

SEC Number 23736
File Number _____

Steniel Manufacturing Corporation
(Company's Full Name)

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

(046) 433-0066
(Telephone)

Not Applicable
(Fiscal Year Ending)
(month & day)

Form 17-Q
Form Type

Not Applicable
Amendment Designation
(If applicable)

March 31, 2019
Period Date Ended

Not Applicable
Secondary License Type
and File Number

SECURITIES AND EXCHANGE COMMISSION

Form 17-Q

STENIEL MANUFACTURING CORPORATION

*Quarterly Report Pursuant to Section 17
of the Securities Regulation Code
and SRC Rule 17(2)(b) Thereunder*

1. For the quarterly period ended : March 31, 2019
2. SEC Identification Number : 23736
3. BIR Tax Identification Number : 000-099-128
4. Exact Name of Registrant : Steniel Manufacturing Corporation
5. Country of Incorporation : Metro Manila, Philippines
6. Industry Classification Code :
7. Address of principal office : Gateway Business Park
Javalera, Gen. Trias, Cavite
8. Registrant's telephone number : (46) 433-0066
9. Securities registered pursuant to Sections 8 and 12 of Code, or Sections 4 and 8 of the RSA

Title of class	Number of shares outstanding
Common shares	1,000,000,000 ¹

¹ *Reported by the stock transfer agent as of March 31, 2019*

10. The Registrant's common shares are listed on the Philippine Stock Exchange.
11. (a) The Registrant has filed all reports required to be filed pursuant to Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months.
(b) The Registrant has been subject to such filing requirements for the past 90 days.

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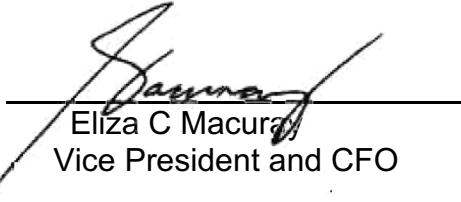
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SIGNATURES

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

By

Signature : 
Eliza C Macura

Title : Vice President and CFO

Date : May 15, 2019

Distribution : 3 copies - Securities & Exchange Commission
1 copy - File/receiving copy

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

Consolidated Statements of Total Comprehensive Income

*(Amounts in Thousands, except basic and diluted earnings per share)**(Unaudited)*

	March 2019	December 2018	March 2018
Revenues			
Rent Income	9,000	36,000	9,000
Product Sales			
Total revenues	9,000	36,000	9,000
Cost of sales and services	(3,067)	(13,768)	(4,567)
Gross profit	5,933	22,232	4,433
Operating expenses	(1,829)	(7,245)	(2,099)
Other income (expenses), net	2	2,742	2,757
Income provision for income tax	4,105	17,729	5,090
Income Tax Expense	1,556	5,733	1,037
Net Income (Loss)	2,550	11,996	4,054
Other Comprehensive Income (Loss)			
Item that may be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets	(4,024)	(3,824)	(4,499)
	(4,024)	(3,824)	(4,499)
Total Comprehensive Income (Loss)	(1,474)	8,172	(445)
Basic and Diluted Earnings (Loss) Per Common Share	0.0025	0.0120	0.0041

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

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(Amounts in Thousands)

(Unaudited)

	March 2019	December 2018	March 2018
ASSETS			
Current Assets			
Cash & Short-term Investments	4,711	4,316	2,669
Receivables - net	25,617	19,368	100,222
Prepaid Expenses and other current assets-net	107,075	109,208	113,747
Assets held for Sale	120,601	120,600	120,850
Total current assets	258,004	253,491	337,487
Non Current Assets			
Property, Plant & Equipment - net	14,498	18,051	28,696
Available-for-sale financial assets	59,143	61,566	53,021
Other Non Current Assets	20	20	20
Total non-current assets	73,662	79,638	81,738
Total Assets	331,666	333,129	419,225
LIABILITIES & CAPITAL DEFICIENCY			
Current Liabilities			
Trade Payables and other current liabilities	18,757	16,155	45,727
Amounts owed to a related party	93,777	93,777	93,777
Current portion of borrowings	195,303	197,889	198,282
Total current liabilities	307,836	307,821	337,786
Non-current Liabilities			
Borrowings, net of current portion	146,846	146,846	213,684
Total Liabilities	454,682	454,667	551,471
Stockholders' Equity			
Capital Stock	1,000,000	1,000,000	1,000,000
Additional paid-in capital	414,632	414,632	414,632
Unrealized gain(loss) on AFS	(4,423)	(401)	1,618
Deficit	(1,533,226)	(1,535,769)	(1,548,496)
Total Capital Deficiency	(123,017)	(121,538)	(132,246)
	331,666	333,129	419,225

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

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITAL DEFICIENCY
(Amounts in Thousands)
(Unaudited)

	March 2019	December 2018	March 2018
Capital stocks			
Authorized – 1 billion common shares, P1 per share			
Issued and outstanding	1,000,000	1,000,000	1,000,000
Additional paid-in capital	414,632	414,632	414,632
Unrealized gain/(loss) on available-for-sale financial assets			
Beginning	(401)	6,117	6,117
Changes in fair value of available-for-sale financial assets	(4,024)	(6,518)	(4,499)
	(4,425)	(401)	1,618
Total Capital Deficiency			
Beginning	(1,535,769)	(1,550,459)	(1,552,549)
Net income/(loss) for the period	2,550	14,690	4,054
Ending	(1,533,219)	(1,535,769)	(1,548,495)
Stockholders' Equity	(123,012)	(121,538)	(132,245)

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

Steniel Manufacturing Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(Amounts in Thousands)

(Unaudited)

	March 2019	December 2018	March 2018
Cash flows from operating activities			
Income (loss) before income tax	4,105	17,729	5,090
Adjustments for:			
Depreciation & amortization	3,549	14,195	3,549
Payables written off	0	(3,069)	0
Interest Income	(1)	(6)	(1)
Unrealized foreign exchange gain	4	(18)	(15)
Gain on sale of available-for-sale financial assets	0	0	(2,698)
Dividend Income	0	(1,988)	0
Operating income before working capital changes	7,658	26,843	5,926
Decrease (increase) in:			
Receivables	(6,250)	70,616	(5,155)
Prepaid expense and other current assets	577	2,393	(143)
Increase (decrease) in:			
Trade Payables and other current liabilities	2,602	(22,662)	3,841
Amounts owed to related parties	0	0	0
Cash generated from (absorbed by) operations	4,586	77,190	4,469
Dividend received	-	7,071	0
Interest received	-	6	1
Net cash provided by (used in) operating activities	4,586	84,267	4,470
Cash flows from investing activities			
Proceeds from sale of AFS financial assets	0	4,143	6,174
Acquisition of AFS financial assets	(1,600)	(19,831)	(9,096)
Additions to property, plant and equipment	0	0	0
Net cash provided by (used in) investing activities	(1,600)	(15,688)	(2,922)
Cash flows from a financing activity			
Payment of borrowings	(2,586)	(67,479)	(2,587)
Net cash used in financing activity	(2,586)	(67,479)	(2,587)
Effects of Foreign Exchange Rates on Cash in Banks	(4)	18	15
Net increase (decrease) in cash in banks	395	1,118	(1,024)
Cash in banks at beginning of year	4,316	3,198	3,693
Cash in banks at end of year	4,711	4,316	2,669

Exhibit 2

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

1. Corporate information

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

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

Following a decision made by the Board of Directors in 1996 to reorganize the Group, the Parent Company ceased manufacturing operations in June 1997 due to continuing business losses. As a result, reorganization of the Group was carried out and completed with the Parent Company’s principal activity now limited to holding of investments. In addition, the remaining idle assets of the Parent Company were leased to a related party.

The ultimate parent of the Group is Steniel (Netherlands) Holdings B.V. (SNHBV), incorporated in Amsterdam and the registered owner of 82.2716% of the shares of the Parent Company prior to restructuring of the loan in 2010. The remaining 17.7284% of the shares are widely held.

Consequent to the restructuring of the loan in 2010, remaining unissued share capital of the Parent Company totaling 123,818 shares were issued to Roxburgh Investment Limited (Roxburgh) to reduce the Parent Company’s outstanding debts (Notes 12 and 19). As a result, Roxburgh then owns 12.3818% of the Parent Company, while the ownership of SNHBV as well as that of the public have been reduced to 72.0849% and 15.5333%, respectively.

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

On January 25, 2012, the Parent Company received a tender offer report from SNHBV to purchase the 279,151,088 shares of minority investing public or 27.92% of the total issued shares at a price of P0.0012 per share or an aggregate price of P334.9 million. On February 25, 2012, only a total of 2,115,692 common shares were tendered in the Tender Offer and accepted by SNHBV, constituting 0.0021% of the total outstanding share capital 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.

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

The unaudited interim consolidated financial statements of the Company and its subsidiaries have been approved and authorized for issuance by the Company’s Board of Directors on May 15, 2018.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

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

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Group has adopted the following amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of the amendments to standards did not have any significant impact on the Group's consolidated financial statements.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets).* The amendments to PAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments to PAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

- *Annual Improvements to PFRS 2012 - 2014 Cycle.* This cycle of improvements contains amendments to four standards. The following are the said improvements or amendments to PFRS, none of which has a significant effect on the consolidated financial statements of the Group:

- *Changes In Method for Disposal (Amendment to PFRS 5, Non-current Assets Held for Sale and Discontinued Operations).* PFRS 5 is amended to clarify that:
 - if an entity changes the method of disposal of an asset (or disposal group) - i.e. reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag - then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and
 - if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed.

- *'Continuing Involvement' for Servicing Contracts (Amendment to PFRS 7, Financial Instruments: Disclosures).* PFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset - e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement.'
- *Offsetting Disclosures In Condensed Interim Financial Statements (Amendment to PFRS 7).* PFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of *PAS 34, Interim Financial Reporting* require their inclusion.

- *Disclosure of Information “Elsewhere In the Interim Financial Report” (Amendment to PAS 34)*. PAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report” - i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.
- *Disclosure Initiative (Amendments to PAS 1, Presentation of Financial Statements)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
 - Information should not be obscured by aggregating or by providing immaterial information.
 - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
 - The list of line items to be presented in the statement of financial position and statement of comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
 - An entity’s share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

Standards Issued but Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2016 and have not been applied in preparing these consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements.

Effective January 1, 2017

- *Disclosure Initiative (Amendments to PAS 7, Statement of Cash Flows)*. The amendments address financial statements users’ requests for improved disclosures about an entity’s net debt relevant to understanding an entity’s cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, Income Taxes).* The amendments clarify that:
 - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
 - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
 - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
 - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.

Effective January 1, 2018

- *PFRS 9, Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 9.

- *PFRS 15, Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non- monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Effective January 1, 2019

- *PFRS 16, Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16. The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

Basis of Consolidation

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

	Percent of Ownership	
	2018	2017
Steniel Cavite Packaging Corporation (SCPC)	100	100
Treasure Packaging Corporation (TPC)	-	100

SCPC

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

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

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.

TPC

In September 2008, TPC temporarily ceased its operations due to the case filed against TPC by the owner of its office space and warehouse which was rendered by the court as meritorious and TPC then laid off its employees. In 2009, the obligation of TPC in relation to the above case was partially settled and fully settled in 2010.

TPC is in a dormant status as at December 31, 2017 and 2016.

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

3. Cash and cash equivalents

Cash at March 31 consist of cash on hand and in banks. Cash in banks earn interest at the prevailing bank deposit rates between 0.25% to 0.625%.

4. Trade and other receivables

Trade and other receivables consist of:

	March 31, 2019	December 31, 2018	March 31, 2018
Trade Receivables	35,480	35,480	35,480
Allowance for doubtful accounts	(35,480)	(35,480)	(35,480)
	(0)	-	(0)
Non-trade receivables:			
Other receivables	25,617	19,368	100,222
	25,617	19,368	100,222
Allowance for doubtful accounts			-
	25,617	19,368	100,222

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	March 31, 2019	December 31, 2018	March 31, 2018
Creditable withholding taxes	64,241	65,347	68,693
Input VAT	50,827	51,854	53,047
Advances to suppliers	1,843	1,843	1,843
Other prepayments	-	-	-
	116,911	119,044	123,583
Allowance for doubtful accounts	(9,836)	(9,836)	(9,836)
	107,075	109,208	113,747

6. Assets held-for-sale

This pertains to remaining assets and shares of stocks in an associate held for sale pursuant to the provisions of the Amended Agreement. The assets and shares are measured at lower of the carrying amount and fair value less cost to sell.

7. Accounts payables and accruals

Accounts payables and accruals consist of:

	March 31, 2019	December 31, 2018	March 31, 2018
Trade Payables	16,748	14,643	23,236
Accruals and others	2,009	1,512	22,491
	18,757	16,155	45,727

8. Long-term Borrowings

Long-term borrowings consist of:

	March 31, 2018	December 31, 2018	March 31, 2018
Current portion:			
Greenkraft Corporation	189,672	190,380	192,651
Roxburgh Investments Limited	5,631	7,509	5,631
	195,303	197,889	198,282
Net of Current portion:			
Greenkraft Corporation	12,508	12,508	48,488
Roxburgh Investments Limited	134,338	134,338	165,196
	146,846	146,846	213,684
	342,150	344,735	411,966

The above secured loans were originally obtained from the lenders under the Omnibus

Agreement's revolving working capital facility with annual interest rates.

A substantial portion of the property and equipment of the Company and its subsidiaries, and present and future receivables and inventories of its subsidiaries are used as collateral for the term loans and revolving capital facilities in accordance with the Omnibus Agreement. Further, the Omnibus Agreement provides for certain affirmative and negative covenants subject for compliance by the Company and its subsidiaries, with respect to, among others, (a) restriction on the declaration of dividends, incurrence of significant capital expenditures and commitments, and merger or consolidation; and (b) maintenance of current and debt-to-equity ratios of at least 1:1 and 1.5:1, respectively. Requirements on certain financial ratios were not met.

The Company failed to settle its outstanding short-term and long-term loans which were supposed to mature at various dates in 2004, 2005, and 2006 and was declared by the lending banks in default on May 24, 2006. During the last quarter of 2006, a lending bank informed the Company of the assignment and sale of its outstanding balance of the loan to Greenkraft Corporation, a third party. Similarly, another lending bank advised the Company in June 2007 that it has also assigned its titles and rights relative to the loan to Investments 2234 Philippines Fund I (SPV-AMC), Inc. and in 2010, the latter assigned its titles and rights to the loan to Greenkraft Corporation. In 2009, the other lending bank also assigned its title and rights to the loan to Roxburgh Investments Limited.

On October 14, 2010, Greenkraft Corporation assigned its loans receivables amounting to P296,510 thousand to Roxburgh Investments Limited.

Consequently, the Company and its major creditors/lenders signed the Amended Agreement on October 15, 2010. The restructuring of the loan finally resolved the default situation. The Company's accrued interest which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was condoned during the year by its major creditors amounting to P294,634 thousand. In addition, the accrued interest in 2010 amounting to P13,052 thousand was also reversed in 2011 in relation to the 2-year grace period provided by its creditors. In 2013, the creditors/lenders granted STN two (2) years extension of principal repayment, reduction of interest rate from 6% p.a. to 2% p.a. for the first five (5) years and further waive interest charges until January 1, 2016. In 2017, the creditors have waived the interest expense from January 1, 2017 to December 31, 2017.

9. Share capital

Share capital as at March 31, 2019 and December 31, 2018 consist of:

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

10. Others

(a) Commitments and contingent liabilities

In the normal course of business, the Group has various outstanding commitments and contingent liabilities, such as guarantees, commitments to extend credit facilities, commitments on lease, and suits/claims under litigation which are not shown in the consolidated financial statements.

In the opinion of the management of the Group, based on the advice of its external legal counsels, the ultimate disposition of the foregoing commitments and contingencies will not have a significant effect on the consolidated financial condition or operating results of the Group.

(b) Related party transactions

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

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Part 1: PERFORMANCE INDICATORS

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

Revenues Consolidated revenue for the 1st quarter of 2019 is Peso 9 million arising from the leasing activity.

Operating expenses Operating expenses on a consolidated basis for the current quarter totaled Peso 1.829 million, recorded decrease from the same period last year from Peso 2.099 million. Continued control of operating expenses is being observed by the group.

Income/(loss) from operations Overall, the Company reported net income from operations for the 1st quarter of 2019 to Peso 4.105 million as compared with the same period last year of Peso 5.090 million. The slight dip in Income was mainly due to the postponement of maintenance repairs for the 1st quarter partially offset by income realized from disposal of investments in shares of stocks of the same period last year.

Financial ratios Consolidated current assets as at March 31, 2019 totaled Peso 258.004 million while current assets as at the same reporting date totaled Peso 337.487 million. The merger with a subsidiary contributed to the decrease in current assets. Consequently, consolidated current liabilities as at March 31, 2019 totaled Peso 307.836 million while current liabilities as at the same reporting date last year totaled Peso 337.786 million. Long term debt obligations are being settled in accordance with the loan amortization schedule. Working capital ratio for the current quarter is .84. Working capital ratio is computed as the ratio of current assets over current liabilities. Debt-to-equity ratio is not computed for the current quarter because of the negative equity balance.

Part 2: MANAGEMENT DISCUSSION AND ANALYSIS

General Information and Group Structure

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

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

Prior to 2006, Steniel (Netherlands) Holdings B.V. (SNHBV), incorporated in Amsterdam is the registered owner of 82.2716% of the shares of the Group and the former is 100% owned by Steniel (Belgium) Holdings NV (SBHNV). In 2006, SBHNV sold its shares in SNHBV to certain directors and officers of the Group. With the sale of shares, the ultimate parent of the Company became SNHBV. The remaining 17.7284% of the shares are widely held.

Consequent to the restructuring of the loan in 2010 as discussed in the succeeding part of this report, remaining unissued share capital of the Company totaling 123,818 shares were issued to Roxburgh Investment Limited to reduce the Company's outstanding debts. As a result, Roxburgh Investment Limited now owns 12.3818% of the Company, while the ownership of certain directors and officers of the Group as well as the public have been reduced to 72.0849% and 15.5333%, respectively.

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

On January 25, 2012, the Company received a tender offer report from Right Total to purchase the 27.92% shares of minority investing public of the total issued shares at a price of P0.0012 per share or an aggregate price of P334,981. Payment of the price of the tender shares validly tendered and accepted for payment shall be by way of checks which shall be made available for pick up at the office of BDO Securities, Inc. three (3) days after the tender shares are crossed at PSE.

On December 27, 2013, the Board of Directors (BOD) of STN approved the sale of its 100% ownership or 9,249,995 common shares in the SMPC to the following entities and individuals:

Buyer	Number of Shares	Percentage of Ownership
Greenkraft Corporation	3,083,947	33.34%
Corbox Corporation	2,774,999	30.00%
Goldenbales Corporation	2,774,999	30.00%
Clement Chua	308,025	3.33%
Rex Chua	308,025	3.33%

The transfer of ownership had been implemented upon release of the Certificates Authorizing Registration by the Bureau of Internal Revenue on August 16, 2016.

Status of Operation

On May 24, 2006, the lending banks declared the Company in default for failure to meet its quarterly principal amortizations and interest payments since March 2004. During the last quarter of 2006, one of the lending banks informed the Company of the assignment and sale of its loan to a third party. Similarly, another lending bank advised the Company in June 2007 that it has also assigned the titles and rights relative to its loan balance to a third party. In 2009, another lending bank advised the Company that it has also assigned its loan balance to an investment entity. In 2010, an investment entity advised the Company that its right to the loan balances was assigned to the third party in the agreement.

Due to the working capital drain experienced by the Company as a result of prior debt service payments and the difficult business and economic conditions during the period, the Company found it difficult to sustain further payments of debt while at the same time ensuring continued operations.

In 2009, discussions were made with the major creditors/lenders to restructure the outstanding loans. Subsequently, on October 15, 2010 the Company and the creditors/lenders signed the Amended and Restated Omnibus Agreement. The restructuring of the loan finally resolved the default situation. The essential elements of the Amended and Restated Omnibus Agreement are summarized below:

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

The dacion en pago of the Steniel Group's idle machines and the equity conversion through the issuance of the Company's capital stocks have been completed as at December 31, 2010. The dacion en pago transaction reduced outstanding principal amount by P122 million while the equity conversion reduced outstanding accrued interest by P248 million. The dacion en pago relating to the shares in SLC is still under negotiations with buyers on meeting the regulatory requirements on transfer of assets as at reporting date. The change of ultimate parent company during the end of reporting period also caused the delay in dacion en pago. Upon completion of the tender offer in SMC's share of the ultimate parent company and final agreement with buyers to meet regulatory requirements relative to the transfer of assets, the dacion en pago is expected to be completed in 2012.

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

Results of Operations

Consolidated revenue for the 1st quarter of 2019 generated from the leasing activity amounted to Peso 9 million. The leasing agreement for the machineries remains in full force during the 1st quarter of 2019..

Operating expenses on a consolidated basis for the current quarter totaled Peso 1.829 million, recorded a decrease from the same period last year from Peso 2.099 million. All other operating expenses as continuously controlled by the group.

There are no financing charges recognized during the 1st quarter of 2019 as the creditors waived the interest charges for this year.

Operating Plans

The Company's key strategies are focused towards leasing the remaining machineries and equipments to a related party in Davao at the same time continuously make use of available financial assets to augment revenues.

Financial Conditions

Consolidated current assets as at March 31, 2019 totaled Peso 258.004 million while current assets as at the same reporting date totaled Peso 337.487 million. The merger with a subsidiary contributed to the decrease in current assets. Consequently, consolidated current liabilities as at March 31, 2019 totaled Peso 307.836 million while current liabilities as at the same reporting date last year totaled Peso 337.786 million. Long term debt obligations are being settled in accordance with the loan amortization schedule. Working capital ratio for the current quarter is .84. Working capital ratio is computed as the ratio of current assets over current liabilities. Debt-to-equity ratio is not computed for the current quarter because of the negative equity balance.

There are no significant capital expenditures during the period. Neither is there any significant capital spending anticipated in the immediate future.

There are no events that will trigger direct or contingent financial obligation that is material to the company and there are no off-balance sheet transactions or arrangements with any unconsolidated entity or other person during the period being reported. Consolidated total assets as at current quarter-ending March 31, 2019 amounted to Peso 331.7 million, a noticeably decrease as compared to Peso 419.2 million as at the same period last year.

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.

PFRS 9, Financial Instruments

PFRS 9, Financial Instruments is a new standard, which becomes effective January 1, 2013, and is the first step in the process to replace PAS 39, Financial Instruments: Recognition and Measurement. PFRS 9 introduces new requirements for classifying and measuring financial assets and financial liabilities and is likely to affect the Group's accounting for its financial assets and financial liabilities. Given that the Company does not have complex financial instruments, this standard is not expected to have material impact on the financial statements. However, it may impact the classification of the Group's financial instruments. Based on the foregoing, the Company has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2012 annual financial reporting based on the impact evaluation made using the year-end 2011 balances.

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Steniel Manufacturing Corporation and Subsidiaries
Trade and Other Receivables
As at March 31, 2019

	Amount (In 000 Php)
Trade Receivables:	
1 to 60 days	0
61 to 120 days	25,617
Over 120 days	35,480
Allowance provision	61,097 (35,480)
Net	25,617
Other Receivables:	
Creditable Withholding Taxes	64,241
Excess Input Tax	50,827
Advances to suppliers	1,843
Allowance provision	116,911 (9,836)
Net	107,075
Total, net	132,692