is authorized to vote on the shares on behalf of Steniel (Netherlands) Holdings B.V.

Title of Class	Name of Beneficial Owner	Position	Amount/ Nature of Ownership	Citizenship	Percentage
Common	Nixon Y. Lim	Chairman/ President/CEO	1 (D)	Filipino	nil
Common	Mark O. Vergara	Director	1(D)	Filipino	nil
Common	Eliza C. Macuray	Director/CFO	1 (D)	Filipino	nil
Common	Esteban C. Ku	Director	1 (D)	Filipino	nil
Common	Kenneth George D. Wood	Independent Director	1 (D)	Filipino	nil
Common	Adam Anthony S. Cabe III	Independent Director	1 (D)	Filipino	nil
Common	Rhea M. Alarcon	Independent Director	1 (D)	Filipino	nil
	Directors and officers as a group		7		nil

(e) Voting Trust Holders of 5% or more

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

(f) Change in Control

On October 12, 2020, the Company received from Greenkraft Corporation, Golden Bales Corporation, Corbox Corporation, Clement Chua and Rex Chua (the "Group") tender offer report on a contemplated acquisition by the Group of 649,908,308 common shares, representing 64.99% of the total issued and outstanding shares of the Company, at Php0.10 per share from Steniel (Netherlands) Holdings B.V. pursuant to the Share Purchase Agreement dated October 7, 2020. Such sale and acquisition, which was completed upon issuance of the Certificate Authorizing Registration by the Bureau of Internal Revenue resulted in the change of control of the Company.

On 29 December 2020, the SEC approved the increase of authorized capital stock of the Company from ₱1,000,000,000.00 to ₱2,000,000,000.00. Subscription to the increase was paid by way of a share swap transaction, wherein the Group, as stockholders of Steniel Mindanao Packaging Corporation (SMPC), swapped their shares in SMPC for equity in the Company, and a debt-to-equity conversion, where the loans of Greenkraft Corporation and Roxburgh were converted into equity in the Company. With the completion of these transactions, the cumulative control of the Group stands at 65.61% of the Company.

ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS

(a) The Board of Directors

The Board is responsible for the overall management and direction of the Company. The Board meets to review and monitor the Company's financial position and operations. Each Board member serves for a term of one year or until his/her successor is duly elected and qualified. None of the members of the Board owns more than 2% of the total outstanding shares of the Company.

The following are the members of the Board:

Office	Name	Age	Nationality	Date of First Appointment
Chairman/ President/CEO	Nixon Y. Lim	50	Filipino	July 8, 2016
Director	Mark O. Vergara	55	Filipino	October 14, 2011
Director/CFO	Eliza C. Macuray	62	Filipino	December 26, 2013
Director	Esteban Ku	54	Filipino	October 14, 2011
Independent Director	Kenneth George D. Wood	62	Filipino	September 17, 2012
Independent Director	Adam Anthony S. Cabe III	43	Filipino	July 11, 2017
Independent Director	Rhea M. Alarcon	49	Filipino	July 31, 2018

Set forth below are the business experience of the Board during the last five years:

Nixon Y. Lim is the President of Green Siam Resources Corporation, Greenkraft Corporation, Golden Bales Corporation and Corbox 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, is a senior partner of the firm Martinez Vergara Gonzalez & Serrano. He received his Juris Doctor degree from the Ateneo de Manila Law School in 1992, and his Bachelor of Science in Legal Management degree from Ateneo de Manila University in 1988. He was admitted to the Philippine Bar in 1993. Mr. Vergara is currently a Director and Corporate Secretary of Chroma Philippines, Inc., Pacific Harbor Investment Holdings Phils., Inc., Pebble Beach Properties, Inc., and MV Holdings Inc. He is also a director of ExlService Philipppines, Inc., and Prime Solutions and Consultancy, Inc. Mr. Vergara is the Corporate Secretary of Citicorp Financial Services and Insurance Brokerage Philippines, Inc., Citifinancial Holdings, Inc. and Green Siam Resources Corporation.

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

Esteban Chu Ku holds a degree in Bachelor of Science Major in Chemical Engineering from the University of San Carlos in Cebu City, where he graduated from in 1988. From 1989-1992, 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 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 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, 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, 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.

Directorships in other reporting companies

During the last five years, the following directors are also directors of other reporting companies as listed below:

Name of Director	Name of Reporting Company	Position Held
Nixon Y. Lim	Crown Equities, Inc.	Director

Nomination of Directors for 2021-2022

The directors of the Company elected at the Annual Meeting are to hold office for one year and until their respective successors have been elected and qualified.

Currently, the following are the nominees to the Board of Directors:

1. Nixon Y. Lim
2. Mark O. Vergara
3. Esteban C. Ku
4. Eliza C. Macuray
5. Kenneth George D. Wood (Independent Director)
6. Adam Anthony S. Cabe III (Independent Director)
7. Rhea M. Alarcon (Independent Director)

The business experience of the nominees for the past five years are provided above.

The Board has no reason to believe that any of the aforesaid nominees will be unwilling or unable to serve if elected as a director.

The Nominations Committee nominated Mr. Wood, Atty. Cabe, and Ms. Alarcon, for the position of Independent Director. Atty. Cabe and Ms. Alarcon have served as Independent Directors of the Company for a cumulative term of less than nine (9) years. Their respective dates of appointments are provided above.

In the case of Mr. Wood, SEC Memorandum Circular No. 4, Series of 2017 provides that independent directors shall serve for a maximum cumulative term of nine (9) years reckoned from 2012. In the instance a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification and seek shareholders' approval during the annual shareholders' meeting. Considering that Mr. Wood has served for nine (9) years already, there is meritorious justification that he be retained by the Company even after nine (9) years considering his expertise in which he continuously and consistently provides valuable insight and policy direction for the Company. Further, he has continued to exercise his independent judgement in carrying out his responsibilities as an independent director. In this regard, the Company will seek shareholders' approval for the re-election of Mr. Wood as Independent Director in compliance with SEC Memorandum Circular No. 4, Series of 2017.

The matter of the nomination and election of Independent Directors form part of a set of guidelines for the Nomination Committee. These guidelines define qualifications, disqualifications and procedures for the screening and short listing of candidates nominated to the Board.

The members of the Corporate Governance Committee (which also acts as the Nomination Committee) are as follows:

1. Kenneth George D. Wood - Chairman
2. Adam Anthony S. Cabe III - Member
3. Rhea M. Alarcon - Member

For the Annual Meeting, the Nomination Committee has pre-screened and evaluated the candidates for Independent Director, using the aforementioned guidelines, pertinent provisions of the Company's Manual on Good Corporate Governance, its By-Laws and relevant rules under the SRC and the SRC Rules.

Duties and Responsibilities

The Board acts on behalf of the Company and as such, it is vested with fiduciary duties, loyalty and care for which Board members should act on a fully informed basis, in good faith, with due diligence, and in the best interest of the Company and its shareholders. They are collectively responsible for the sustainable long-term shareholder value of the Company, sustain its competitiveness and profitability in a manner consistent with its corporate objectives. Through its oversight, monitoring and review of functions, the Board ensures that the Company is being run in a sound and prudent manner on a going concern basis in order to fulfill its obligations to all majority and minority shareholders.

The Company recognizes that diversity among its directors will foster critical discussion and promote balanced decision by the Board by utilizing the differences in perspective of its directors. It views diversity at the Board level which includes differences in skills, experience, education, race, business, and other related expertise as an essential element in maintaining an effective board for strong corporate governance. The Company also recognizes the important role of women with appropriate and relevant skills and experience that can contribute to the diversity of perspective in the Board. There are currently two (2) female directors. The diversity representation of the Board is part of the annual performance and effectiveness evaluation of the board and committees.

All directors are required to familiarize themselves with their statutory/fiduciary roles and responsibilities in the Board and Committees, the Company's strategic plans, enterprise risks, group structures, business activities and compliance programs.

All directors are also encouraged to participate in continuing education programs at the Company's expense to maintain a current and effective Board. Below are the specific trainings each member of the Board had undergone:

Name	Nature/Title	Conducted By	Year Covered
Nixon Y. Lim	New Code of Corporate Governance for Public Companies and Registered Issuers	Center for Global Best Practices Foundation	2020
	Corporate Governance Seminar	Philippine Corporate Enhancement & Governance, Inc.	2019
	Corporate Governance & AMLA Seminar	Philippine Corporate Enhancement & Governance, Inc.	2018
Mark O. Vergara	IC-ICD-GAPP Roundtable Discussion for InSCOS	ICD	2021
	VAX to the MAX	Makati Business Club	2021
	CREATE-Law	MVGS	2021
	Business Registration & SEC Reportorial	MVGS	2021
	E.O. 78 and its Implementing Rules and Regulations	MVGS	2021
	Basic of Real Estate Transaction (Sales, Lease and Mortgage)	MVGS	2021
	Employee Termination/ Dismissal and NLRC Proceedings	MVGS	2021
	Restructuring and Insolvency	MVGS	2020
	Client and Business Development Post COVID-19	MVGS	2020
	Digital Lawyering	MVGS	2020
	Bayanihan to Recover as One Act	MVGS	2020
Eliza C. Macuray	New Code of Corporate Governance for Public Companies and Registered Issuers	Center for Global Best Practices Foundation	2020
	Corporate Governance Seminar	Philippine Corporate Enhancement & Governance, Inc.	2019
	Corporate Governance & AMLA Seminar	Philippine Corporate Enhancement & Governance, Inc.	2018
Esteban C. Ku	New Code of Corporate Governance for Public Companies and Registered Issuers	Center for Global Best Practices Foundation	2020
	Corporate Governance Seminar	Philippine Corporate Enhancement & Governance, Inc.	2019
	Corporate Governance & AMLA Seminar	Philippine Corporate Enhancement & Governance, Inc.	2018
Kenneth George D. Wood	New Code of Corporate Governance for Public Companies and Registered Issuers	Center for Global Best Practices Foundation	2020
	Corporate Governance Seminar	Philippine Corporate Enhancement &	2019

		Governance, Inc.	
	Corporate Governance & AMLA Seminar	Philippine Corporate Enhancement & Governance, Inc.	2018
Adam Anthony S. Cabe III	New Code of Corporate Governance for Public Companies and Registered Issuers	Center for Global Best Practices Foundation	2020
	Corporate Governance Seminar	Philippine Corporate Enhancement & Governance, Inc.	2019
	Corporate Governance & AMLA Seminar	Philippine Corporate Enhancement & Governance, Inc.	2018
Rhea M. Alarcon	New Code of Corporate Governance for Public Companies and Registered Issuers	Center for Global Best Practices Foundation	2020
	Corporate Governance Seminar	Philippine Corporate Enhancement & Governance, Inc.	2019
	Corporate Governance & AMLA Seminar	Philippine Corporate Enhancement & Governance, Inc.	2018

(b) The Executive Officers

The Company's executive officers are likewise elected annually by the Board and serve for one year and until their respective successors have been elected. None of the officers of the Company own more than 2% of the total outstanding shares of the Company.

The Company's executive officers are Nixon Y. Lim, President & CEO, and Eliza C. Macuray, CFO. Their respective age, nationality and business experience are provided above.

(c) Family Relationships

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

(d) Independent Directors

None of Kenneth George D. Wood, Adam Anthony S. Cabe III and Rhea M. Alarcon, is an officer or a substantial shareholder of the Company.

(e) Executive Officers and Significant Employees

The business experience of Nixon Y. Lim and Eliza C. Macuray are provided above.

(f) Warrants and Options Outstanding

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

(g) Involvement of Directors and Officers in Legal Proceedings

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

(h) Certain Relationships and Related Transactions

Transactions with related parties in the day-to-day course of business include inter-company[7] sale and/or transfer of basic raw materials, work-in-progress inventory, finished goods, and equipment. Related party transactions are always at arms-length.

(i) Disagreement with a Director

No director has resigned or declined to stand for re-election to the Board since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

ITEM 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

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

Aggregate Amount of Salaries and Bonuses				
Year	Salary	Bonus	Other Compensation	TOTAL
2019	1,142,328.00	0	0	1,142,328.00
2020	884,000.00	0	0	884,000.00
Aggregate Amount of Estimated Compensation for 2021				
Year	Salary	Bonus	Other Compensation	TOTAL
2021	2,500,000.00	0	0	2,500,000.00

No other directors and executive officers are receiving compensation.

The Company's By-Laws provide that directors as such shall receive compensation for their services as may be approved by stockholders representing at least a majority of the outstanding capital stock. For 2020, the stockholders did not pass any resolution authorizing payment of compensation to the Company's directors. However, independent directors receive quarterly *per diems* for their attendance at meetings of the board of directors. The following are the compensation received by the independent directors for 2020:

Name	Per diem
Kenneth George D. Wood	Php 40,000.00
Adam Anthony S. Cabe	40,000.00
Rhea M. Alarcon	40,000.00
Total	Php 120,000.00

[7] Pertaining to transactions within the Steniel Group.

The executives are engaged under standard terms and conditions and can be terminated for appropriate cause. These standard terms and conditions are based on what is required by the law.

ITEM 7. INDEPENDENT PUBLIC ACCOUNTANTS

The auditing firm of KPMG R.G. Manabat & Co. is being recommended for appointment as external auditor for the current year. It is reasonably believed that it will not decline to be appointed.

A representative of KPMG R.G. Manabat & Co. is expected to be present at the stockholders' meeting and shall be allowed to make any statement related to the financial report if he desires to do so, as well as to respond to appropriate questions from the security holders.

Pursuant to SRC Rule 68, Paragraph 3(b)(iv) (Rotation of External Auditors) of the SRC Rules, the Company engaged John Molina of KPMG R.G. Manabat & Co., for the examination of the Company's financial statements for the year 2020. The Company is compliant with the rotation requirement of its external auditor's certifying partner as required under SRC Rule 68 (3)(b)(iv).

Audit and Audit-Related Fees

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the external auditor was Php625,000.00 for the year 2020 and Php605,000.00 for the year 2019. These fees cover services rendered by the external auditor for audit of the financial statements of the Company and other services in connection with statutory and regulatory filings for fiscal years 2020 and 2019.

Tax Fees and Other Fees

For the last two fiscal years, no other fees were paid to KPMG R.G. Manabat & Co.

It is the Company's policy to present audit findings to its Audit Committee, which reviews and makes recommendations to the Board on actions to be taken thereon. The Board of Directors passes upon and approves the Audit Committee's recommendations.

The members of the Audit Committee are as follows:

Kenneth George D. Wood	-	Chairman
Nixon Y. Lim	-	Member
Eliza C. Macuray	-	Member
Adam Anthony S. Cabe III	-	Member
Rhea Alarcon	-	Member

Under the Company's Revised Manual on Good Corporate Governance, the Audit Committee is mandated to, prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit scope, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts. Further, the Audit Committee is tasked to evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence.

ITEM 8. COMPENSATION PLANS

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

ITEM 9. AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

Not applicable.

ITEM 10. MODIFICATION OR EXCHANGE OF SECURITIES

Not applicable.

ITEM 11. FINANCIAL AND OTHER INFORMATION

The audited consolidated financial statements of the Company for the period ended December 31, 2020, and the interim unaudited financial statements for the period ended June 30, 2021 are attached as **Annexes B** and **C**, respectively. Management's Discussion and Analysis of Operations is incorporated in the Management Report.

Representatives of the Company's current external auditor, KPMG R.G. Manabat & Co., are expected to be present at the Annual Meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from the stockholders. The Company has had no material disagreement with KPMG R.G. Manabat & Co. on any matter of accounting principle or practices or disclosures in the Company's financial statements.

ITEM 12. MERGERS, CONSOLIDATIONS, ACQUISITIONS AND SIMILAR MATTERS

Not applicable.

ITEM 13. ACQUISITION OR DISPOSITION OF PROPERTY

Not applicable.

ITEM 14. RESTATEMENT OF ACCOUNTS

The Company is not taking any action, which involves the restatement of any of its assets, capital or surplus account.

D. OTHER MATTERS

ITEM 15. ACTION WITH RESPECT TO REPORTS AND OTHER PROPOSED ACTION

There is no action to be taken with respect to any report of the Company or of its directors, officers or committees, except the approval of the minutes of the previous annual meeting of its security holders and the Annual Report.

Other proposed actions include approval of the audited consolidated financial statements of the Company for the period ended December 31, 2020, and ratification of acts, investments, proceedings and resolutions of the Board, and the acts of the officers, management and Board committees since the date of the last annual meeting which were entered into or made in the ordinary course of business, the significant acts and transactions of which are covered by appropriate disclosures with the PSE and SEC and would include the following:

Date of Board Meeting	Action Taken
November 19, 2020	Results of the Annual Stockholders and Organizational Board Meetings
January 8, 2021	SEC Approval of the Increase of Authorized Capital Stock
May 24, 2021	Resignation of Danniel Roy D. Amorin as Assistant Corporate Secretary and Assistant Corporate Information Officer
June 30, 2021	Submission of the Integrated Annual Corporate Governance Report
July 30, 2021	Appointment of Jose Luis P. Salud as Assistant Corporate Secretary
August 16, 2021	(a) Setting of Annual Stockholders' Meeting on October 13, 2021 and setting August 31, 2021 as the record (b) Appointment of Janice L. Co as Assistant Corporate Secretary and Assistant Corporate Information Officer

The approval of the minutes of the last annual stockholders' meeting held on November 19, 2020, as set forth in **Annex D**, the audited consolidated financial statements for the period ended December 31, 2020, and ratification of all acts, proceedings and resolutions of the Board, and the acts of the officers, management and Boar d committees since the date of the last annual meeting require the affirmative vote of those present or represented at the annual stockholders' meeting.

ITEM 16. MATTERS NOT REQUIRED TO BE SUBMITTED

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

ITEM 17. AMENDMENT OF CHARTER, BY-LAWS OR OTHER DOCUMENTS

Not applicable.

ITEM 18. OTHER PROPOSED ACTION

The following actions are also proposed to be taken up during the Annual Meeting:

1. Approval of the minutes of the previous annual stockholders' meeting held on November 19, 2020
2. President's Report
3. Approval and ratification of all acts of the Board of Directors, Board Committees and Management during their term of office
4. Election of Directors
5. Appointment of External Auditor

ITEM 19. VOTING PROCEDURES

(a) Matters for Stockholders' Approval

A stockholder may vote in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact. A proxy must be acknowledged before the Secretary or a Notary Public and must be filed with and received by the Secretary not later than ten (10) days before the date of the meeting. A proxy may be revoked by a stockholder either by means of a written instrument presented and recorded with the Secretary at least six (6) days prior to the meeting or by personal presence at the meeting.

Unless required by law or demanded by a stockholder present or represented by proxy at the meeting and entitled to vote thereat, voting will not be done by ballot and shall be conducted by a show of hands.

(b) Election of directors

For the purpose of electing directors, a stockholder may vote such number of his shares for as many persons as there are directors and he may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them according to the same principle among as many candidates as he sees fit. The procedure for the nomination and election of the Company's Independent Directors shall comply with SRC Rule 38.

The current external auditor of the Company, KPMG R.G. Manabat & Co., is authorized to count votes on any matter properly brought to the vote of the stockholders, including the election of directors.

The following items form part of the agenda for the Annual Meeting:

Call to order

The Chairman, Nixon Y. Lim, will formally open the 2021 Annual Meeting.

Agenda Item 1: Proof of notice and determination of quorum

The Corporate Secretary, Atty. Phil Ivan A. Chan, will be asked to certify that copies of the Notice of the Meeting and the Definitive Information Statement have been duly posted in the Company's website and to stockholders of record as of August 31, 2021 through publication in two (2) newspapers of general circulation for two (2) consecutive days, and will attest whether a quorum is present for the valid transaction of business at the Annual Meeting and all matters included in the Agenda.

Agenda Item 2: Approval of the Minutes of Annual Stockholders' Meeting held on November 19, 2020

Copies of the minutes of the annual stockholders' meeting held on November 19, 2020 are available for examination during office hours at the Office of the Corporate Secretary. The stockholders will be asked to approve the Minutes.

Agenda Item 3: President's Report and Approval of the Audited Financial Statements as of December 31, 2020 ("**2020 AFS**")

The Report presents the highlights of the performance of the Company in 2020. It includes a summary of the audited consolidated financial statements as of December 31, 2020, which is incorporated in the Definitive Information Statement. Copies of the 2020 AFS are also submitted to the Bureau of Internal Revenue and the Securities and Exchange Commission. Stockholders will be asked to approve the 2020 AFS.

Agenda Item 4: Approval and ratification of all acts of the Board of Directors, Board Committees and Management during their term of office

All actions and proceedings of the Board of Directors, Board Committees and Management of the Company from the last annual stockholders' meeting held on

November 19, 2020 will be presented to the stockholders for their approval and ratification.

<u>**Agenda Item 5**: Election of Directors</u>

The Corporate Secretary will present to the stockholders the nominees for election as members of the Board of Directors, including the independent directors. The profiles of the nominees to the Board of Directors are to be provided in the Information Statement for reference of the stockholders. Profiles of the incumbent directors and independent directors are provided in Item5(a) above.

<u>**Agenda Item 6:** Appointment of External Auditor</u>

The Audit Committee of the Company will make the appropriate recommendation on such appointment. The appointment of the recommended external auditor will be presented to the stockholders for approval.

<u>**Agenda Item 7**: Other matters</u>

All other matters that arise during the meeting may be presented to the stockholders for consideration. Stockholders may raise such matters as may be relevant or appropriate to taking into account the Notice and Agenda for the meeting.

<u>**Agenda Item 8**: Open Forum</u>

<u>**Agenda Item 9**: Adjournment</u>

After consideration of all business, the Chairman shall declare the meeting adjourned. This shall formally end the 2021 Annual Meeting of the Company.

For this year's Annual Stockholders' Meeting, the Board of Directors approved a resolution allowing the stockholders to participate in the meeting via remote communication and to vote *in absentia*.

Stockholders as of Record Date and their proxy holders who have successfully registered their intention to participate in the annual meeting via remote communication and to vote *in absentia*, duly verified and validated by the Company, shall be allowed to cast their votes on specific agenda items, including the election of directors. Votes will be tabulated and counted at the close of voting for each agenda item during the meeting.

The detailed guidelines for participation and voting for this meeting are set forth in the "Guidelines for Participating via Remote Communication and Voting in Absentia" appended as Schedule "A" to this Information Statement.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig, Metro Manila on 21 September 2021.

STENIEL MANUFACTURING CORPORATION
(Issuer)

Phil Ivan A. Chan
Corporate Secretary

MANAGEMENT REPORT

MANAGEMENT REPORT

A. CONSOLIDATED AUDITED FINANCIAL AND INTERIM UNAUDITED FINANCIAL STATEMENTS

The audited consolidated financial statements of Steniel Manufacturing Corporation (the "**Company**") and its subsidiaries (together with the Company, the "**Steniel Group**") for the year ended December 31, 2020 and the interim unaudited financial statements for the period January 1, 2021 to June 30, 2021 are attached as **Annexes B** and **C,** respectively, to form integral parts of this Management Report.

B. INFORMATION CONCERNING DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The financial statements for the year ended December 31, 2020, including the notes thereto, were audited by KPMG R.G. Manabat & Co. The Company has not had any disagreements with its independent accountant, KPMG R.G. Manabat & Co., on any matter of accounting and financial disclosures.

C. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

(1) For the six-month period ended June 30, 2021

The following key performance indicators have been identified in measuring the performance of the Company: a) sales revenues, b) operating expenses, c) income/loss 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 2nd quarter of 2021 generated from operations recorded Php373.473 million consisting of Php354.574 million product sales and Service Income of Php18.899 million while maintaining the leasing activity contributing Php9 million to the Service Income. Cost of sales on product sales and services recorded amounting to Php298.381 million.

Operating expenses. Operating cost and expenses on a consolidated basis for the three months ended June 30, 2021 amounted to Php54.405 million to support the manufacturing operation while at the same period last year operating expenses at Php0.024 only. Further, no depreciation expense was recognized for the leased machineries as those were already fully depreciated. Operating cost was monitored at its minimum.

Income/(loss) from operations. Net income from operations for the six months ended Jun 30, 2021 was recorded at Php28.228 million, higher compared to Php20,147 million of the same period last year.

Financial ratios. Consolidated current assets as at June 30, 2021, amounted to Php1,324.316 million while current assets as at the same reporting date totaled Php302.896 million. The increase was mainly due to the share swap of Steniel Mindanao Packaging Corporation as of December 31, 2020. Consequently, consolidated current liabilities as at June 30, 2021 totaled Php1,272.119 million while current liabilities as at the same reporting date last year totaled Php300.996 million. Principal obligations are being settled as they fall due. In accordance with the amortization schedule. Working capital ratio for the current quarter is 1.00. Consolidated total assets as at June 30, 2021 amounted to Php1,9882.923 million, compared to Php362.231 million as at June 30, 2020.

Working capital ratio is computed as the ratio of current assets over current liabilities. Debt-to-equity is recorded at 2.1.

(2) For the twelve months ended December 31, 2020

Results of Operations

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

Operating expenses during the current year posted Php5.788 million as compared to last year of Php5.344 million.

Other income generated amounting to Php168,059 million including the provisional gain on acquisition of SMPC at Php158.265 million on account of the business combination, reversal of allowance for impairment of prepaid taxes to Php7.993 million, dividends received and the gain on sale of AFS Financial assets posted a revenue of Php1.801 million as compared to Php2.373 million total other income in 2019.

Income tax expense applicable to the current year amounting to Php10.966 million against Php14.403 million in 2019.

Overall, the Company ended the year 2020 with a consolidated net income for the current year of Php201.922 million as compared to consolidated net income of Php12.129 million last year. The increase in net income was attributable to the provisional other income derived from the business combination which is expected to be final within the year.

Operating Plans

Management believes that the Steniel Group's ability to continue operating as a going concern depends on the fulfillment of the restructuring plan and its ability to generate sufficient cash flows to meet its obligations and the terms and conditions of the restructuring plan, which will contribute to the positive improvement of the operations, and ultimately to attain profitability. As part of Management's plan, the Steniel Group will continue to lease out its idle machinery and equipment to generate income. Also, the Steniel Group expects that it will be able to realize through sale by 2021 the remaining asset held-for-sale above the asset's carrying amount as at December 31, 2020 after the issuance of Certificates Authorizing Registration by the BIR. These activities are expected to generate for the Steniel Group sufficient cash flows to meet its maturing obligations. 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.

Financial Condition

Total current assets as at December 31, 2020, totaled Php1,286,310 million as compared with Php287,841 million in 2019. The increase was mainly due to consolidation of assets of SMPC. While the same applies to increase in total non-current assets totaled Php453,133 million as at current year-end against last year's Php52,415 million.

The Steniel Group's consolidated current liabilities as at current year-end totaled Php1,150,373 million as compared with those in 2019 of Php226,859 million. The increase was contributed by the loans carried by SMPC for its working capital.

Total assets as at year-end 2020 totaled Php1,739,443 million compared to Php340,256 million in 2019. In view of the foregoing discussions, the Steniel Group's current ratio during the year recorded at 1.12 and last year's at 1.27. Debt-to-equity ratio in 2020 is 2.01.

D. DESCRIPTION OF THE GENERAL NATURE AND SCOPE OF THE BUSINESS OF THE COMPANY'S BUSINESS AND ITS SUBSIDIARIES

(1) Description of Business

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

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

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

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

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

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

On January 18, 2012, the shareholders of Steniel Netherlands entered into a Share Purchase Agreement with Right Total Investments Limited ("**Right Total**"), a limited liability company incorporated in British Virgin Islands as an investment company. Under the agreement, Right Total shall purchase up to 100% of the issued and outstanding shares of Steniel Netherlands. Following the closing of the sale on March 29, 2012, Right Total became the owner (through Steniel Netherlands) of 72.0849% shares of the Company.

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

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

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

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

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

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

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

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

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

(2) Nature of Business

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

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

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

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

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.

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

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

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

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

SCPC and TPC

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

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

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

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

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

SMPC

Steniel Mindanao Packaging Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 30, 1995 primarily to engage in the business of manufacturing, importing, buying, selling or otherwise dealings in, at wholesale and retail, all kinds of paper, paper rolls, paper boards, cartons, containers, packaging materials and other pulp and paper products.

As at December 31, 2012, SMPC was a wholly-owned subsidiary of the Parent Company. In December 2013 the Parent Company sold 99.99% of its ownership or 9,249,995 common shares in SMPC to various entities and individuals. In 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for shares of the Parent Company. On December 29, 2020, the Parent Company issued 269,250,000 shares to the shareholders of SMPC effecting the share swap following the SEC approval of the Parent Company's increase in authorized capital stock on the same day (Note 18).

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

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

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

(3) 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.

(4) Total Number of Employees

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

(5) Patents, Trademarks Copyrights and Licenses

Not applicable.

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

Not applicable.

(7) Cost and Compliance with Environmental laws

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

(8) Bankruptcy, Receivership or Similar Proceedings

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

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

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

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

- Restructuring of outstanding principal and accrued interest expense as of September 30, for twenty-five (25) years.
- Conditional waiver of penalty and other charges upon the faithful performance by the Company of the terms of restructuring.
- Reduction of the outstanding principal and accrued interest expense as of September 30, 2010 via *dacion en pago* or sale of the following properties: (a) all outstanding common and preferred shares of stock held by the Company in Steniel Land Corporation ("**SLC**"); (b) identified idle assets of SMC and its subsidiaries; and (c) conversion into equity through the issuance of the Company's unissued capital stock.
- The outstanding principal amount after the *dacion en pago* or sale of properties shall be paid in ninety-two (92) consecutive quarterly installments starting in January 2013.
- The outstanding portion of the accrued interest after equity conversion shall be paid in forty (40) consecutive quarterly installments starting after year fifteen (15) from the date of restructuring.
- Restructured outstanding principal will be subject to interest of 6% *per annum* for fifteen (15) years and 8% *per annum* on the sixteenth (16^{th}) year.
- The restructured accrued interest expense will be subject to interest of 8% *per annum*.
- The restructured loan shall be secured by the assets/collateral pool under the Collateral Trust Agreement.
- All taxes and fees, including documentary stamp taxes and registration fees, shall be for the account of the Steniel Group.
- All other costs and expenses of restructuring, including documentation costs, legal fees and out-of-pocket expenses shall be for the account of the Steniel Group; and
- Other conditions include:
    a. Lenders representative to be elected as director in SMC and in each of its subsidiaries.
    b. A five (5)-year Business Plan for SMC's operating subsidiary including the execution of raw material supply contracts.
    c. A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.
    d. No dividend declaration or payment until the restructured obligations is fully paid.
    e. No new borrowing, unless with consent of the lenders.
    f. No repayment or prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.
    g. Creditors' consent for change in material ownership in the Steniel Group and mortgagors.
    h. Standard covenants, representations and warranties.

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

727,050 preferred shares in SLC held by SCPC is currently being processed.

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

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

In December 2014, lenders under the Amended Agreement agreed to the following repayment:

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

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

Material Change

(i) Any known trends, events or uncertainties (material impact on liquidity)

The Company has no known trends, demand, commitments, events or uncertainties in the present operations of the Company that is likely to result in the Company's liquidity increasing or decreasing in any material way except those that have already been disclosed in the foregoing.

(ii) Events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

The Company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons during the reporting period.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligation), and other relationships of the Company with unconsolidated entities or other persons created during the recent fiscal year.

(iv) Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures.

As of the date of this report, the Company has no material commitment for capital expenditure. Management is not aware of any trends, event or uncertainties that have or will have material impact on net sales or revenues or income from continuing operations neither of its operating subsidiaries nor any seasonal aspects that a material effect on the financial condition or results of operation of the Company.

(v) Causes of Any Material Changes from Period to Period of Financial Statements

The causes for and material changes from 2019-2020 are explained in the Annual Report (SEC Form 17-A) of the Company.

(vi) Any Significant Elements of Income or Loss (from continuing operations)

The Company has no significant elements of income or loss (from continuing operations)

(vii) Causes of Any Material Changes from Period to Period of Financial Statements which shall include vertical and horizontal analyses of any material item

The causes for and material changes from 2019-2020 are explained in the Annual Report (SEC Form 17-A) of the Company.

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

On March 2, 2012, the SEC approved the merger of four (4) subsidiaries of the Company, with SCPC as surviving company.

On May 30, 2018, the SEC approved the merger of SCPC and TPC, with SCPC as the surviving company.

Also, as discussed in Note 8 - Non-current assets held for sale in the Notes to the Consolidated Financial Statements, the Company reclassified certain remaining assets and shares of stocks in an associate to assets held-for-sale which was subject to *dacion en pago* under the provisions of the Amended Agreement. The assets and shares are measured at lower of the carrying amount and fair value less cost to sell as at December 31, 2020.

(10) Cost of Research and Development Activities

Not applicable.

(11) 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 resolved the default situation. The essential provisions of the Amended Agreement are discussed in detail in Item 1(H) above and in Note 1 – General information/Status of operations, in the Notes to Consolidated Financial Statements.

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

E. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Please refer to Item 5 of the Information Statement for a discussion on the identity of each of the Company's Directors and executive officers, their principal occupation or employment, and the name and principal business of any organization by which such directors and executive officers are employed.

F. MARKET PRICE, SHAREHOLDER AND DIVIDEND INFORMATION

(1) Market Price

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

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

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

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

As also discussed in Section D.1 of this report, the Company received on October 12, 2020 from the Group tender offer report on a contemplated acquisition by the Group of 649,908,308 common shares, representing 64.99% of the total issued and outstanding shares of the Company, at Php0.10 per share from Steniel (Netherlands) Holdings B.V. pursuant to a Share Purchase Agreement dated October 7, 2020.

(2) Holders

As of August 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	Corbox Corporation	Filipino	275,747,492	19.44%
3	Golden Bales 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 Corp.	Filipino	10,443,860	0.74%
10	Rustico &/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 &/or Manuel A. Santiago	Filipino	1,100,000	0.08%

19	Christopher Chua	Filipino	1,000,000	0.07%
20	Eastern Securities Development Corp.	Filipino	954,505	0.07%

The Company's securities consist of outstanding common shares.

As of August 31, 2021, the Company has a public float level of 12.21%.

(3) Dividends

The Company has not declared any dividends on its shares in the 4 most recent fiscal years and any subsequent interim period for which financial statements is required to be presented by SRC Rule 68.

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

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

(4) Recent Sales of Unregistered Securities

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

A. Share Swap Transaction

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

B. Debt to Equity Conversion

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

G. COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

The Company complies with the appropriate performance self-rating assessment and performance evaluation system to determine and measure compliance with its Manual on Corporate Governance.

Board Attendance

Regular meetings of the Board are scheduled at the beginning of the year. Special meetings may also be called by the Chairman, the President or Corporate Secretary. A director's absence or non-participation in more than fifty percent (50%) of all meetings in a year is a ground for temporary disqualification in the succeeding election. During 2020, each of the Company's directors have complied with the requirements.

Below table shows the attendance of each board member in the meetings conducted during the year:

Name of Director		04/11/20 Regular Board Meeting	07/31/20 Annual Stockholders' Meeting	07/31/20 Organizational Board Meeting
1	Nixon Y. Lim	✓	✓	✓
2	Mark O. Vergara	✓	✓	✓
3	Esteban C. Ku	✓	✓	✓
4	Eliza C. Macuray	✓	✓	✓
5	Kenneth George D. Wood	✓	✓	✓
6	Adam Anthony S. Cabe III	✓	✓	✓
7	Rhea M. Alarcon	✓	✓	✓

Board Performance Evaluation

The Company conducts annual performance evaluations of the Board, its individual members and Board Committees to ensure optimum Board performance. In this evaluation process, directors identify areas for improvement, some of which are: the timeliness and integrity of information given to them, directors' access to management, the Corporate Secretary, and other forms of assistance as needed. The Board reviews the results of these evaluations and agrees on clear action plans to address any issues raised.

The Board members assessed the Board as a whole based on their balance/diversity, competencies, background and experience. Board efficiency and importance as well as board activities were also given the appropriate ratings. The Board Committees were also assessed based on their performance. Individual performances were also assessed based on independence, participation and diligence.

Likewise, Chairperson and CEO were assessed for their leadership, integrity, diligence and adherence to corporate governance.

Continuing Education Programs

The Board identifies areas of continuing education on corporate governance topics they require. To keep the Board and key officers well-informed of governance-related developments, regular annual education programs are conducted in coordination with SM Investments Corporation and training providers duly accredited by the SEC. The annual training in 2020 was virtually held and conducted by the Center for Global Practices Foundation, Inc.

Manual on 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 in 2016 (the "2016 CG Code"). 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 related 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. On September 1, 2020, the Company submitted its Integrated Annual Corporate Governance Report with the SEC, detailing therein the level of compliance with principles of good corporate governance as stated in the Company's Manual and the 2016 CG Code. There has been no known material deviation from the Manual.

H. UNDERTAKING TO PROVIDE WITHOUT CHARGE A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A

THE COMPANY WILL PROVIDE WITHOUT CHARGE A COPY OF THE COMPANY'S ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2020 (SEC FORM 17-A) TO ITS STOCKHOLDERS UPON RECEIPT OF A WRITTEN REQUEST ADDRESSED TO THE CORPORATE SECRETARY, 33rd FLOOR, THE ORIENT SQUARE, F. ORTIGAS, JR. ROAD, ORTIGAS CENTER, PASIG CITY.

Annex A

GUIDELINES FOR PARTICIPATION VIA REMOTE COMMUNICATION AND VOTING *IN ABSENTIA*

STENIEL MANUFACTURING CORPORATION

Annex "A"

STENIEL MANUFACTURING CORPORATION
2021 ANNUAL STOCKHOLDERS' MEETING
October 13, 2021 at 1:30 p.m.

Guidelines for Participating via Remote Communication and Voting **In Absentia**

The 2021 Annual Stockholders' Meeting (**ASM**) of Steniel Manufacturing Corporation (the **Company**) will be held on **October 13, 2021**, Wednesday, at **1:30 p.m.** Stockholders of record as of August 31, 2021 are entitled to notice of, to attend and, to participate in and vote at the ASM or any adjournment thereof.

In light of the COVID-19 pandemic and in consideration of the health risks and safety concerns of everyone involved, the Company will not be conducting a physical ASM. Stockholders may attend, vote at, and participate in, the ASM via proxy and remote communication or *in absentia*.

Pursuant to Sections 57 and 23 of the Revised Corporation Code and SEC Memorandum Circular No. 6-2020, which allow voting *in absentia*, the Company has set up the following procedure for stockholder registration, participation via remote communication and voting *in absentia* on the ASM agenda items.

Stockholders who vote *in absentia* or who participate via remote communication shall be deemed present for purposes of quorum.

(1) Pre-ASM Registration and Validation Procedures

Stockholders who choose to participate in the ASM via remote communication and cast their votes *in absentia* must notify the Corporate Secretary *no later than* **October 3, 2021** by sending scanned copies of the foregoing via EMAIL to **steniel.asm@gmail.com**.

Scanned copies of the documents submitted as attachments via email must be in clear copies in JPG or PDF format, with each file size not exceeding 2MB.

The Office of the Corporate Secretary, shall reply via email, within three (3) business days from receipt of the documents, confirming successful registration and providing the link and meeting details to the Company's 2021 ASM **OR** requiring re-submission in case of deficient documents. Should you not receive an e-mail reply within three (3) business days from receipt of your submission, please call +632 8687 1195 to 96. You may also call +632 8403 9853 and look for Mr. Zaldy A. Adana.

Documentary Requirements
Certificated Individual Stockholders

1. Stockholder's valid government-issued ID[2] with photo, signature and personal details, preferably with residential address
2. Stock certificate number/s
3. A valid and active e-mail address and contact number of the stockholder
4. In case of proxy appointment, a duly accomplished and signed proxy indicating the votes on the agenda items.

Certificated Multiple Stockholders or Joint Owners

1. Valid government-issued ID[3] of ALL stockholders - with photo, signature and personal details, preferably with residential address
2. Stock certificate number/s
3. A valid and active e-mail address and contact number of the authorized representative
4. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need not be notarized)
5. In case of proxy appointment, a duly accomplished and signed proxy indicating the votes on the agenda items.

Certificated Corporate/Partnership Stockholders

1. Secretary's Certification of Board resolution attesting to the authority of the representative to participate by remote communication for and on behalf of the Corporate/Partnership
2. Stock certificate number/s
3. Authorized representative's valid government-issued ID[4] with photo, signature and personal details, preferably with residential address
4. A valid and active e-mail address and contact number of the authorized representative
5. In case of proxy appointment, a duly accomplished and signed proxy indicating the votes on the agenda items.

Stockholders with Shares under PCD Participant/Broker Account

1. Certification from broker as to the number of shares owned by the stockholder
2. Stockholder's valid government-issued ID[5] with photo, signature and personal details, preferably with residential address
3. A valid and active e-mail address and contact number of the stockholder
4. In case of proxy appointment, a duly accomplished and signed proxy indicating the votes on the agenda items.

(2) Procedure for Voting *in Absentia*

Stockholders who have successfully registered will be duly notified via email by the Office of the Corporate Secretary. Registered stockholders may then cast their votes for the agenda items by accomplishing the print-out of the Company's ballot form. The ballot form can be accessed and downloaded from the Company's website at http://www.steniel.com.ph/asm-2021.

[2] E.g. passport, driver's license, unified multipurpose ID
[3] E.g. passport, driver's license, unified multipurpose ID
[4] E.g. passport, driver's license, unified multipurpose ID
[5] E.g. passport, driver's license, unified multipurpose ID

Steps for Voting in Absentia

1. Access and download the ballot form.

2. Vote on each agenda item on the ballot print-out.

   Kindly refer to the rationale for agenda items appended to the Notice of Meeting for a brief description of each agenda item.

   2.a. Stockholders may vote "Yes", "No", or "Abstain" on each agenda item for approval.

   2.b. For the election of directors, a stockholder has the following options:

   i. vote for all nominees;
   ii. withhold vote for any of the nominees; or
   iii. vote for certain nominees only

   Reminder: *A stockholder (a) may vote such number of his/her shares for as many persons as there are directors to be elected, or (b) may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected (15 Directors) multiplied by the number of his shares shall equal, or (c) may distribute them on the same principle among as many candidates as he/she shall see fit, provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder.*

3. Upon finalizing his/her vote, the stockholder can submit the ballot by sending a **clear, scanned copy** thereof in **JPG or PDF** format to steniel.asm@gmail.com **no later than October 12, 2021.**

   The e-mail attachment file size must not exceeding 2MB.

(3) ***ASM Proper via Livestream***

Livestream Access

The ASM will be broadcasted live. Registered stockholders can participate via remote communication by accessing the livestream through the link and meeting details provided by the Office of the Corporate Secretary. Instructions on how to access the livestream will also be provided to registered stockholders in the confirmation of registration via e-mail reply from the Office of the Corporate Secretary.

The meeting proceedings shall be recorded and adequately maintained by the Company in video format, and will be made available to participating stockholders upon request. Stockholders may access the video recording of the ASM by sending an e-mail request to steniel.asm@gmail.com

Open Forum

The Company will hold an Open Forum during a portion of the virtual ASM, during which the meeting's moderator will read and where representatives of the Company shall endeavor to answer as many of the matters or issues raised by stockholders as time will permit.

Stockholders may send their questions/comments in advance by sending an email with the subject head "**ASM 2021 Open Forum**" to **steniel.asm@gmail.com** not later than 1:30 p.m. of October 13, 2021. Stockholders may also course their comments and/or questions during the ASM through the "chatbox" feature to be provided in the livestreaming platform.

Matters or issues raised and received but not entertained during the Open Forum due to time constraints will be addressed separately by the Company through the stockholders' email address.

For any clarifications on the foregoing procedures, or for any other ASM-related queries, please contact the Office of the Corporate Secretary at **steniel.asm@gmail.com**.

Annex B

CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2020

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 3 7 3 6

COMPANY NAME

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

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

G a t e w a y   B u s i n e s s   P a r k
B r g y .   J a v a l e r a ,   G e n e r a l   T r i a s
C a v i t e

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

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)
3,622	Any day in May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Eliza C. Macuray	elizmacuray@yahoo.com	8361-9061	09189110919

CONTACT PERSON's ADDRESS

Gateway Business Park Brgy. Javalera, General Trias, Cavite

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

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Steniel Manufacturing Corporation and Subsidiaries** (the **"Company"**) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2020 and 2019,** in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

NIXON Y. LIM
Chairman of the Board/President/CEO

ELIZA C. MACURAY
Chief Financial Officer

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

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

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

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

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020, 2019 and 2018

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
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, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity (capital deficiency) and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes, comprising a significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. This matter is addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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

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

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

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

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 's internal control.

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

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

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

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

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

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

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

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

R.G. MANABAT & CO.

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

May 31, 2021
Makati City, Metro Manila

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

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

Forward

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

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Basic and Diluted Earnings Per Share)

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

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31

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

Forward

Years Ended December 31

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

See Notes to the Consolidated Financial Statements.

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

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

Forward

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

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

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

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

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

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

The ultimate parent of the Group is Steniel (Netherlands) Holdings B.V. (SNHBV), incorporated in the Netherlands and is the registered owner of 82.2716% of the shares of the Group. The remaining 17.7284% of the shares are widely held.

Consequent to the restructuring of the loan in 2010, remaining unissued capital stock of the Parent Company totaling 123,818,000 shares were issued to Roxburgh Investment Limited (Roxburgh) to reduce the Parent Company’s outstanding debts (Notes 15 and 18). The issuance of shares resulted to recognition of additional paid in capital. As a result, Roxburgh owns 12.3818% of the Parent Company, while the ownership of SNHBV as well as the public have been reduced to 72.0849% and 15.5333%, respectively.

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

On January 25, 2012, the Parent Company received a tender offer report from SNHBV to purchase the 279,151,088 shares of minority investing public or 27.92% of the total issued shares at a price of P0.0012 per share or an aggregate price of P334.9 million. On February 25, 2012, only a total of 2,115,692 common shares were tendered in the Tender Offer and accepted by SNHBV, constituting 0.0021% of the total outstanding capital stock of the Parent Company. On March 8, 2012, payment for the Tendered Shares was delivered to the relevant broker participants on behalf of interested parties and there was a transfer to SNHBV of only 0.76% of the minority shares. Such accepted tender offer did not significantly change the percentage ownership of the minority investing public.

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

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

The tender offer commenced on October 12, 2020 and ended on November 10, 2020 (Tender Offer Period). A total of 11,780,533 common shares of STN were tendered during the Tender Offer Period, which comprise approximately 1.18% of the total issued and outstanding shares of STN. SNHBV owns 5% ownership with STN after registration of the sale and tender offer.

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

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

Structure

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

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

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

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

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

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

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

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

SMPC
Steniel Mindanao Packaging Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 30, 1995 primarily to engage in the business of manufacturing, importing, buying, selling or otherwise dealings in, at wholesale and retail, all kinds of paper, paper rolls, paper boards, cartons, containers, packaging materials and other pulp and paper products.

As at December 31, 2012, SMPC was a wholly-owned subsidiary of the Parent Company. In December 2013 the Parent Company sold 99.99% of its ownership or 9,249,995 common shares in SMPC to various entities and individuals. In 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for shares of the Parent Company. On December 29, 2020, the Parent Company issued 269,250,000 shares to the shareholders of SMPC effecting the share swap following the SEC approval of the Parent Company's increase in authorized capital stock on the same day (Note 18).

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

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

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

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

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

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

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

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

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

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

<u>Dacion en pago and Equity Conversion</u>
The dacion en pago of the Group's idle machineries, spare parts and the equity conversion through the issuance of the Parent Company's capital stock have been completed as at December 31, 2010. The dacion en pago transaction reduced the outstanding loan principal amount by P122 million while the equity conversion reduced outstanding accrued interest by P248 million.

The dacion en pago relating to the Group's shares in SLC and a subsidiary's land and land improvements and building and building improvements has a total value of P290.0 million. In 2012, certain certificates authorizing registration were issued and reduced the total value from P290.00 million to P289.88 million. The remaining assignment of shares is still for finalization with buyers to meet the regulatory requirements on transfer of assets as at reporting date and this is expected to be completed in 2021 after the issuance of Certificate Authorizing Registration (CAR) by the BIR. The change in ownership and management in early 2012 and the issuance of CAR generally caused the delay in the implementation of the dacion en pago.

In July 2019, the BOD and Stockholders of the Parent Company approved the conversion of loans into common shares of the Parent Company. Consequently, principal payments on long-term debt was suspended beginning July 2019. On December 29, 2020, the Parent Company issued shares to the lenders effecting the debt to equity conversion following the SEC approval of the Parent Company's increase in authorized capital stock on the same day (Notes 15 and 18). The outstanding balance of the borrowings were reduced by P149.56 million as a result of the debt-to-equity conversion.

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

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

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

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

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

In 2013, due to continuous working capital drain experienced by the Group as a result of difficult economic and business conditions, the Group requested reconsideration to defer the implementation of the loan agreement from the creditors which was acted favorably. The Group was granted another two (2) years extension of principal repayment, reduction of interest rate from 6% to 2% for the first five (5) years and further waive interest charges until January 1, 2016. In 2020, 2019 and 2018, the creditors have further waived the annual interest charges.

Status of Operations

The Group has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P1,237.99 million and P1,429.28 million as at December 31, 2020 and 2019, respectively, resulting in capital deficiency of P35.61 million as at December 31, 2019. These conditions, among others, indicate the existence of uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

To address such going concern matter, the management has taken the following measures:

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction and the conversion of loans from Greenkraft Corporation and Roxburgh Investments Limited into common shares in the Parent Company. To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the Articles of Incorporation to increase the authorized capital stock from P1 billion, divided into one billion common shares to P2 billion, divided into two billion common shares with par value of P1 per share (Notes 15 and 18).

On December 29, 2020, upon the SEC's approval of the Parent Company's increase in authorized capital stock, the Parent Company issued shares to the lenders effecting the debt to equity conversion thereby reducing the outstanding balance of the borrowings by P149.56 million. Further, The Parent Company also issued shares to the shareholders of SMPC effecting the share swap transaction resulting to a provisional gain of P158.27 million from the acquisition of a subsidiary (Note 5). The realization of these transactions resolved the capital deficiency position of the Group as at December 31, 2020.

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

2. Basis of Preparation

Statement of Compliance

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

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

Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis except for investment in equity securities which are carried at fair value.

Functional and Presentation Currency

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

Basis of Consolidation

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

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

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

3. Summary of Significant Accounting Policies

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

Adoption of Amended Standards and Framework

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

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

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

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

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

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

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

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

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

Effective June 1, 2020

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

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

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

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

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

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

Effective January 1, 2022

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective January 1, 2023

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

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

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

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

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

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

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

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a receivable without significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at fair value through profit or loss (FVPL), includes transaction costs. A receivable without a significant financing component is initially measured at the transaction price.

Financial Assets
The Group classifies its financial assets, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

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

The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how employees of the business are compensated; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable rate features;

- prepayment and extension features; and

- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and

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

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

The Group’s cash in banks and receivables are included under this category.

Cash in banks are stated at face value.

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

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

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in equity instruments are recognized in profit or loss. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are transferred to and recognized in profit or loss.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the consolidated statements of comprehensive income when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are never reclassified to profit or loss.

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

Financial Liabilities
The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

As at December 31, 2020 and 2019, the Group has no financial liabilities at FVPL.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense" account in the consolidated statements of comprehensive income. Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the consolidated statements of comprehensive income.

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

Derecognition of Financial Assets and Financial Liabilities
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

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

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

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

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

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

Impairment of Financial Assets
The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

At each reporting date, the Group assesses whether these financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of financial asset by the Group on terms that the Group would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the consolidated statements of comprehensive income. The ECLs on investments in debt instruments at FVOCI are recognized as accumulated impairment losses, with the resulting impairment losses (or reversals) recognized in the consolidated statements of comprehensive income.

Classification of Financial Instruments between Liability and Equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting Financial Instruments

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

Business Combination

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

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

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

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

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

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

  - represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

  - is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments.*

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

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

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fair Value Measurements

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

The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

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

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

Employee Benefits

Short-term Employee Benefits

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

Retirement Benefits

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

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

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

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

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

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

Capital Stock

Capital stock consists of common shares and is classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital

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

Retained Earnings (Deficit)

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

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

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

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

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

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

Dividend Income
Dividend income is recognized when the right to receive the payment is established.

Interest Income
Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income
Other Income is recognized when earned.

<u>Cost and Expenses</u>
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.

<u>Borrowing Costs</u>
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.

<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>Foreign Currency Transactions and Translation</u>
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.

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 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.

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

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

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 24.

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future salary activity.

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

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

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable rate features;

- prepayment and extension features; and

- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

The Group determines that the business model for financial assets at amortized cost is held to collect contractual cash flows and meets the solely principal and interest criterion as at December 31, 2020 and 2019.

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

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

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

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

The fair values of the Group’s financial instruments are disclosed in Note 24.

Estimates and Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2020 and 2019. The carrying amounts of other financial assets at amortized cost are as follows:

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

Estimation of Useful Lives of Property and Equipment. The Groups estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

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

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

Determination of Impairment of Nonfinancial Assets
PFRS requires that an impairment review be performed on prepaid expenses and other current assets, asset held-for-sale, right-of-use asset and property and equipment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

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

Allowance for impairment losses on advances to suppliers amounted to P1.843 million as at December 31, 2020 and 2019. Allowance for unrecoverable prepaid taxes amounted to nil and P7.993 million as at December 31, 2020 and 2019, respectively (Note 9).

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

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

Estimation of Realizability of Deferred Tax Assets
The Group reviews its deferred tax assets at each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carry-forward benefits of NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounting to P19.779 million as at December 31, 2020 relates to the acquired deferred tax assets of SMPC. Deferred tax assets of STN and SCPC have not been recognized as at December 31, 2020 and 2019 because management believes that it is not probable that future taxable profit will be available against which the deferred tax assets may be utilized (Note 22).

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

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

5. Business Combination

On December 29, 2020, the Group acquired 269,250,000 shares of SMPC, representing 100% equity interest in SMPC, in exchange for the 269,250,000 shares of stock of the Parent Company, issued at par value of P1 (Notes 1 and 18).

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

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

The following is the audited financial information of SMPC:

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

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

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

6. Cash

This account consists of:

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

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

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

7. Receivables

This account consists of:

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

Trade receivables are non-interest bearing and are generally with 30 to 90-day term.

Non-trade receivables pertain to reimbursements of costs incurred on behalf of entity under common control.

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

8. Inventories

Inventories stated at lower of cost or NRV consist of:

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

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

9. Prepaid Expenses and Other Current Assets

This account consists of:

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

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

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

Prepaid importation charges pertain to advance payments to various suppliers of imported paper rolls.

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

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

10. Asset Held-for-sale

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

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

As at December 31, 2012, the carrying amount of the shares related to the Parent Company's preferred shares in SLC based on par value was also reduced to P0.249 million after issuance of the certificate authorizing registration.

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

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

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

11. Property and Equipment

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

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

Depreciation is recognized as follows:

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

12. Investments in Equity Instruments

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

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

The movements in investments in equity instruments are as follows:

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

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

13. Other Noncurrent Assets

This account consists of:

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

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

14. Trade Payables and Other Current Liabilities

This account consists of:

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

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

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

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

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

Other accrued expenses include repairs and maintenance and utility payables.

15. Loans and Borrowings

This account consists of:

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

Loans from local banks are unsecured, short-term, peso-denominated promissory notes intended for additional working capital requirements of the SMPC. These are payable within six months and bear annual interest rates ranging from 3.75% to 3.95% in 2020.

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

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

Furthermore, the Amended Agreement provides for certain affirmative and negative covenants subject for compliance by the Company and payment terms as discussed in Note 1 which is due after completion of dacion en pago that is expected to be completed in 2021.

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

As discussed in Note 1, the accrued interest amounting to P294.6 million which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was condoned by its major creditors in 2011. In addition, the accrued interest in 2010 amounting to P13.1 million was also reversed in 2011 in relation to the 2-year grace period provided by its creditors. These were all offset against advances to SCPC as the proceeds of the original loan were loaned by the Parent Company to SCPC, subject to the same interest rates.

In 2012, TPC and SCPC's investment in shares of stock with SLC amounting to P0.64 million was assigned to Greenkraft as part of the dacion en pago arrangements (Note 1) resulting to a reduction of the borrowing balance.

In 2013, the creditors/lenders granted STN two (2) years extension of principal repayment, reduction of interest rate from 6% p.a. to 2% p.a. for the first five (5) years and further waive interest charges until January 1, 2016. In 2019, 2018 and 2017, the creditors have further waived the annual interest charges.

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

On December 29, 2020, the Parent Company issued 149,562,081 shares to Greenkraft and Roxburgh effecting the debt to equity conversion following the SEC approval of the Parent Company's increase in authorized capital stock on the same day (Note 18).

Changes in liabilities arising from financing activities are as follows:

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

16. Related Party Transactions

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

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

	Year	Note	Amount of Transaction	Outstanding Balance: Receivables	Outstanding Balance: Trade Payables	Outstanding Balance: Accrued Expenses	Outstanding Balance: Amounts Owed to Related Parties	Outstanding Balance: Borrowings	Terms	Conditions
Entity under Common Control										
Rent income	**2020**	*7, 23*	**P40,000**	**P -**	**P -**	**P -**	**P -**	**P -**	Collectible within 60 days; non-interest bearing	Unsecured; no impairment
	2019		60,000	63,340	-	-	-	-		
Reimbursements	**2020**	*7, b*	**-**	**122**	**-**	**-**	**-**	**-**	Collectible on demand; non-interest bearing	Unsecured; no impairment
	2019		17	125	-	-	-	-		
Associate										
Advances	**2020**	*a*	**-**	**-**	**-**	**-**	**19,981**	**-**	Payable on demand; non-interest bearing	Unsecured
	2019		-	-	-	-	19,981	-		
Shareholders										
Borrowings	**2020**	*15*	**-**	**-**	**-**	**-**	**-**	**190,000**	Payable in quarterly installments for 25 years; interest-bearing at 2% p.a. on the first five years, 6% p.a. on the 6th until the 15th year, and 8% p.a. on the 16th year onwards until maturity	Secured by various current and noncurrent assets of the Group
	2019		-	-			-	339,562		
Sales	**2020**	*c*	**-**	**70,762**	**-**	**-**	**-**	**-**	Payable within 30 days; non-interest bearing	Unsecured; no impairment
	2019		-	-	-	-	-	-		
Other Related Parties										
Lease and warehousing costs	**2020**	*d*	**-**	**-**	**15,526**	**-**	**-**	**-**	Payable on demand; non-interest bearing	Unsecured
	2019		-	-	-	-	-	-		
Purchases	**2020**	*c*	**-**	**-**	**81,244**	**15,230**	**-**	**-**	Payable within 30 days; non-interest bearing	Unsecured
	2019		-	-	-	-	-	-		
Advances	**2020**	*a*	**-**	**-**	**-**	**-**	**108,653**	**-**	Payable on demand; non-interest bearing	Unsecured
	2019		-	-	-	-	-	-		
Key Management Personnel										
Short-term benefits	**2020**	*20*	**884**	**-**	**-**	**-**	**-**	**-**		
	2019		1,118	-	-	-	-	-		
	2020			**P70,884**	**P96,770**	**P15,230**	**P128,634**	**P190,000**		
	2019			P63,465	P -	P -	P19,981	P339,562		

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

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

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

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

   SMPC also has existing lease and warehousing cost agreement with Golden Bales Corporation for the lease and warehousing of certain properties for its plate-making process. The contract is for a period of 5 years which expired on October 21, 2016 and was renewed thereafter for another 5-year term. The lease agreement qualified under PFRS 16 (Note 23).

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

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

17. Retirement Benefits

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

The SMPC has a non-contributory, defined benefit pension plan (the "Plan") covering substantially all of its regular employees. Under the provisions of the Plan, the normal retirement age is 60, employees, upon reaching retirement age with at least 5 years of service, can avail of early retirement. Employees covered have a vested right to a certain percentage of retirement benefits after completion of at least 5 years of service. Contributions and costs are determined in accordance with the actuarial studies made for the Plan. Annual cost is determined using the projected unit credit method. SMPC's latest actuarial valuation date is as at December 31, 2020. Valuation is obtained on a periodic basis.

18. Equity (Capital Deficiency)

Capital Stock

This account consists of:

December 31, 2020

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

December 31, 2019

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

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

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

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

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

Additional Paid-in Capital

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

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

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

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

19. Cost of Services

This account consists of:

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

20. Operating Expenses

This account consists of:

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

21. Other Income (Charges)

This account consists of:

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

In 2018, others include reversal of long outstanding payables.

22. Income Taxes

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

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

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

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

As at December 31, 2020 and 2019, deferred tax assets have not been recognized in respect of the temporary differences and NOLCO as management believes that it is not probable that sufficient taxable profit will be available against which all deferred tax assets may be utilized.

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

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

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

23. Lease Agreements

Group as Lessor

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

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

Group as Lessee
SMPC has existing lease agreements covering its office space, warehouses, machinery and equipment and other facilities which are presently used in Davao City for periods ranging from one (1) to ten (10) years, and a sales office and warehouse in General Santos City for a period of five (5) to ten (10) years, renewable under terms and conditions to be agreed upon by both parties. Security deposits paid by SMPC as required under the terms and covering lease agreements amounted to P2.79 million and P2.23 million as at December 31, 2020 and 2019, respectively, which were recognized under “Prepaid expenses and other current assets” and “Other noncurrent assets” accounts in the consolidated statements of financial position (Notes 9 and 13).

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

24. Financial Risk and Capital Management Objectives and Policies

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

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

Liquidity Risk
Liquidity risk pertains to the failure of the Group’s to discharge its obligations and commitments. The tight cash position limits its obligation to take advantage of increasing demands. The Group’s financial liabilities include trade payables and other current liabilities, amounts owed to related parties, lease liabilities and loans and borrowings (Notes 14, 15, 16 and 23).

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

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

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

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

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

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

In December 2020, significant amount of the Group's borrowings were converted into equity. The remaining assets subject to dacion en pago under the provisions of the Amended Agreement pertain to investment in preferred shares of SLC with fair value of P190 million with reference to the municipality zonal value of land owned by SLC. Upon completion of this transaction, the balance of borrowings will be paid in full (Notes 10 and 15).

Credit Risk

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

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

The gross maximum exposure of the Group to credit risk as at December 31, 2020 and 2019, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

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

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

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

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

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

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

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

The Group classifies its receivables into the following credit grades:

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

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

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

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

	Financial Assets at Amortized Cost			
December 31, 2020	**12-month ECL**	**Lifetime ECL not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total**
Cash in banks	**P43,736**	**P -**	**P -**	**P43,736**
Receivables	**336,334**	**122**	**35,480**	**371,936**
Refundable security deposits	**6,347**	**1,956**	**-**	**8,303**
	P386,417	**P2,078**	**P35,480**	**P423,975**

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

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

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

Foreign Currency Risk
The Group is exposed to foreign currency risk on its cash in banks that is denominated in US Dollars. The Group regularly monitors the outstanding balance of its cash in banks that is denominated in US Dollars and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to this foreign currency denominated asset.

The Group expects that the effects of this foreign currency risk are immaterial to the consolidated financial statements.

Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposures to interest rate risk relates primarily to the Group's loans and borrowings. The Group manages its interest rate risk by limiting its loans and borrowings to loans with fixed interest rates over the term of the loan.

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

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

	Effect on Equity (Capital Deficiency)			
	2020		2019	
	6% Increase	**6% Decrease**	4% Increase	4% Decrease
Investment in equity instruments	**P4,676**	**(P4,676)**	P2,648	(P2,648)

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

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

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

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

Borrowings, Net of Current Portion. Borrowings, net of current portion are reported at their present values, which approximate the cash amounts that would fully satisfy the obligations as of reporting date. The carrying amounts of the borrowings with annual interest approximate their fair values.

Capital Management

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

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

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

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

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

The Group is not subject to externally imposed capitalization requirements.

25. Other Matters

Effect of Corona Virus Disease 2019 (COVID-19)

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

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

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

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

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.

26. Events After Reporting Date

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

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

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

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

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

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

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

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

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

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

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

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

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

27. Effect of Prior Period Adjustment

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

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

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

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

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Steniel Manufacturing Corporation and Subsidiaries (the "Group"), as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have rendered our report dated May 31, 2021.

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

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

The supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements. Such supplementary information have been subjected to auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

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

May 31, 2021
Makati City, Metro Manila

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6787 Ayala Avenue, Makati City
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REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Steniel Manufacturing Corporation and Subsidiaries (the “Group”) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report dated May 31, 2021.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group’s management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

R.G. MANABAT & CO.

JOHN MOLINA
Partner
CPA License No. 0092632
SEC Accreditation No. 92632-SEC, Group A, valid for five (5) years
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May 31, 2021
Makati City, Metro Manila

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

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

** According to Section 5 of SEC Memorandum Circular No. 11 (Series of 2008), a corporation cannot declare dividends when it has zero or negative Retained Earnings (otherwise known as Deficit).*

*** Pursuant to the Restated and Amended Omnibus Agreement signed by the Company (as borrower) and lenders/creditor in October 2010, the Company is prohibited from declaring dividends to its owners until full payment of all amounts payable, unless consented in writing by the lenders/creditors.*

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2020 AND 2019

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

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

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

December 31, 2020

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

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

December 31, 2020

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

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

December 31, 2020

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

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

<u>December 31, 2020</u>

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

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

December 31, 2020

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

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

December 31, 2020

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

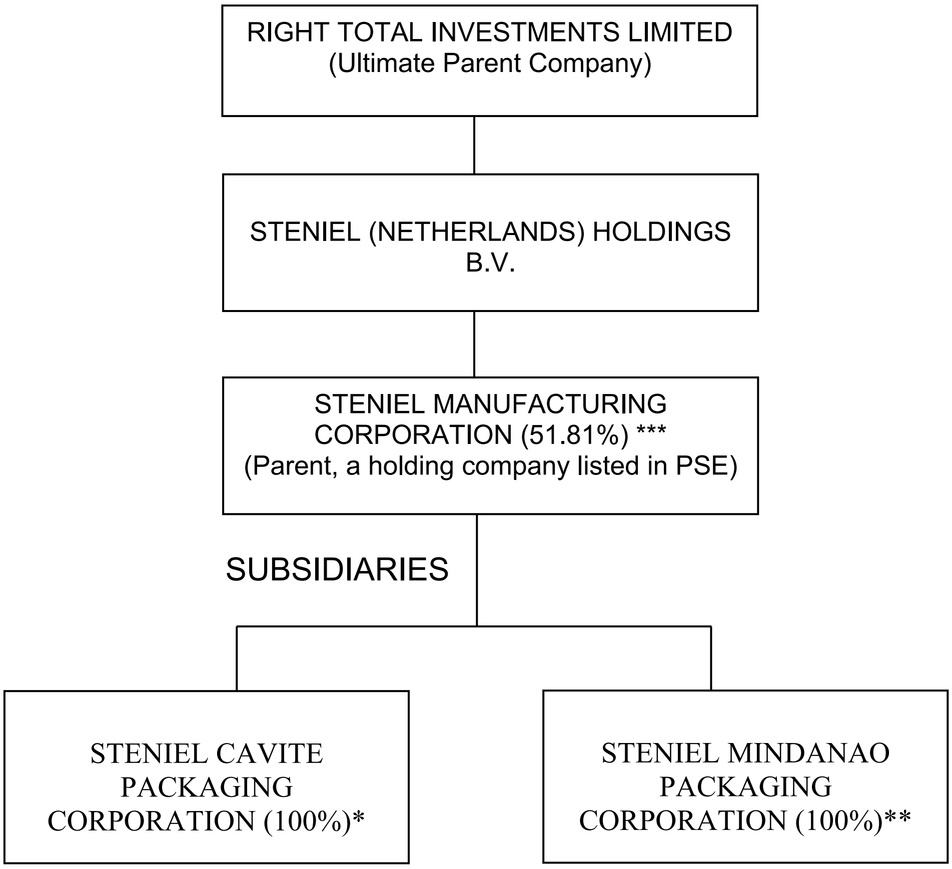
STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

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

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

MAP OF CONGLOMERATE



** Treasure Packaging Corporation is a wholly-owned subsidiary of Steniel Manufacturing Corporation (STN) which was merged with Steniel Cavite Packaging Corporation effective May 30, 2018.*
*** Steniel Mindanao Packaging Corporation was acquired by STN on December 29, 2020.*
**** Private sale between Steniel (Netherlands) Holdings B.V (as seller) and Greenkraft Coporation, Golden Bales Corporation, Corbox Corporation, Rex Chua, and Clement Chua (as buyers) have not been recorded in the books of STN as the Certificate Authorizing Registration therefor have not yet been issued by the Bureau of Internal Revenue. Steniel (Netherlands) Holdings B.V owns 5% equity interest in STN after the registration of the sale and tender offer.*

Annex C

INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

COVER SHEET

2 3 7 3 6

SEC 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 ,

J a v a l e r a , G e n . T r i a s , C a v i t e

(Complete Business Address)

Eliza C. Macuray	+63 (2) 361-9061
Contact Person	Company Telephone Number

1 2	3 1	S E C 17 Q		
Month	Day	Form Type	Month	Day

Secondary License Type, if applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks: Please use blank ink for scanning purposes.

SEC Number 23736
File Number ____

Steniel Manufacturing Corporation
(Company's Full Name)

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

(046) 433-0066
(Telephone)

Not Applicable
(Fiscal Year Ending)
(month & day)

Form 17-Q
Form Type

Not Applicable
Amendment Designation
(If applicable)

June 30, 2021
Period Date Ended

Not Applicable
Secondary License Type
and File Number

SECURITIES AND EXCHANGE COMMISSION

Form 17-Q

STENIEL MANUFACTURING CORPORATION

Quarterly Report Pursuant to Section 17
of the Securities Regulation Code
and SRC Rule 17(2)(b) Thereunder

1. For the quarterly period ended June 30, 2021

2. SEC Identification Number 23736

3. BIR Tax Identification Number 000-099-128

4. Exact Name of Registrant Steniel Manufacturing Corporation

5. Country of Incorporation Metro Manila, Philippines

6. Industry Classification Code

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

8. Registrant's telephone number (46) 433-0066

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

Title of class	**Number of shares outstanding**
Common shares	1,418,812,000*1

**1 Reported by the stock transfer agent as of June 30, 2021*

10. The Registrant's common shares are listed on the Philippine Stock Exchange.

11. (a) The Registrant has filed all reports required to be filed pursuant to Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 12 months.

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

TABLE OF CONTENTS

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

By

Signature :

Eliza C Macuray

Title : Treasurer

Date : August 23, 2021

Distribution : 3 copies - Securities & Exchange Commission
1 copy - File/receiving copy

Exhibit 1

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE INCOME
(Amounts in Thousands, except basic and diluted earnings per share)

	Six Months Ended		Three Months Ended	
	30-Jun-21	**30-Jun-20**	**30-Jun-21**	**30-Jun-20**
Revenues				
Service Income	37,532	30,000	18,899	15,000
Product Sales	626,382		354,574	0
Total revenues	**663,914**	**30,000**	**373,473**	**15,000**
Cost of sales and services	(558,822)	(1,683)	(298,381)	71
Gross profit	**105,091**	**28,317**	**75,092**	**15,071**
Operating expenses	(67,599)	(641)	(54,405)	(24)
Other income (expenses), net	(3,798)	1,214	(830)	342
Income provision for income tax	**33,694**	**28,890**	**19,857**	**15,388**
Income Tax Expense	(5,466)	(8,743)	(2,296)	(4,680)
Net Income (Loss)	**28,228**	**20,147**	**17,560**	**10,709**
Other Comprehensive Income (Loss)			0	0
Item that may be reclassified to profit or loss			0	0
Changes in the fair value of available-for-sale			0	0
financial assets		19,474		22,758
	0	**19,474**	**0**	**22,758**
Total Comprehensive Income (Loss)	**28,228**	**39,621**	**17,560**	**33,467**
Basic and Diluted Earnings (Loss) Per Common Share	**0.0201**	**0.0201**	**0.0107**	**0.0107**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(Amounts in Thousands)

(Unaudited)

	30-Jun-21	31-Dec-20	30-Jun-20
ASSETS			
Current Assets			
Cash & Short-term Investments	48,955	43,776	8,270
Receivables - net	403,958	336,456	95,565
Inventories	625,943	671,367	0
Prepaid expenses and other current assests	124,860	114,111	78,460
	1,203,715	1,165,710	182,295
Assets held for Sale	120,601	120,601	120,601
	1,324,316	1,286,310	302,896
Non Current Assets			
Property, Plant & Equipment - net	316,402	328,476	4,770
Available-for-sale financial assets	83,901	83,841	54,545
Right of Use Asset-net	5,767	5,767	0
Advances to Third Party	1,060	1,060	0
Deferred income tax - current	19,779	19,779	0
Input value-added taxes	9,883	12,847	0
Refundable Security Deposit	121,816	1,363	20
	558,607	453,132	59,335
Total Assets	1,882,923	1,739,442	362,231
LIABILITIES & STOCKHOLDERS' EQUITY			
Current Liabilities			
Trade Payables and other current liabilities	658,025	481,651	16,667
Amounts owed to a related party	175,734	128,634	93,777
Current portion of borrowings	430,817	536,247	190,552
Current portion of lease liabilities	4,104	3,727	0
Income tax payable	3,439	114	0
	1,272,119	1,150,372	300,996
Non-current Liabilities			
Long-term Debt	0	0	149,010
Retirement benefits liability	8,061	7,858	0
Lease liabilities - net of current portion	2,179	2,556	0
	10,240	10,414	149,010
Total Liabilities	1,282,359	1,160,786	450,006
Stockholders' Equity			
Capital Stock	1,418,812	1,418,812	1,000,000
Additional paid-in capital	408,423	408,423	414,632
Unrealized loss on available for sale financial assets	(16,650)	(10,330)	(19,474)
Reserve for retirement benefits liability	(256)	(256)	0
Retained Earnings	(1,209,765)	(1,237,992)	(1,482,933)
Total Stockholders' Equity	600,564	578,656	(87,775)
Total Liabilities & Stockholders' Equity	1,882,923	1,739,442	362,231

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITAL DEFICIENCY
(Amounts in Thousands)

	30-Jun-21	31-Dec-20	30-Jun-20
Capital stocks			
Authorized – 2 billion common shares, P1 per share			
Issued and outstanding	1,418,812	1,418,812	1,000,000
Additional paid-in capital	408,423	408,423	414,632
Unrealized gain/(loss) on available-for-sale financial assets			
Beginning	(10,330)	(20,961)	
Changes in fair value of available-for-sale financial assets	(6,320)	10,631	(19,474)
	(16,650)	(10,330)	(19,474)
Reserve for Retirement Benefits Liability	(256)	(256)	
Total Capital Deficiency	(1,209,765)	(1,237,993)	(1,482,933)
Stockholders' Equity	600,564	578,656	(87,775)

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Amounts in Thousands)

	30 Jun 2021	31 Dec 2020	30 Jun 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	33,694	191,303	28,889
Adjustments for:			
Depreciation	20,534	967	965
Unrealized foreign exchange gain	-	-	-
Interest income	(1)	(19)	(11)
Gain on sale of available-for-sale financial assets			82
Dividend income	(2,716)	(1,697)	(1,275)
Payables written off	-	-	-
Reversal of allowance for impairment of prepaid taxes		(7,993)	
Provisional gain on acquisition of SMPC		(158,265)	-
Operating income before working capital changes	**51,511**	**24,296**	**28,651**
Decrease (increase) in:			
Receivables	(67,502)	63,342	(32,100)
Inventories	45,424		
Prepaid expenses and other current assets	(10,749)	12,455	12,293
Non-current assets	(117,548)		
Increase (decrease) in:	-	-	
Non-current liabilities	(174)		
Trade payables and other current liabilities	69,180	(78,750)	342
Amounts owed to related parties	47,100	-	
Net cash generated from operations	**17,243**	**21,343**	**9,186**
Dividend received	2,716	1,697	1,275
Interest received	1	19	11
Interest paid	-	-	
Net cash provided by operating activities	**19,960**	**23,059**	**10,472**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments in equity instruments	-	1,715	1,129
Additions to investments in equity instruments		(28,280)	(7,614)
Cash from acquisition of a subsidiary		34,257	
Unrealized loss on available for sale financial assets	(6,320)		
Additions to plant and equipment	(8,461)	-	-
Net cash provided by (used in) investing activities	**(14,781)**	**7,692**	**(6,484)**
CASH FLOWS FROM A FINANCING ACTIVITY			
Payments of borrowings	-	-	-
EFFECTS OF FOREIGN EXCHANGE RATES ON CASH IN BANKS	**-**	**-**	**-**
NET INCREASE (DECREASE) IN CASH IN BANKS	**5,179**	**30,751**	**3,988**
CASH IN BANKS AT BEGINNING OF YEAR	**43,776**	**13,025**	13,025
CASH IN BANKS AT END OF YEAR	**48,955**	**43,776**	**17,013**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDEDJUNE 30, 2021 AND 2020

1. Corporate 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.

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

The ultimate parent of the Group is Steniel (Netherlands) Holdings B.V. (SNHBV), incorporated in the Netherlands and is the registered owner of 82.2716% of the shares of the Group. The remaining 17.7284% of the shares are widely held.

Consequent to the restructuring of the loan in 2010, remaining unissued capital stock of the Parent Company totaling 123,818,000 shares were issued to Roxburgh Investment Limited (Roxburgh) to reduce the Parent Company's outstanding debts (Notes 15 and 18). The issuance of shares resulted to recognition of additional paid in capital. As a result, Roxburgh owns 12.3818% of the Parent Company, while the ownership of SNHBV as well as the public have been reduced to 72.0849% and 15.5333%, respectively.

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

On January 25, 2012, the Parent Company received a tender offer report from SNHBV to purchase the 279,151,088 shares of minority investing public or 27.92% of the total issued shares at a price of P0.0012 per share or an aggregate price of P334.9 million. On February 25, 2012, only a total of 2,115,692 common shares were tendered in the Tender Offer and accepted by SNHBV, constituting 0.0021% of the total outstanding capital stock of the Parent Company. On March 8, 2012, payment for the Tendered Shares was delivered to the relevant broker participants on behalf of interested parties and there was a transfer to SNHBV of only 0.76% of the minority shares. Such accepted tender offer did not significantly change the percentage ownership of the minority investing public.

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

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

The tender offer commenced on October 12, 2020 and ended on November 10, 2020 (Tender Offer Period). A total of 11,780,533 common shares of STN were tendered during the Tender Offer Period, which comprise approximately 1.18% of the total issued and outstanding shares of STN. SNHBV owns 5% ownership with STN after registration of the sale and tender offer.

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

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

Structure

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

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

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

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

SMPC
Steniel Mindanao Packaging Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 30, 1995 primarily to engage in the business of manufacturing, importing, buying, selling or otherwise dealings in, at wholesale and retail, all kinds of paper, paper rolls, paper boards, cartons, containers, packaging materials and other pulp and paper products.

As at December 31, 2012, SMPC was a wholly-owned subsidiary of the Parent Company. In December 2013 the Parent Company sold 99.99% of its ownership or 9,249,995 common shares in SMPC to various entities and individuals. In 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for shares of the Parent Company. On December 29, 2020, the Parent Company issued 269,250,000 shares to the shareholders of SMPC effecting the share swap following the SEC approval of the Parent Company's increase in authorized capital stock on the same day (Note 18).

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

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

The unaudited interim consolidated financial statements of the Company and its subsidiaries have been approved and authorized for issuance by the Company's Board of Directors on June 25, 2021..

Status of Operations.

The Group has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P1,209.765 million and P1,237.992 million as at June 30, 2021 and December 31, 2020 respectively. Consequential to various measures implemented late 2020 resulted a normal Stockholders' Equity of P 600.564 M and P 578.656 M as at June 30, 2021 March 31, 2021 and December 31, 2020 respectively. These conditions, among others, indicate the existence of uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

To address such going concern matter, the management has taken the following measures:

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction and the conversion of loans from Greenkraft Corporation and Roxburgh Investments Limited into common shares in the Parent Company. To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the Articles of Incorporation to increase the authorized capital stock from P1 billion, divided into one billion common shares to P2 billion, divided into two billion common shares with par value of P1 per share (Notes 15 and 18).

On December 29, 2020, upon the SEC's approval of the Parent Company's increase in authorized capital stock, the Parent Company issued shares to the lenders effecting the debt to equity conversion thereby reducing the outstanding balance of the borrowings by P149.56 million. Further, The Parent Company also issued shares to the shareholders of SMPC effecting the share swap transaction resulting to a provisional gain of P158.27 million from the acquisition of a subsidiary (Note 5). The realization of these transactions resolved the capital deficiency position of the Group as at December 31, 2020.

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

1. 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 August 23, 2021.

Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis except for investment in equity securities which are carried at fair value.

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

Basis of Consolidation

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying unaudited interim consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS, which are 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 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.

The consolidated financial statements include the separate 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**	-

SCPC

The business operations of SCPC gradually slowed down in 2006. The temporary cessation of the plant's operation was approved by SCPC's Board of Directors (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 third parties. In October 2011, following the provisions of the Amended Omnibus Agreement between STN with its major creditors/lenders, SCPC submitted a merger application with SEC to absorb three (3) dormant subsidiaries namely Metroplas Packaging Products Corporation (MPPC), Metro Paper and Packaging Products, Inc. (MPPPI) and Steniel Carton System Corporation (SCSC), using June 30, 2011 financial statements, with the Company as the surviving entity. Prior to the merger with SCPC, MPPC, MPPI and SCSC are 100% owned by STN. This transaction was approved by the respective Companies' Board of Directors and Shareholders in October 2011.

On March 2, 2012, the SEC approved the certificate of filing of the articles and plan of merger, which documents were received by the Company on July 31, 2012. All the financial data presented for the periods prior to the merger have been restated to reflect the combined financial statements of the absorbed corporation as though the merger had occurred at the beginning of 2010. The effects of the Company's equity in the absorbed corporations, and intercompany receivables and payables were eliminated resulting in the combined results of operations.

The combined results of operations for the year ended December 31, 2011, which support the accompanying statements of total comprehensive income for the year ended December 31, 2011, include the results of operations of the absorbed corporations and of the Company for the year ended December 31, 2011 as if the entities had always been combined.

TPC

In September 2008, TPC temporarily ceased its operations due to the case filed against TPC by the owner of its office space and warehouse which was rendered by the court as meritorious and TPC then laid off its employees. In 2009, the obligation of TPC in relation to the above case was partially settled and fully settled in 2010.

SMPC

On December 27, 2013, the Board of Directors (BOD) of STN approved the sale of its 100% ownership or 9,249,995 common shares in the SMPC to thre entities and two individuals

Buyer	Number of Shares	Percentage of Ownership
Greenkraft Corporation	3,083,947	33.34%
Corbox Corporation	2,774,999	30.00%
Goldenbales Corporation	2,774,999	30.00%
Clement Chua	308,025	3.33%
Rex Chua	308,025	3.33%

The transfer of ownership from Steniel Manufacturing Corporation to the new owners had materialized upon issuance of the relevant Certificates Authorizing Registration by the Bureau of Internal Revenue on August 16, 2016.

3. Cash and cash equivalents

Cash as at June 30, 2021 consist of cash on hand and in banks. Cash in banks earn interest at the prevailing bank deposit rates between 0.425% to 0.625%.

4. Assets held-for-sale

This pertains to remaining assets and shares of stocks in an associate held for sale pursuant to 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 above secured loans were originally obtained from the lenders under the Omnibus Agreement's revolving working capital facility with annual interest rates.

A substantial portion of the property and equipment of the Company and its subsidiaries, and present and future receivables and inventories of its subsidiaries are used as collateral for the term loans and revolving capital facilities in accordance with the Omnibus Agreement. Further, the Omnibus Agreement provides for certain affirmative and negative covenants subject for compliance by the Company and its subsidiaries, with respect to, among others, (a) restriction on the declaration of dividends, incurrence of significant capital expenditures and commitments, and merger or consolidation; and (b) maintenance of current and debt-to-equity ratios of at least 1:1 and 1.5:1, respectively. Requirements on certain financial ratios were not met.

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 24, 2006. During the last quarter of 2006, a lending bank informed the Company of the assignment and sale of its outstanding balance of the loan to Greenkraft Corporation, a third party. Similarly, another lending bank advised the Company in June 2007 that it has also assigned its titles and rights relative to the loan to Investments 2234 Philippines Fund I (SPV- AMC), Inc. and in 2010, the latter assigned its titles and rights to the loan to Greenkraft Corporation. In 2009, the other lending bank also assigned its title and rights to the loan to Roxburgh Investments Limited.

On October 14, 2010, Greenkraft Corporation assigned its loans receivables amounting to P296,510 thousand to Roxburgh Investments Limited.

Consequently, the Company and its major creditors/lenders signed the Amended Agreement on October 15, 2010. The restructuring of the loan finally resolved the default situation. The Company's accrued interest which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was condoned during the year by its major creditors amounting to P294,634 thousand. In addition, the accrued interest in 2010 amounting to P13,052 thousand was also reversed in 2011 in relation to the 2-year grace period provided by its creditors . In 2013, the creditors/lenders granted STN two (2) years extension of principal repayment, reduction of interest rate from 6% p.a. to 2% p.a. for the first five (5) years and further waive interest charges until January 1, 2016. In 2017, the creditors have waived the interest expense from January 1, 2017 to December 31, 2017. The creditors continue their support to the company by granting another year of interest free obligation commencing from January 1, 2018.

5. Share capital

Share capital as at March 15, 2021 and December 31, 2020 consist of:

	No. of Shares	Par value per share	Amount
Authorized	2,000,000,000	1.00	2,000,000,000
Issued and outstanding	1,418,812,000	1.00	1,418,812,000

6. Others

(a) Commitments and contingent liabilities

In the normal course of business, the Group has various outstanding commitments and contingent liabilities, such as guarantees, commitments to extend credit facilities, commitments on lease, and suits/claims under litigation which are not shown in the consolidated financial statements.

In the opinion of the management of the Group, based on the advice of its external legal counsels, the ultimate disposition of the foregoing commitments and contingencies will not have a significant effect on the consolidated financial condition or operating results of the Group.

(b) Related party transactions

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 significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their 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.

* * * * *

__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 2nd quarter of 2021 was recorded at Peso 373.473 million consisting of Peso 354.574 million products sales and Service Income of Peso 18.899. The leasing income from the remaining machineries contributed Peso 9 million to the revenue of the company. Terms and conditions of the rental agreement will be maintained for a period of one year and renewable at the end of the contract period

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

Financial ratios Consolidated current assets as at June 30, 2021 amounted to Peso 1,324.316 million while current assets as at the same reporting date totaled Peso 302.896 million. The increase was mainly due to the business combination brought by SMPC, the manufacturing company in Davao. Consequently, consolidated current liabilities as at June 30, 2021 amounted to Peso 1,272.119 million while current liabilities as at the same reporting date last year totaled Peso 300.996 million. Principal obligations are being settled as they fall due. in accordance with the amortization schedule. Working capital ratio for the current quarter is 1.00. Working capital ratio is computed as the ratio of current assets over current liabilities.
Debt-to-equity ratio is at 2.1.

Part 2: MANAGEMENT DISCUSSION AND ANALYSIS

General Information and Group Structure

The Company has three operating subsidiaries nationwide that produce their own corrugated boards for conversion to finished boxes. These facilities are located in Cavite, Cebu 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 1 st 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 is now the owner of the 72.0849% shares of the Company consequently making it its ultimate holding company.

On January 25, 2012, the Company received a tender offer report from Right Total to purchase the 27.92% shares of minority investing public of the total issued shares at a price of P0.0012 per share or an aggregate price of P334,981. Payment of the price of the tender shares validly tendered and accepted for payment shall be by way of checks which shall be made available for pick up at the office of BDO Securities, Inc. three (3) days after the tender shares are crossed at PSE.

On December 27, 2013, the Board of Directors (BOD) of STN approved the sale of its 100% ownership or 9,249,995 common shares in the SMPC to the following entities and individuals:

Buyer	Number of Shares	Percentage of Ownership
Greenkraft Corporation	3,083,947	33.34%
Corbox Corporation	2,774,999	30.00%
Goldenbales Corporation	2,774,999	30.00%
Clement Chua	308,025	3.33%
Rex Chua	308,025	3.33%

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 P1,209.765 million and P1,237.992 million as at June 30, 2021, 2021 and December 31, 2020 respectively. Management action to address the negative equity resulted to a Stockholders' Equity of P600.564 and P 578.656 as at June 30, 2021 and December 31, 2020 respectively. These conditions, among others, significantly an indicative measure to the companies existence and uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction and the conversion of loans from Greenkraft Corporation and Roxburgh Investments Limited into common shares in the Parent Company. To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the Articles of Incorporation to increase the authorized capital stock from P1 billion, divided into one billion common shares to P2 billion, divided into two billion common shares with par value of P1 per share (Notes 15 and 18).

On December 29, 2020, upon the SEC's approval of the Parent Company's increase in authorized capital stock, the Parent Company issued shares to the lenders effecting the debt to equity conversion thereby reducing the outstanding balance of the borrowings by P149.56 million. Further, The Parent Company also issued shares to the shareholders of SMPC effecting the share swap transaction resulting to a provisional gain of P158.27 million from the acquisition of a subsidiary (Note 5). The realization of these transactions resolved the capital deficiency position of the Group as at December 31, 2020.

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

Results of Operations
Consolidated revenue for the 2nd quarter of 2021 generated from operations recorded Peso 373.473 million while maintaining the leasing activity contributing Peso 9 million to the Service Income..

Cost of sales on product sales and services recorded amounting to Peso 298.381million. Operating cost

and expenses on a consolidated basis for the three months ended June 30, 2021 amounted to Peso 54.405 million to support the manufacturing operation while at the same period last year operating expenses at Peso ..024 only. Further, no depreciation expense was recognized for the leased machineries as those were already fully depreciated. Operating cost was monitored at its minimum.

Interest charges for Long Term debt from Greenkraft is continuously waived.

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 current assets as at June 30, 2021, amounted to Peso 1,324.316 million while current assets as at the same reporting date totaled Peso 302.896 million. The increase was mainly due to the share swap of Steniel Mindanao Packaging Corporation as of December 31, 2020.. Consequently, consolidated current liabilities as at June 30,, 2021 totaled Peso 1,272.119 million while current liabilities as at the same reporting date last year totaled Peso 300.996 million. Principal obligations are being settled as they fall due. In accordance with the amortization schedule. Working capital ratio for the current quarter is 1.00.

Consolidated total assets as at June 30, 2021 amounted to Peso1,9882.923 million, compared to Peso 362.231 million as at June 30, 2020.

Working capital ratio is computed as the ratio of current assets over current liabilities. Debt-to-equity is recorded at 2.1.

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 and Other Receivables

As at June 30, 2021

	Amount (In 000Php)
Trade Receivables	
1 to 60 days	244,776
61 to 120 days	71,817
Over 120 days	87,364
	403,958
Other Receivables	
Prepaid Insurance/Importation Charges	15,719
Creditable withholding taxes	48,750
Input VAT	54,953
Advances to suppliers	5,437
	124,860
TOTAL	**528,817**

Annex D

MINUTES OF THE PREVIOUS STOCKHOLDERS' MEETING

MINUTES OF THE ANNUAL MEETING
OF THE SHAREHOLDERS

OF

STENIEL MANUFACTURING CORPORATION

Held on November 19, 2020, at 1:30 p.m.
(via Remote Communication)

STOCKHOLDERS PRESENT:

	No. of Shares	Percentage
Total shares issued and outstanding	1,000,000,000	100%
Stockholders Present and Represented	844,666,872	84.47%
In Person		
By Proxy		

DIRECTORS PRESENT:

Mark O. Vergara	-	Chairman of the Board
Nixon Y. Lim	-	President/CEO
Eliza C. Macuray	-	Vice President/CFO
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
Danniel Roy D. Amorin	-	Assistant Corporate Secretary

PROCEEDINGS

I. CALL TO ORDER

Mr. Mark O. Vergara, Chairman of the Board of Directors, called the meeting to order and presided over the same. The Chairman informed the stockholders that 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 October 28 and 29, 2020.

Further, Mr. Chan certified that based on the record of attendance, present for the meeting were stockholders, in person and by proxy, holding a total of 844,666,872 common shares or equivalent to 84.47% 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 2019 ANNUAL SHAREHOLDERS' MEETING

The Chairman presented for approval the Minutes of the Annual Stockholders' Meeting held on July 17, 2019. The Corporate Secretary then presented the results of voting for the approval of the minutes:

	Number of Shares	Percentage
In Favor	844,666,872	100%
Against	0	0%
Abstain	0	0%

IV. APPROVAL OF PRESIDENT'S REPORT AND FINANCIAL STATEMENTS

Upon the request of the Chairman, Mr. Nixon Y. Lim gave his report on the operations of the Corporation for the fiscal year 2019 and on the Audited Financial Statements as of December 31, 2019, as follows:

> "Another year had passed for Steniel Manufacturing Corporation and its Subsidiaries with a better outlook compared to the preceding year 2018. Your management is happy to report to you the result of operation with a net income of Php 12.12M. The leasing activity which was the main source of revenue was maintained and significantly reduced by the declining fair market values of investments in shares of stocks by Php 20.112M. Total Assets of the company as at December 31, 2019 totaled to Php 340.256M while total liabilities amounted to Php 449.655M. Long Term debt from Greenkraft Corporation and Roxburgh amounting to Php 339.562M represent 76%

of the total liabilities. Debt service were temporarily suspended from the 3rd Quarter of 2019 that pegged Long Term Debt amounting to Php 339.562M to be further reduced by Dacion en pago amounting to Php 120.600M. Long-term debt outstanding balance of Php 218.962M will be subjected for Equity conversion.

While the Board of Directors and your management team are working together to continue and remain focused on implementing measures of achieving sustainable growth, future activities including the move of additional capitalization from 1 Billion Pesos divided into 1 Billion shares to 2 Billion Pesos divided into 2 Billion shares to support the implementation of intensified program of the company including the debt to equity conversion.

We believe that a great challenge is ahead of us and with the continued support of the stockholders to your Board of Directors and management team working together with one vision, your company will get back on track with confidence of becoming stronger and a leader in the industry."

At the end of the presentation, Mr. Chan presented the results of voting for the approval of the President's Report and the 2019 Audited Financial Statements of the Corporation:

	Number of Shares	**Percentage**
In Favor	844,666,872	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	844,666,872	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 2020 to 2021:

Name		
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 2020 to 2021 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	844,666,872	100%
Against	0	0%
Abstain	0	0%

VII. RECONFIRMATION OF THE INCREASE IN AUTHORIZED CAPITAL STOCK FROM PHP1 BILLION TO PHP2 BILLION

The Chairman presented to the shareholders for reconfirmation the proposed amendment to the Seventh Article of the Corporation's Articles of Incorporation, increasing the Authorized Capital Stock from Php1 Billion to Php2 Billion.

The Corporate Secretary presented the results of voting:

	Number of Shares	Percentage
In Favor	844,666,872	100%
Against	0	0%
Abstain	0	0%

VIII. OTHER MATTERS

The Chairman proceeded to the question and answer portion of the meeting. Mr. Chan read the following question sent by a shareholder:

> "We understand that the Company just completed a tender offer to a group of investors, and is now having a capital increase ratified to re-acquire Steniel Mindanao. What is the rationale for these decisions? Are they related to any long-term future plan for the Company?
>
> The President answered as follows:
>
> My reply might be a bit long, but the simple straightforward response is – yes, these actions are all related to a future vision for Steniel. But at the same time, it is not as simple as that. The reality is that Steniel has long been operating just to be able to stay afloat and service its debt burden which at the time of restructuring in 2010 was at Php1.2 billion. And then there were regulatory issues, such as the trading suspension imposed by the PSE because of the rehabilitation proceedings commenced by the previous management in 2006. By the end of this year, 2020, all of these will become things of the past. With the successful tender offer and the increase in the capital stock of Steniel to Php2B to re-acquire Steniel Mindanao and retire the remaining portion of Steniel's debt – we will end 2020 with a very healthy company. Beginning 2021, Steniel will be moving forward, it will no longer be looking backward to the challenging years.
>
> With the tender offer and the re-acquisition of Steniel Mindanao, we have brought to the fore strong alliances and partnerships with investors and individuals who not only have long experience in the manufacturing of paper and corrugated carton containers and allied products - Greenkraft Corporation, Golden Bales Corporation and Corbox Corporation are also going to bring new businesses and synergies to Steniel. Your management's long-term plan for Steniel involves both organic growth and strategic acquisitions. Your management intends to utilize existing assets of Steniel, including those in Cavite. We have commenced talks with our new investors on the possibility of growing our markets not only in Mindanao, but also in Luzon and Visayas. We have begun with the re-acquisition of Steniel Mindanao. As reported earlier, the business prospects for Steniel Mindanao when integrated back into Steniel will greatly improve our financials. The business of Steniel Mindanao is at its strongest historically, notwithstanding the pandemic. We wish to replicate this success in other regions.
>
> At this point, we are likewise looking at a few acquisitions which we will hopefully fold into Steniel in the next 2-3 years.

There are many exciting things that will happen to Steniel and your management is currently working and will provide you more details in the next stockholders' meeting."

IX. ADJOURNMENT

There being no other matters to be discussed, the meeting was, upon motion made and duly seconded, adjourned.

CERTIFIED CORRECT:

PHIL IVAN A. CHAN
Corporate Secretary

ATTESTED BY:

MARK O. VERGARA
Chairman