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S.E.C. Registration Number

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(Company's Full Name)

G	A	T	E	W	A	Y		B	U	S	I	N	E	S		P	A	R	K	,												
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(Business Address: No. Street City / Town / Province)

Eliza C. Macuray
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Contact Person

+632361-9061
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Company Telephone Number

1	2	3	1
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Month Day  
Fiscal Year

1	7	-	Q
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FORM TYPE

Last Tuesday of April
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Month Day  
Annual Meeting

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

3	6	2	6
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Total No. of Stockholders

Total Amount of Borrowings

-
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Domestic

-
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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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LCU

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Document I.D.

\_\_\_\_\_  
Cashier

STAMPS
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Remarks = pls. use black ink for scanning purposes

SEC Number 23736  
File Number \_\_\_\_\_

**Steniel Manufacturing Corporation**  
(Company's Full Name)

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

**(046) 433-0066**  
(Telephone)

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

**Form 17-Q**  
Form Type

**Not Applicable**  
Amendment Designation (If applicable)

**September 30, 2024**  
Period Date Ended

**Not Applicable**  
Secondary License Type and File Number

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

We have reviewed the consolidated financial statements of **STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES** at September 30, 2024, which comprise of the consolidated statements of financial position, and the related consolidated statements of comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

We conducted our review in accordance with the Philippine Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of Group's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial statements are not presented fairly, in all material respects in accordance with the Philippine Financial Reporting Standards (PFRS).

**VALDES ABAD & COMPANY, CPAs**

BOA/PRC Reg. No. 0314

Issued on July 15, 2024, Valid until July 14, 2027

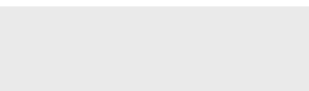
SEC Accreditation No. 0314 - SEC, Group A

Valid for 2022-2026 audit periods

BIR Accreditation No. 08-002126-000-2024

Issued on April 5, 2024, Valid until April 4, 2027

**For the firm:**



**ALENSO L. CAY-AN**

**Partner**

CPA Registration No. 99805, Valid until December 14, 2026

TIN No. [REDACTED]

PTR No. 10081734, Issued Date: January 8, 2024, Makati City

BOA/PRC Reg. No. 0314/P-004

Issued on July 15, 2024, Valid until July 14, 2027

SEC Accreditation No. 99805 - SEC, Group A

Valid for 2022-2026 audit periods

BIR Accreditation No. 08-002126-005-2024

Issued on April 5, 2024, Valid until April 4, 2027

Makati City, Philippines  
December 3, 2024

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended on September 30, 2024
2. Commission identification number 23736
3. BIR Tax Identification No 000-099-128
4. Exact name of issuer as specified in its charter Steniel Manufacturing Corporation
5. Province, country or other jurisdiction of incorporation or organization: Metro Manila, Philippines
6. Industry Classification Code:  (SEC Use Only)
7. Gateway Business Park, Brgy. Javalera, General Trias, Cavite  
Address of issuer's office
8. Issuer's telephone number, including area code (046) 433-0066
9. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

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

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

Yes [☒] No [☐]

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

11. Check whether the issuer:

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

Yes [☒] No [☐]

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

Yes [☒] No [☐]

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## SIGNATURES

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

Registrant : STENIEL MANUFACTURING CORPORATION



Signature : ~~Nixon Y. Lim~~  
Title : ~~President~~  
Date : ~~December 12, 2024~~



Signature : ~~Eliza C. Macaray~~  
Title : ~~Chief Financial Officer~~  
Date : ~~December 12, 2024~~

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

	<b>Nine Months Ended</b>		<b>Three Months Ended</b>	
	<b>30-Sep-24</b>	<b>30-Sep-23</b>	<b>30-Sep-24</b>	<b>30-Sep-23</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
<b>Revenues</b>				
Product Sales	P2,372,565	P2,456,377	P709,230	P717,834
Service Income	19,091	157,298	29	19,355
<b>Total revenues</b>	<b>2,391,656</b>	<b>2,613,675</b>	<b>709,259</b>	<b>737,189</b>
Cost of sales and services	(1,931,934)	(2,273,257)	(531,593)	(615,557)
<b>Gross profit</b>	<b>459,722</b>	<b>340,418</b>	<b>177,666</b>	<b>121,632</b>
Operating expenses	(261,339)	(253,209)	(105,964)	(88,793)
Finance charges	(66,095)	(41,576)	(23,160)	(7,684)
Other income(charges), net	29,994	159,529	(11,787)	140,909
<b>Income before provision for income tax</b>	<b>162,282</b>	<b>205,162</b>	<b>36,755</b>	<b>166,064</b>
Income tax expense	(62,955)	-	(32,386)	-
<b>Net Income</b>	<b>99,327</b>	<b>205,162</b>	<b>4,369</b>	<b>166,064</b>
<b>Other Comprehensive Income</b>				
Item that may be reclassified to profit or loss				
Unrealized gain on financial assets at fair value through other comprehensive income	23,418	-	17,385	-
Remeasurement of defined benefit obligation	-	-	-	-
Income tax expense	-	-	-	-
Effect of changes in tax rate	-	-	-	-
	<b>23,418</b>	<b>-</b>	<b>17,385</b>	<b>-</b>
<b>Total Comprehensive Income</b>	<b>P122,745</b>	<b>P205,162</b>	<b>P21,754</b>	<b>P166,064</b>
<b>Basic and Diluted Earnings Per Common Share</b>	<b>P0.0700</b>	<b>P0.1446</b>	<b>P0.0153</b>	<b>P0.1170</b>

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

	<b>30-Sep-24</b>	<b>31-Dec-23</b>	<b>30-Sep-23</b>
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	P100,924	P113,041	P163,204
Receivables - net	680,445	852,708	1,121,494
Inventories - net	2,211,908	2,040,582	1,805,063
Prepaid expenses and other current assets - net	787,405	267,941	309,914
	3,780,682	3,274,272	3,399,675
Asset held-for-sale	-	47,896	47,895
<b>Total Current Assets</b>	<b>3,780,682</b>	<b>3,322,168</b>	<b>3,447,570</b>
<b>Noncurrent Assets</b>			
Property and equipment - net	853,508	775,385	814,609
Right-of-use asset - net	19,308	19,308	24,870
Investments in equity instruments	184,405	135,229	86,437
Deferred tax assets	4,580	4,580	-
Other noncurrent assets	1,297	1,737	1,737
<b>Total Noncurrent Assets</b>	<b>1,063,098</b>	<b>936,239</b>	<b>927,653</b>
	<b>4,843,780</b>	<b>4,258,407</b>	<b>4,375,223</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade payables and other current liabilities	2,284,673	1,869,811	2,066,661
Amounts owed to related parties	46,140	47,883	41,433
Current portion of lease liabilities	9,403	9,403	6,677
Current portion of borrowings	1,010,884	942,134	703,278
Income tax payable	40,335	3,210	-
<b>Total Current Liabilities</b>	<b>3,391,435</b>	<b>2,872,441</b>	<b>2,818,049</b>
<b>Noncurrent Liabilities</b>			
Borrowings, net of current portion	447,409	468,231	563,476
Lease liabilities - net of current portion	12,812	12,812	20,876
Retirement benefits liability	21,888	13,940	12,099
Deferred tax liabilities - net	-	-	1,316
<b>Total Noncurrent Liabilities</b>	<b>482,109</b>	<b>494,983</b>	<b>597,767</b>
<b>Total Liabilities</b>	<b>3,873,544</b>	<b>3,367,424</b>	<b>3,415,816</b>
<b>Equity</b>			
Capital stock	1,418,812	1,418,812	1,418,812
Additional paid-in capital	408,423	408,423	408,423
Reserve for retirement benefits liability	204	204	204
Net unrealized gain/ (loss) on investments in equity instruments	26,398	6,003	(3,346)
Deficit	(883,601)	(942,459)	(864,686)
<b>Total Equity</b>	<b>970,236</b>	<b>890,983</b>	<b>959,407</b>
	<b>P4,843,780</b>	<b>P4,258,407</b>	<b>P4,375,223</b>

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



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

	<b>30-Sep-24</b>	<b>31-Dec-23</b>	<b>30-Sep-23</b>
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
<b>Capital stock</b>			
Authorized – 1 billion common shares P1 per share			
Issued and outstanding	<b>P1,418,812</b>	<b>P1,418,812</b>	<b>P1,418,812</b>
<b>Additional paid-in capital</b>	<b>408,423</b>	<b>408,423</b>	<b>408,423</b>
<b>Reserve for retirement benefits liability</b>			
Beginning	204	204	204
Reserve for retirement benefits liability	-	-	-
	<b>204</b>	<b>204</b>	<b>204</b>
<b>Net unrealized gain(loss) on investments in equity instruments</b>			
Beginning	6,003	(3,346)	(3,346)
Changes in fair value of investments in equity instruments	23,418	18,956	-
Transfer of fair value reserve of equity instruments designated at FVOCI	(3,023)	(9,607)	-
	<b>26,398</b>	<b>6,003</b>	<b>(3,346)</b>
<b>Deficit</b>			
Beginning	(942,459)	(1,069,848)	(1,069,848)
Prior period adjustments for written off cost of disposed investment	(47,896)	-	-
Prior period adjustments for investment in stocks	4,404	-	-
Net income during the year	99,327	117,782	205,162
Transfer of fair value reserve of equity instruments designated at FVOCI	3,023	9,607	-
	<b>(883,601)</b>	<b>(942,459)</b>	<b>(864,686)</b>
<b>Total Stockholders' Equity</b>	<b>P970,236</b>	<b>P890,983</b>	<b>P959,407</b>

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

	<b>30-Sep-24</b>	<b>31-Dec-23</b>	<b>30-Sep-23</b>
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	P162,282	P174,206	P205,162
Adjustments for:			
Depreciation	123,401	249,378	114,326
Interest expense	66,095	77,970	41,576
Dividend income	(5,605)	(5,550)	(4,550)
Interest on lease	-	3,608	-
Retirement expense	7,948	4,036	2,195
Interest income	(41)	(51)	(24)
Reversal of provision for losses on receivables	(19,407)	-	-
Reversal of provision for inventory obsolescence	(15,409)	-	-
Gain on disposal of investment	-	(117,295)	(117,295)
Operating income(loss) before working capital changes	319,264	386,302	241,390
Decrease(increase) in:			
Receivables	191,670	8,563	(260,223)
Inventories	(155,917)	(152,122)	83,397
Prepaid expenses and other current assets	(545,295)	(129,657)	(112,520)
Increase(decrease) in:			
Trade payables and other current liabilities	414,861	(167,422)	29,428
Net cash generated from operations	224,583	(54,336)	(18,528)
Interest paid	(64,943)	(77,970)	(41,576)
Dividend received	5,605	5,550	4,550
Benefits paid	-	-	-
Interest received	41	51	24
Net cash provided by (used in) operating activities	<b>165,286</b>	<b>(126,705)</b>	<b>(55,530)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment	(201,523)	(80,426)	(55,618)
Proceeds from sale of property and equipment	-	-	-
Proceeds from sale of investments in equity instruments	16,589	69,421	38,879
Additions to investments in equity instruments	(37,942)	(86,605)	(26,227)
Decrease in other noncurrent assets	440	1,882	1,882
Net cash provided by (used in) investing activities	<b>(222,436)</b>	<b>(95,728)</b>	<b>(41,084)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan availment	1,279,000	3,732,865	317,602
Payments of borrowings	(1,232,224)	(3,360,858)	(89,206)
Increase (decrease) in amounts owed to related parties	(1,743)	(11,737)	(18,187)
Payment of finance lease liability	-	(70,797)	-
Interest paid on leases	-	(3,608)	-
Net cash provided by (used in) financing activities	<b>45,033</b>	<b>285,865</b>	<b>210,209</b>
<b>NET INCREASE(DECREASE) IN CASH</b>	<b>(12,117)</b>	<b>63,432</b>	<b>113,595</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>113,041</b>	<b>49,609</b>	<b>49,609</b>
<b>CASH END OF YEAR</b>	<b>P100,924</b>	<b>P113,041</b>	<b>P163,204</b>

**STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES****NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND YEAR ENDED DECEMBER 31, 2023

**1. Corporate information**Background

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

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

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

Shareholdings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Subsidiaries

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

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

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

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

#### 1. *Steniel Cavite Packaging Corporation (SCPC)*

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

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

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

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

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

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

#### 2. *Steniel Mindanao Packaging Corporation (SMPC)*

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

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

In 2019, the BOD and Stockholders of the Company approved the reacquisition of shares of SMPC through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for

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

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

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

As at September 30, 2024, the operating subsidiaries of the Company are SCPC and SMPC.

#### Debt Restructuring

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

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

- The outstanding principal and accrued interest expense as at September 30, 2010 was restructured for 25years.
- Conditional waiver of penalty and other charges upon the faithful performance by the Parent Company of the terms of restructuring.
- The outstanding principal and accrued interest expense as of September 30, 2010 shall be reduced via dacion en pago or sale of the following properties: (a) all of the outstanding common and preferred shares of stock in Steniel Land Corporation (SLC); (b) identified idle assets of the Parent Company and its subsidiaries; and (c) by way of conversion into equity through the issuance of the Parent Company's unissued capital stock.
- The outstanding principal amount after the dacion en pago or sale of properties shall be paid in 92 consecutive quarterly installments starting in January 2013.
- The outstanding portion of the accrued interest after equity conversion shall be paid in 40 consecutive quarterly installments starting after year 15 from the date of restructuring.
- The restructured accrued interest expense prior to loan restructuring will be subject to interest of 8% per annum.

- Restructured outstanding principal will be subject to interest of 6% per annum for 15 years and 8% per annum on the sixteenth (16<sup>th</sup>) year and onwards.
- The restructured loan shall be secured by the assets/collateral pool under the Collateral Trust Agreement.
- All taxes and fees, including documentary stamp taxes and registration fees, shall be for the account of the Group.
- All other costs and expenses of restructuring including documentation costs, legal fees, and out-of-pocket expenses shall be for the account of the Parent Company, and
- Other conditions include:
  - a. Lenders representative to be elected as director in the Parent Company and in each of its subsidiaries.
  - b. A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.
  - c. No dividend declaration or payments until the restructured obligations are fully paid.
  - d. No new borrowing, unless with written consent of the lenders.
  - e. No repayment or prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.
  - f. Creditor's consent for change in material ownership in the Group and mortgagors.
  - g. Standard covenants, representations and warranties.

#### Dacion en pago and Equity Conversion

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

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

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

#### Restructuring of Subsidiaries

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

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

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

In September 2023, the dacion en pago was completed relating to the Group's shares in SLC. The Group assigned its 727,050 preferred shares in SLC to Greenkraft to fully settle its remaining balance of borrowings to Greenkraft amounting to P190 million. As at June 30, 2024, and December 31, 2023, Greenkraft holds 100% interest in SLC.

#### Interest Payments

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

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

#### Status of Operations

The Group has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P884 million and P942 million, as at September 30, 2024 and December 31, 2023, respectively.

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

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

On December 29, 2020, upon the SEC's approval of the Company's application for increase in authorized capital stock, the Company issued shares to the lenders effecting the debt to equity conversion thereby



reducing the outstanding balance of the borrowings by P149.56 million. Further, the Company also issued shares to the shareholders of SMPC effecting the share swap transaction resulting to a provisional gain of P158.27 million from the acquisition of a subsidiary. The realization of these transactions resolved the capital deficiency position of the Group in 2021 and 2020.

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

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

## **2. Basis of Preparation**

### Statement of Compliance

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

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

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

### Basis of Measurement

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

### Functional and Presentation Currency

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

### Basis of Consolidation

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

Subsidiaries are entities controlled by the Group. In accordance with PFRS 10, *Consolidated Financial Statements*, the Group controls an entity when it is exposed to, or has the rights to, variable returns from

its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control and continue to be consolidated until the date when such control ceases.

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

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

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

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

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

### 3. Summary of Significant Accounting Policies

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

#### Adoption of Amendments to Standards and Interpretations

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

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

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

*Amendments to PFRS 17, Insurance Contracts* – the amendments' purpose is to address concerns and implementation challenges that were identified after PFRS 17 'Insurance Contracts' was published in 2017. The main changes are: deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023; additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk; recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination; extension of the risk mitigation option to

include reinsurance contracts held and non-financial derivatives; amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held; simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts; and several small amendments regarding minor application issues.

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

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

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

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

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

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

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

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

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

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

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

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

#### Effective beginning on or after January 1, 2024

##### *Lease Liability in a Sale and Leaseback (Amendments to PFRS 16)*

The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognized no gain or loss relating to the right of use it retains.

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

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

##### *Classification of Liabilities as Current or Noncurrent – 2020 amendments and Non-Current Liabilities with Covenants – 2022 amendments (Amendments to PAS 1, Presentation of Financial Statements).*

To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

- Removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead required that the right must have substance and exist at the end of the reporting period;
- Clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
- Provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and
- Clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retained application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

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

#### Effective beginning on or after January 1, 2025

##### *PFRS 17, Insurance Contracts*

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

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

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

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

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

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

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

#### Current versus non-current classification

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

An asset as current when it is: (a) expected to be realized or intended to be sold or consumed in normal operating cycle; (b) primarily held for the purpose of trading; (c) expected to be realized within twelve months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

### Financial Instruments

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

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

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

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

### Financial Assets

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

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

The business model refers to how the Group 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 the management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future salary activity.
- Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

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

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

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

The Group has no financial assets at FVPL as at September 30, 2024 and December 31, 2023.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's cash, receivables and refundable deposits are included under this category.

Cash in banks are stated at face value.

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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



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

#### Financial Liabilities

The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Group determines the classification of 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 September 30, 2024, and December 31, 2023, the Group has no financial liabilities at FVPL.

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

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

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

#### Derecognition of Financial Assets and Liabilities

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

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

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

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

#### Impairment of Financial Assets

The Group recognizes loss allowances for ECLs on financial assets measured at amortized.

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

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

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

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

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the restructuring of financial asset by the Group on terms that the Group would not consider otherwise;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) the disappearance of an active market for that financial asset because of financial difficulties;

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

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income

that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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

#### Classification of Financial Instruments between Liability and Equity

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

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

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

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

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

#### Offsetting Financial Instruments

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

#### Business Combination

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

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

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

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

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

▪ *Goodwill in a Business Combination*

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

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

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

Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined on the basis of weighted average method. The cost of finished goods and work in process comprise raw materials used,

direct labor costs and other direct costs and related production overheads (based on normal operating capacity). Materials and supplies are stated at invoice cost plus importation and other incidental charges. NRV is the estimated selling price in ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

#### Prepaid Expenses and Other Current Assets

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

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

#### Property and Equipment

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

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

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

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

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

	Number of Years
Machinery and equipment	3-10
Building and improvement	5

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

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

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

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

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

#### Asset Held-for-Sale

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

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

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

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

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

#### Impairment of Nonfinancial Assets

The carrying amounts of prepaid expenses and other current assets, asset held-for-sale, right-of-use asset and property and equipment, are reviewed for impairment when events or changes in circumstances

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

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

#### Fair Value Measurements

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

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

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

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

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

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

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

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

## Employee Benefits

### *Short-term Employee Benefits*

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

### *Retirement Benefits*

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

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

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

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

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

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

## Capital Stock

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

### Additional Paid-in Capital

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

### Retained Earnings (Deficit)

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



## Revenue Recognition

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

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

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

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

### *Revenue from Product Sales*

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

### *Service income*

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

### *Rent Income*

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

### *Dividend income*

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

### *Interest income*

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

### *Other income*

Other Income is recognized when earned.

### Cost and Expenses

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

### Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

### Leases

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

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

#### *Group as Lessor*

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

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

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

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

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

#### *Group as Lessee*

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove

the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

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

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

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

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

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

#### Foreign Currency Transactions and Translation

##### *Transactions and Balances*

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

## Taxes

Income tax expense for the year is composed of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (NICIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can 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 recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

*Value-added Tax (VAT)*. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade payables and other current liabilities" accounts in the consolidated statements of financial position.

#### Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

#### Operating Segments

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

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

#### Basic and Diluted Earnings Per Share (EPS)

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

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

#### Provisions

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

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

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

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

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

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

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected: and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales 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 September 30, 2024 and December 31, 2023.

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

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

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

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

#### 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.

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

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

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

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

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

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

The Group has assessed that the ECL on other financial assets at amortized cost is 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 September 30, 2024 and December 31, 2023. The carrying amounts of other financial assets at amortized cost are as follows:

	30-Sep2024	31-Dec-2023
Cash in banks	<b>P100,814</b>	P112,951
Receivables	<b>680,445</b>	852,708
Refundable security deposits	<b>19,643</b>	13,099
	<b>P800,902</b>	P978,758

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

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

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

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

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

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

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

will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

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

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

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

Deferred tax assets of STN and SCPC have not been recognized as at September 30, 2024 and December 31, 2023, because management believes that it is not probable that future taxable profit will be available against which the deferred tax assets may be utilized.

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

The Group has not recognized any provisions in 2024 and 2023.

## 5. Business Combination

On December 29, 2020, the Group acquired 269,250,000 shares of SMPC, representing 100% equity interest in SMPC, in exchange for the 269,250,000 shares of stock of the Parent Company, issued at par value of P1 (Notes 1 and 16).

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

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

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

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

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

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

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

## 6. Cash

This account consists of:

	30-Sep-2024	31-Dec-2023
Cash in banks	P 100,814	P112,951
Cash on hand	110	90
	<b>P 100,924</b>	<b>P113,041</b>

## 7. Receivables

This account consists of:

	30-Sep-2024	31-Dec-2023
Trade receivables	P707,971	P906,524
Non-trade receivables	30,590	23,707
	<b>738,561</b>	<b>930,231</b>
Less allowance for impairment losses on:		
Trade receivables - third parties	(58,116)	(77,523)
	<b>P680,445</b>	<b>P852,708</b>

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

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

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

	<b>30-Sep-2024</b>	<b>31-Dec-2023</b>
Balance at beginning of year	<b>P77,523</b>	P77,523
Reversal of provision for loss on receivables	<b>(19,407)</b>	-
Allowance during the year	-	-
Balance at end of year	<b>P58,116</b>	P77,523

## 8. Inventories

Inventories stated at lower of cost and NRV consist of:

	<b>30-Sep-2024</b>	<b>31-Dec-2023</b>
Raw Materials	<b>P1,904,343</b>	P1,768,884
Work-in-process	<b>37,162</b>	33,916
Materials and supplies	<b>217,007</b>	193,263
Finished goods	<b>64,805</b>	71,338
	<b>2,223,317</b>	2,067,401
Less allowance for inventory write-down	<b>(11,409)</b>	(26,819)
	<b>P2,211,908</b>	P2,040,582

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

	<b>30-Sep-2024</b>	<b>31-Dec-2023</b>
Balance at beginning of year	<b>P26,819</b>	P26,819
Reversal of provision for inventory obsolescence	<b>(15,410)</b>	-
Allowance during the year	-	-
Balance at end of year	<b>P11,409</b>	P26,819

## 9. Prepaid Expenses and Other Current Assets

This account consists of:

	<b>30-Sep-2024</b>	<b>31-Dec-2023</b>
Input VAT – net	<b>P161,120</b>	P53,860
Creditable withholding taxes	<b>77,006</b>	63,200
Prepaid importation charges	<b>510,916</b>	123,729
Refundable security deposits	<b>18,346</b>	11,362
Advances to suppliers	<b>1,863</b>	1,863
Prepaid insurance	<b>9,836</b>	5,340
Other prepayments	<b>10,161</b>	10,430
	<b>789,248</b>	269,784
Less allowance for impairment losses	<b>(1,843)</b>	(1,843)
	<b>P787,405</b>	P267,941

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

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

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

Other prepayments include prepaid expenses for the period.

## 10. Asset Held-for-Sale

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

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

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

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

The movements and balances of the asset held-for-sale as at September 30, 2024, and December 31, 2023 are as follows:

<b>Cost</b>	
January 1, 2010	₱ 417,779
<b>Accumulated Share in Net Losses</b>	
January 1, 2010	(28,012)
Share in financial performance for the year	(55,197)
	(83,209)
Allowance for impairment	(199,958)
<b>Carrying Amount</b>	
Carrying amount reclassified as asset held-for-sale in 2010	134,612
Assigned/written-off in 2012	(13,762)
Disposal	(249)
Carrying amount as of January 1, 2023	120,601
Assigned in 2023	(72,705)
<b>Asset Held-for-Sale as of December 31, 2023</b>	<b>47,896</b>
Impairment/Written-off	(47,896)
<b>Asset Held-for-Sale as of September 30, 2024</b>	<b>₱ -</b>

## 11. Property and Equipment

The movements and balances of property and equipment as at September 30, 2024 and December 31, 2023 are as follows:

Particulars	Machinery and Equipment			Leasehold Improvements		Transportation Equipment		Furniture, Fixtures and Equipment		Building and Improvements		Construction in Progress		Total
	Land	Equipment	Improvements											
<b>Cost</b>														
December 31, 2022	P185,587	P607,931		P40,411		P18,736		P12,636		P344,876		P5,653	P1,215,830	
Additions	-	29,435		1,970		4,261		3,760		1,392		39,608	80,426	
Disposals	-	-		-		(288)		-		-		-	(288)	
<b>December 31, 2023</b>	<b>185,587</b>	<b>637,366</b>		<b>42,381</b>		<b>22,709</b>		<b>16,396</b>		<b>346,268</b>		<b>45,261</b>	<b>1,295,968</b>	
Additions	-	58,162		15,041		1,177		6,684		1,400		119,061	201,523	
Disposals	-	-		-		-		-		-		-	-	
<b>September 30, 2024</b>	<b>185,587</b>	<b>695,528</b>		<b>57,422</b>		<b>23,886</b>		<b>23,080</b>		<b>347,668</b>		<b>164,322</b>	<b>1,497,491</b>	
<b>Accumulated Depreciation and Amortization</b>														
December 31, 2022	-	262,588		23,533		7,020		6,594		42,778		-	342,513	
Depreciation	-	101,347		7,434		3,896		2,953		62,728		-	178,358	
Disposals	-	-		-		(288)		-		-		-	(288)	
<b>December 31, 2023</b>	<b>-</b>	<b>363,935</b>		<b>30,967</b>		<b>10,628</b>		<b>9,547</b>		<b>105,506</b>		<b>-</b>	<b>520,583</b>	
Depreciation	-	66,930		3,967		2,820		2,467		47,218		-	123,401	
Disposals	-	-		-		-		-		-		-	-	
<b>September 30, 2024</b>	<b>-</b>	<b>430,865</b>		<b>34,934</b>		<b>13,448</b>		<b>12,014</b>		<b>152,724</b>		<b>-</b>	<b>643,984</b>	
<b>Carrying amount</b>														
December 31, 2023	P185,587	P273,431		P11,414		P12,081		P6,849		P240,762		P45,261	P775,385	
September 30, 2024	P185,587	P264,663		P22,488		P10,438		P11,066		P194,944		P164,322	P853,508	

The land and improvements thereon in San Vicente, Davao del Norte and land in Carmen, Davao del Norte are subject to mortgage under the Omnibus Loan and Security Agreement (OLSA) entered by the SCPC, SMPC and another affiliate in 2021 (Note 15). As at September 30, 2024, the aggregate carrying amount of mortgaged land and improvements amounted to P185.587 million.

## 12. Investments in Equity Instruments

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

The movements in investments in equity instruments are as follows:

	30-Sep-2024	31-Dec-2023
<b>Cost</b>		
Balance at beginning of year	<b>P129,226</b>	P102,435
Additions	<b>37,942</b>	86,605
Disposals	<b>(13,566)</b>	(59,814)
Adjustments	<b>4,405</b>	-
Balance at end of year	<b>158,007</b>	129,226
<b>Changes in Fair Value</b>		
Balance at beginning of year	<b>6,003</b>	(3,346)
Changes in fair value	<b>23,418</b>	18,956
Transfers of fair value reserve for investments in equity instruments designated at FVOCI	<b>(3,023)</b>	(9,607)
Balance at end of year	<b>26,398</b>	6,003
	<b>P184,405</b>	P135,229

## 13. Refundable Deposits

This account consists of:

	30-Sep-2024	31-Dec-2023
Current portion (Note 9)	<b>P18,346</b>	P11,362
Noncurrent portion	<b>1,297</b>	1,737
	<b>P19,643</b>	P13,099



#### 14. Trade Payables and Other Current Liabilities

This account consists of:

	30-Sep-2024	31-Dec-2023
Trade payables	P113,844	P403,780
Payable to bank	1,098,616	382,335
Advances from customers	267,997	424,158
Accrued expenses	566,142	544,003
Deferred output VAT	9,417	103,376
Payable to government agencies	228,393	11,922
Others	264	237
	<b>P2,284,673</b>	<b>P1,869,811</b>

#### 15. Loans and Borrowings

This account consists of:

	30-Sep-2024	31-Dec-2023
Local bank loan:		
Short-term loans	P1,010,884	P942,134
Net of current portion	447,409	468,231
	<b>P1,458,293</b>	<b>P1,410,365</b>

##### Short-term Loans

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

##### Omnibus Loan and Security Agreement (OLSA)

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

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

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

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

the principal and interest. The principal payments shall be made in 72 equal monthly amortizations beginning on the 13th month from the initial drawdown date.

- b) The Borrowers shall pay interest on the outstanding advance monthly in arrears at the interest rate on each interest payment for the interest period. The interest rate on the advance payment shall be the prevailing market rate as of the repricing date.
- c) The Borrowers shall not sell, lease, transfer, grant or otherwise dispose all or substantially all of its properties and assets, except for leases entered into with any of the Borrower's affiliates for the lease of DPI Box Plant and Printing Plant.
- d) Cross default and cross acceleration provision as an event of default. This is when the Borrower defaults in the payment of principal or interest or commits violation of any terms and conditions, or accelerate or permit acceleration, of any agreement and the lender believes that the breach or violation will adversely and materially affect the Borrower's operations or ability to perform its obligation under the OLSA.
- e) No new borrowing, unless with consent of the lenders.
- f) Creditor's consent for change in material ownership in the borrowers and mortgagors.
- g) Standard covenants, representations and warranties

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

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

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

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

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

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

#### Omnibus Agreement (Amended in 2010)

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

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

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

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

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

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

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

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

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

## 16. Equity

### Capital Stock

Capital stock as at September 30, 2024, and December 31, 2023 consists of:

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

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

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

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

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

### Additional Paid-in Capital

The Parent Company's loans were restructured in October 2010 and the 123,817,953 unissued shares amounting to P123.82 million were issued to a creditor to settle portion of the loan amounting to P247.63 million. The excess of the amount settled over the amount of issued shares (P123.81 million) was recognized as part of additional paid-in capital (Note 1).

### Earnings Per Share

Basic earnings per common share in centavos for the 9 months ended September 30, 2024, and year ended December 31, 2023 is calculated as follows:

	30-Sep-2024	31-Dec-2023
Net income	<b>P99,327</b>	P117,782
Divided by weighted average number of common shares, in thousands	<b>1,418,812</b>	1,418,812
Basic and diluted earnings per share	<b>P0.0700</b>	P0.0830

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

## 17. Revenues

Recognition of each revenue stream is as follows:

	30-Sep-2024	31-Dec-2023	31-Dec-2022
Products sold at point in time	<b>P2,372,565</b>	P3,225,431	P1,716,844
Services transferred over time	<b>19,091</b>	181,436	488,569
	<b>P2,391,656</b>	P3,406,867	P2,205,413

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

	30-Sep-2024	31-Dec-2023	31-Dec-2022
Local sales	<b>P1,793,692</b>	P2,616,679	P1,037,570
Indirect export sales	<b>534,531</b>	700,186	675,932
Sales of scrap	<b>96,227</b>	72,023	40,172
Sales discount	<b>(51,885)</b>	(163,457)	(36,830)
Total	<b>P2,372,565</b>	P3,225,431	P1,716,844

## 18. Cost of Sales and Services

This account consists of:

	30-Sep-2024	31-Dec-2023	31-Dec-2022
Cost of sales	<b>P1,923,257</b>	P2,862,344	P1,653,233
Cost of services	<b>8,677</b>	121,636	170,401
	<b>P1,931,934</b>	P2,983,980	P1,823,634

### Cost of Sales

Details of the account as follows:

	30-Sep-2024	31-Dec-2023	31-Dec-2022
<b>Cost of sales</b>			
Raw materials, beg	<b>P1,768,884</b>	P1,729,512	P549,309
Add: Purchases	<b>1,662,979</b>	2,550,446	2,630,557
Total raw materials	<b>3,431,863</b>	4,279,958	3,179,866
Less: Raw materials, end	<b>(1,904,343)</b>	(1,768,884)	(1,729,512)
Raw materials used	<b>1,527,520</b>	2,511,074	1,450,354
Direct labor	<b>30,682</b>	41,968	15,528
Factory overhead	<b>361,768</b>	345,563	221,704
Total manufacturing cost	<b>1,919,970</b>	2,898,605	1,687,586
Add: Work-in-process, beg	<b>33,916</b>	24,573	13,427
Total goods available for manufacturing	<b>1,953,886</b>	2,923,178	1,701,012
Less: Work-in-process, end	<b>(37,162)</b>	(33,916)	24,574
Total goods manufactured	<b>1,916,724</b>	2,889,262	1,676,438
Add: Finished goods, beg	<b>71,338</b>	44,419	21,214
Total goods available for sale	<b>1,988,062</b>	2,933,681	1,697,652
Less: Finished goods, end	<b>(64,805)</b>	(71,338)	(44,419)
	<b>P1,923,257</b>	<b>P2,862,344</b>	<b>P1,653,233</b>

Cost of Services

Details of the account as follows:

	30-Sep-2024	31-Dec-2023	31-Dec-2022
<b>Cost of services:</b>			
Materials used	<b>P2,595</b>	P31,732	P39,819
Rent	<b>1,709</b>	-	-
Indirect labor	<b>1,355</b>	18,159	30,231
Depreciation and amortization	<b>1,068</b>	23,142	62,123
Utilities	<b>604</b>	4,619	5,948
Salaries, wages and benefits	<b>552</b>	7,978	16,822
Supplies	<b>383</b>	3,531	2,443
Repairs and maintenance	<b>127</b>	-	-
Outside services	<b>98</b>	1,255	4,919
Warehousing cost	<b>62</b>	695	1,861
Insurance	<b>63</b>	2,490	5,204
Fuel and oil	<b>9</b>	111	477
Taxes and licenses	<b>2</b>	40	113
Others	<b>50</b>	300	441
	<b>P8,677</b>	P94,052	P170,401

Details of factory overhead for the years ended

	30-Sep-2024	31-Dec-2023	31-Dec-2022
Indirect materials used	<b>P144,233</b>	P70,980	P36,756
Indirect labor	<b>75,317</b>	79,691	40,614
Depreciation and amortization	<b>59,375</b>	141,717	85,954
Supplies	<b>21,274</b>	2,737	14,964
Utilities	<b>33,596</b>	8,461	18,197
Repairs and maintenance	<b>7,053</b>	19,003	11,766
Outside services	<b>5,434</b>	6,600	4,540
Rent	<b>5,025</b>	-	-
Warehousing cost	<b>3,467</b>	2,480	3,155
Insurance	<b>3,491</b>	13,097	4,804
Fuel and oil	<b>504</b>	585	441
Taxes and licenses	<b>110</b>	212	105
Others	<b>2,889</b>	-	408
	<b>P361,768</b>	P345,563	P221,704

## 19. Operating Expenses

This account consists of:

	30-Sep-2024	31-Dec-2023	31-Dec-2022
Depreciation	P62,960	P84,517	P84,121
Salaries, wages and employee benefits	62,889	71,581	56,328
Delivery expense	50,876	58,330	43,017
Professional fees, outside services and legal fees	34,523	21,755	15,087
Insurance, taxes and licenses	35,216	46,477	18,041
Utilities	23,976	51,963	16,043
Representation and entertainment	2,598	16,806	3,717
Office and Computer supplies	3,111	4,206	2,819
Transportation and travel	4,082	4,706	6,504
Repairs and maintenance	2,998	2,112	1,687
Listing Fees	920	261	250
Rent expense	1,117	-	-
Publication fees	185	-	-
Provision for impairment	-	-	12,582
Reversal of previously recognized inventory write-down	(15,409)	-	(3,960)
Reversal of impairment losses of receivables	(19,407)	-	-
Others	10,704	6,716	3,977
	P261,339	P369,430	P268,133

Other expenses includes commissions and incentives to third parties, photocopy expenses, advertising, bank charges, and other miscellaneous expenses.

## 20. Other Income (Charges)

This account consists of:

	30-Sep-2024	31-Dec-2023	31-Dec-2022
Dividend Income	P5,605	P5,550	P4,759
Interest Income	41	51	38
Realized gain/loss on change in foreign exchange rate	(153)	5,624	(51,432)
Unrealized foreign exchange gains (losses)	7,829	-	-
Gain on disposal of investment	-	117,295	-
Gain on sale of property and equipment	-	-	4,000
Others	16,672	46,223	5,913
Total	P29,994	P174,743	P(36,722)

Others include penalty charges and interest income for late payment of receivables.

## **21. Significant Agreements**

### Tolling Agreements

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

### Lease Agreements

#### *Group as Lessor*

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

#### *Group as Lessee*

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

### Asset Sale Agreement

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

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

### Long-term Supply Agreement

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



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

## **22. Financial Risk and Capital Management Objectives and Policies**

### Objectives and Policies

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

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

### Liquidity Risk

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

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

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

### Credit Risk

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

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

	30-Sep-2024	31-Dec-2023
Cash in banks	<b>P100,814</b>	P112,951
Receivables	<b>680,445</b>	852,708
Refundable security deposits	<b>19,643</b>	13,099
<b>Total</b>	<b>P800,902</b>	P978,758

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

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

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

#### *Cash in Banks*

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

#### *Receivables*

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

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

#### *Refundable Security Deposits*

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

#### *Credit Quality and Expected Credit Loss Assessment*

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

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

<b>September 30, 2024</b>	<b>High Grade</b>	<b>Medium Grade</b>	<b>Low Grade</b>	<b>Total</b>
Cash in banks	<b>P100,814</b>	<b>P-</b>	<b>P-</b>	<b>P100,814</b>
Receivables	-	<b>622,329</b>	<b>58,116</b>	<b>680,445</b>
Refundable deposits	-	<b>19,643</b>	-	<b>19,643</b>
	<b>P100,814</b>	<b>P641,972</b>	<b>P58,116</b>	<b>P800,902</b>

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

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

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

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

The Group classifies its receivables into the following credit grades:

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

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

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

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

#### Market Risk

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

#### *Foreign Currency Risk*

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

#### *Interest Rate Risk*

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

#### *Share Price Changes of Investments in Equity Instruments*

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

#### Fair Value Estimation of Financial Assets and Liabilities

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

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

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

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

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

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

#### Capital Management

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

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

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

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

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

The Group is not subject to externally imposed capitalization requirements.

## 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 3<sup>rd</sup> quarter of 2024 was recorded at Peso 2,392 million consisting of Peso 2,373 million products sales and service income of Peso 19 million.

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

**Financial ratios** Consolidated current assets as at September 30, 2024 amounted to Peso 3,781 million while current assets as at the same reporting date last year totaled Peso 3,448 million. Consequently, consolidated current liabilities as at September 30, 2024 amounted to Peso 3,391 million while current liabilities as at the same reporting date last year totaled Peso 2,818 million. Principal obligations are being settled as they fall due in accordance with the amortization schedule. Working capital ratio for the current quarter is 1.11. Working capital ratio is computed as the ratio of current assets over current liabilities. Debt-to-equity ratio is at 3.99. Below are the Financial Highlights and Key Performance Indicators of the Group.

Financial Highlights and Key Performance Indicators					
<b>Consolidated Balance Sheet (amounts in thousands)</b>					
	As at September 30, 2024	As at December 31 2023	Increase (Decrease)		
			Amount	%	
Total Assets	₱ 4,843,780	₱ 4,258,407	₱ 585,373	13.75%	
Current Assets	3,780,682	3,322,168	458,514	13.80%	
Total Liabilities	3,873,544	3,367,424	506,120	15.03%	
Current Liabilities	3,391,435	2,872,441	518,994	18.07%	
Interest-bearing Loans	1,458,293	1,410,365	47,928	3.40%	
Equity	970,236	890,983	79,253	8.90%	
<b>Consolidated Statements of Comprehensive Income</b>					
	For the 9 months ended September 30 2024	For the 9 months ended September 30 2023	Increase (Decrease)		
			Amount	%	
Revenues (gross)	₱ 2,391,656	₱ 2,613,675	₱ (222,019)	(8.49%)	
Gross Profit	459,722	340,418	119,304	35.05%	
General & administrative expenses	261,339	253,209	8,130	3.21%	
Earnings Before Interest, Taxes, Dep'n. & Amort.	228,377	246,738	(18,361)	(7.44%)	
Profit / (Loss) before tax	162,282	205,162	(42,880)	(20.90%)	
Profit / (Loss) after tax	99,327	205,162	(105,835)	(51.59%)	
Total Comprehensive Income (loss)	122,745	205,162	(82,417)	(40.17%)	
<b>Consolidated Cash Flows</b>					
	For the 9 months ended September 30 2024	For the 9 months ended September 30 2023	Increase (Decrease)		
			Amount	%	
Net Cash from Operating Activities	₱ 165,286	₱ (55,530)	₱ 220,816	397.65%	
Net Cash from Investing Activities	(222,436)	(41,084)	(181,352)	(441.42%)	
Net Cash from Financing Activities	45,033	210,209	(165,176)	(78.58%)	

<b>Key Performance Indicators</b>	<b>For the 9 months ended September 30, 2024</b>	<b>As at Dec. 31, 2023</b>
Current Ratio	1.11	1.17
Quick Ratio	0.23	0.31
Solvency Ratio	1.25	1.27
Debt Ratio	0.80	0.78
Debt-to-Equity Ratio	3.99	3.64
Interest coverage ratio	3.46	1.48
Asset to Equity Ratio	4.99	4.64
Gross Profit Margin	0.19	0.12
Net Profit Margin	0.04	0.04
Return on Assets	0.02	0.01
Return on Equity	0.10	0.03
Book value per share	0.6838	0.6280

## **Part 2: MANAGEMENT DISCUSSION AND ANALYSIS**

### **General Information and Group Structure**

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

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

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

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

On January 18, 2012, the major and minority shareholders of SNHBV entered into a Share Purchase Agreement with Right Total Investments Limited (Right Total; a limited liability company incorporated in British Virgin Islands as an investment company), to purchase up to 100% of the issued and outstanding

shares of SNHBV. With this sale of shares by SNHBV, Right Total became the owner of the 72.0849% shares of SNHBV consequently making Right Total as the ultimate parent company.

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

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

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

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

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

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

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



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

### Structure

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

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

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

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

SCPC is the only operating subsidiary of STN prior to the acquisition of SMPC. SCPC's activity after it ceased its packaging operations in 2006 is limited to leasing of properties. SMPC, on the other hand, was acquired on December 29, 2020. As such, SMPC's results of operations in 2020 were considered as pre-acquisition and were not consolidated in the statements of comprehensive income. Given the foregoing, SCPC represents the only reportable segment of the Group in 2020, 2019 and 2018.

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

### Status of Operations

The Group has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P884 million and P942 million, as at September 30, 2024 and December 31, 2023, respectively.

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

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

On December 29, 2020, upon the SEC's approval of the Company's application for increase in authorized capital stock, the Company issued shares to the lenders effecting the debt to equity conversion thereby reducing the outstanding balance of the borrowings by P149.56 million. Further, the Company also issued shares to the shareholders of SMPC effecting the share swap transaction resulting to a provisional gain of P158.27 million from the acquisition of a subsidiary. The realization of these transactions resolved the capital deficiency position of the Group in 2021 and 2020.

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

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

#### Results of Operations

Consolidated revenue for the 3<sup>rd</sup> quarter of 2024 was recorded at Peso 2,392 million consisting of Peso 2,373 million products sales and service income of Peso 19 million.

Cost of sales on product sales and services recorded amounting to Peso 1,932 million.

#### Operating Plans

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

#### Financial Conditions

Consolidated current assets as at September 30, 2024 amounted to Peso 3,781 million while current assets as at the same reporting date last year totaled Peso 3,448 million. Consequently, consolidated current liabilities as at September 30, 2024 amounted to Pesos 3,391 million while current liabilities as at the same reporting date last year totaled Peso 2,818 million. Principal obligations are being settled as they fall due. In accordance with the amortization schedule. Working capital ratio for the current quarter is 1.11.

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

#### Financial Risk Management

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

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

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

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

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

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

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

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

The Company's objectives when managing capital are to safeguard the its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

**Steniel Manufacturing Corporation and Subsidiaries**  
**Trade Receivables and Prepaid Expenses**  
**As at September 30, 2024**  
**In Thousands**

**Receivables**

Trade Receivables	
1 to 60 days	
61 to 120 days	P63,641
Over 120 days	425,128
	<hr/>
	707,971
Allowance for impairment losses	(58,116)
	<hr/>
Net	649,855
Other receivables	30,590
	<hr/>
Total	<b>P680,445</b>

**Prepaid expenses and other current assets**

Creditable withholding taxes	P77,006
Input VAT	161,120
Other Prepayments	551,122
	<hr/>
	789,248
Allowance for impairment losses	(1,843)
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Net	<b>P787,405</b>
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Total Net	<b>P1,467,850</b>