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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 11
OF THE SECURITIES REGULATION CODE (SRC)
AND SRC RULE 17(a)-1(b)(2) THEREUNDER

1. September 30, 2020
For the quarterly period ended

2. SEC Identification Number 40979 3. BIR Tax Identification No. 000-194-465-000

4. Seafont Resources Corporation
Exact name of registrant as specified in its charter

5. Manila, Philippines 6. (SEC Use Only)
Province, country or other jurisdiction Industry Classification Code:
of incorporation

7. 7th Floor, JMT Condominium, ADB Avenue, Ortigas Center, Pasig City 1605
Address of principal office Postal Code

8. (632) 637-29-17
Registrant's telephone number, including area code

9. Not applicable
Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common (par value of P1.00/share)	163,000,000
Amount of Debt Outstanding	₱62,752,936

11. Are any or all of the securities listed on the Philippine Stock Exchange?

All issued and outstanding common shares are listed in the Philippine Stock Exchange

12. Indicate by check mark whether the registrant:

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

Yes

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

Yes

TABLE OF CONTENTS

	Page no.
PART I FINANCIAL INFORMATION	
Item 1. Financial Statements	
1. Statements of Financial Position As of September 30, 2020, September 30, 2019 and December 31, 2019	4
2. Statements of Income For the 3 rd quarter ended and nine months ended September 30, 2020 and September 30, 2019	5
3. Statement of Changes in Equity As of September 30, 2020, September 30, 2019 and December 31, 2019	6
4. Statement of Cash flows As of September 30, 2020, September 30, 2019 and December 31, 2019	7
5. Notes to Financial Statements	8 - 27
Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations	
1. Financial Condition – September 30, 2020 and September 30, 2019	28
2. Results of Operations – For the 3 rd quarter ended September 30, 2020 and September 30, 2019	29
3. Financial Condition – September 30, 2020 and December 31, 2019	30
4. Results of Operations – For the nine months ended September 30, 2020 and September 30, 2019	31
5. Key Performance Indicator	32
6. Discussion of Indicators of the Company’s Level of Performance	33-34
7. Disclosure in view of the current financial condition.	33
8. Results and Plan of Operations	34
PART II OTHER INFORMATION	34
OTHER SUPPLEMENTARY SCHEDULES	
Supplementary Information and disclosures required on SRC Rule 68	35 - 37
Schedule of Financial Soundness Indicators	38
Reconciliation of Retained Earnings Available for Dividend Declaration	39
Map of relationships of companies within the group	40
SIGNATURES	41

SEAFRONT RESOURCES CORPORATION
STATEMENTS OF FINANCIAL POSITION

	30-Sep-20 (Unaudited)	30-Sep-19 (Unaudited)	31-Dec-19 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	₱50,785,661	₱22,640,568	₱43,037,269
Financial assets at fair value through profit or loss (FVTPL)	31,188,825	50,384,718	45,288,418
Receivables	373,493	7,066,666	406,512
Other current assets	1,180,590	1,068,985	1,068,543
Total Current Assets	83,528,569	81,160,937	89,800,742
Noncurrent Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	539,820,448	432,132,937	540,410,211
TOTAL ASSETS	₱623,349,017	₱513,293,874	₱630,210,953
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	₱184,565	₱185,776	₱582,595
Noncurrent Liability			
Deferred tax liability	62,568,371	45,901,439	62,568,371
Total Liabilities	62,752,936	46,087,215	63,150,966
Equity			
Capital stock - ₱1 par value			
Authorized - 388,000,000 shares			
Issued and outstanding - 163,000,000 shares	163,000,000	163,000,000	163,000,000
Net unrealized gains on financial assets at FVOCI	359,342,548	265,796,425	359,414,236
Retained earnings	38,253,533	38,410,234	44,645,751
Total Equity	560,596,081	467,206,659	567,059,987
TOTAL LIABILITIES AND EQUITY	₱623,349,017	₱513,293,874	₱630,210,953

See accompanying Notes to Financial Statements.

SEAFRONT RESOURCES CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	For the 3rd Quarter		For the nine months	
	Unaudited 30-Sep-20	Unaudited 30-Sep-19	Unaudited 30-Sep-20	Unaudited 30-Sep-19
REVENUES				
Dividend income	P4,626	P6,877,239	P7,932,126	P21,939,155
Net gains on fair value changes on financial assets at fair value through profit or loss (FVTPL)	-	-	-	5,533,818
Other income	87,964	78,964	251,893	243,933
Interest income	121,930	85,019	583,092	192,620
TOTAL REVENUES/(LOSS)	P214,520	P7,041,223	P8,767,111	P27,909,526
EXPENSES AND CHARGES				
General and administrative expenses	484,747	663,619	1,054,697	1,718,491
Net losses on fair value changes on financial assets at fair value through profit or loss (FVTPL)	144,294	3,300,683	14,099,593	-
	629,041	3,964,302	15,154,290	1,718,491
INCOME (LOSS) BEFORE INCOME TAX	(P414,521)	3,076,920	(6,387,179)	26,191,035
PROVISION FOR INCOME TAX	1,759	1,700	5,038	4,879
NET INCOME (LOSS)	(P416,280)	P3,075,220	(P6,392,217)	P26,186,156
<i>subsequent periods</i>				
Net unrealized gains (losses) on financial assets at fair value through other comprehensive income (FVOCI)	3,974,611	(967,928)	(71,688)	2,450,885
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE QUARTER	P3,558,331	P2,107,292	(P6,463,905)	P28,637,041
Basic and Diluted Earnings (Loss) Per Share	(0.003)	0.019	(0.039)	0.161

See accompanying Notes to Financial Statements.

SEAFRONT RESOURCES CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Net Unrealized Gains (Loss) on Financial Assets at FVOCI	Retained Earnings (Deficit)	Total
As of the 3rd Quarter Ended September 30, 2020 (Unaudited)				
BALANCES AT BEGINNING OF YEAR	₱163,000,000	₱359,414,236	₱44,645,751	₱567,059,987
Net loss	–	–	(6,392,217)	(6,392,217)
Other comprehensive loss	–	(71,688)	–	(71,688)
Total comprehensive loss	–	(71,688)	(6,392,217)	(6,463,906)
BALANCES AT END OF QUARTER	₱163,000,000	₱359,342,548	₱38,253,534	₱560,596,081
As of the 3rd Quarter Ended September 30, 2019 (Unaudited)				
BALANCES AT DECEMBER 31, 2018	₱163,000,000	₱263,345,540	₱12,224,078	₱438,569,618
Net income	–	–	26,186,156	26,186,156
Other comprehensive income	–	2,450,885	–	2,450,885
Total comprehensive income	–	2,450,885	26,186,156	28,637,041
BALANCES AT END OF QUARTER	₱163,000,000	₱265,796,425	₱38,410,234	₱467,206,659
For the Year Ended December 31, 2019 (Audited)				
BALANCES AT DECEMBER 31, 2018	₱163,000,000	₱263,345,540	₱12,224,078	₱438,569,618
Net income	–	–	32,421,673	32,421,673
Other comprehensive income	–	96,068,696	–	96,068,696
Total comprehensive income	–	96,068,696	32,421,673	128,490,369
BALANCES AT DECEMBER 31, 2019	₱163,000,000	₱359,414,236	₱44,645,751	₱567,059,987

See accompanying Notes to Financial Statements.

SEAFRONT RESOURCES CORPORATION

STATEMENTS OF CASH FLOWS

	For the 3rd Quarter Ended		For the nine months Ending		Audited
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19	31-Dec-19
CASH FLOWS FROM OPERATING ACTIVITIES					
Income (loss) before income tax	(P414,521)	P3,076,920	(P6,387,179)	P26,191,035	P32,428,251
Adjustments for:					
Dividend income	(4,626)	(6,877,239)	(7,932,126)	(21,939,155)	(33,463,784)
Interest income	(121,930)	(85,019)	(583,092)	(192,620)	(415,615)
Net losses (gains) on fair value changes on financial assets at FVTPL	144,294	3,300,684	14,099,593	(5,533,817)	(437,517)
Operating loss before working capital changes	(396,783)	(584,654)	(802,804)	(1,474,557)	(1,888,665)
Decrease (increase) in:					
Receivables	(24,671)	5,701	(17,100)	26,088	(19,549)
Other current assets	(39,128)	(6,182)	(112,047)	(87,360)	(86,918)
Increase (decrease) in:					
Accounts payable and accrued expenses	14,937	21,982	(403,069)	(473,919)	(78,799)
Cash generated from (used in) operations	(445,644)	(563,153)	(1,335,019)	(2,009,748)	(2,073,931)
Interest received	81,904	82,808	604,291	200,467	361,850
Net cash provided by (used in) operating activities	(363,739)	(480,345)	(730,727)	(1,809,281)	(1,712,081)
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received	7,932,125	5,079,239	7,961,045	27,376,154	45,668,186
Acquisition of Financial assets at FVOCI	4,163	8,685	518,074	(13,328,723)	1,032,630
Payment of subscription payable	-	-	-	-	(12,353,884)
Net cash provided by investing activities	7,936,288	5,087,924	8,479,119	14,047,431	34,346,932
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	7,572,549	4,607,579	7,748,392	12,238,150	32,634,851
CASH AND CASH EQUIVALENTS, BEGINNING	43,213,112	18,032,989	43,037,269	10,402,418	10,402,418
CASH AND CASH EQUIVALENTS, END	P50,785,661	P22,640,568	P50,785,661	P22,640,568	P43,037,269

See accompanying Notes to Financial Statements.

SEAFRONT RESOURCES CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Seafront Resources Corporation (the Company or SRC) was registered with the Securities and Exchange Commission (SEC) on April 16, 1970 as an oil exploration and production company. On October 18, 1996, the Company amended its Articles of Incorporation which provides for the revision of its primary purpose from engaging in the business of oil exploration and production into a holding company and to include oil exploration and production business as one of its secondary purposes. The Company's shares of stock were listed on May 7, 1974 and are currently traded at the Philippine Stock Exchange.

The registered office address of the Company is 7th Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig City.

The accompanying company financial statements were approved and authorized for issue by the Board of Directors (BOD).

2. Basis of Preparation

Basis of Preparation

The accompanying financial statements of the Company have been prepared under the historical cost basis, except for the financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI), which have been measured at fair value. The Company's financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency and presentation currency.

The Company has investment in trust funds. The transactions and balances of the Company's trust funds (see Note 7) are consolidated on a line by line basis with the Company. The trust fund reports are prepared for the same reporting year as the Company, using consistent accounting policies in accordance with Philippine Financial Reporting Standards (PFRSs).

Statement of Compliance

The financial statements of the Company have been prepared in accordance with PFRSs.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2019, except for the adoption of the following amendments and improvements to existing standards and interpretations, which were effective beginning January 1, 2020.

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Company is currently assessing the impact of the following standards and plans to adopt the new standards when these become effective.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company continues to assess the impact of the above new and amended accounting standards and interpretations for the year 2020. Additional disclosures required by these new pronouncements will be included in the financial statements when these are adopted.

4. **Summary of Significant Accounting Policies**

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less and that are subject to an insignificant risk of changes in value.

Financial Instruments

Initial recognition and subsequent 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.

Financial assets - Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost; FVOCI; and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

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

Subsequent measurement

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

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

Financial assets at amortized cost (debt instruments)

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

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

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

The Company's financial assets at amortized cost includes cash and cash equivalents and receivables.

Financial assets at FVTPL

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

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

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

The Company's financial assets at FVTPL consists of investments in listed equity securities held for trading.

Financial assets designated at FVOCI (equity instruments)

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

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

The Company's financial assets at FVOCI include quoted and unquoted equity securities and quoted government securities.

Impairment of financial assets

The Company recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

The Company may consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities - Initial recognition and measurement

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

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

Subsequent measurement

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

- Financial liabilities at FVTPL
- Loans and borrowings

Loans and borrowings

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

The Company's loans and borrowings include accounts payable and accrued expenses, excluding statutory liabilities.

Derecognition of financial assets and financial liabilities

Financial assets

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

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

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where 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, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Instruments

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

Fair Value Measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Capital Stock

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When the Company purchases its own capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity.

Retained Earnings

Retained earnings represent accumulated earnings of the Company less dividends declared and with consideration of any changes in accounting policies and other adjustments applied retroactively. The retained earnings of the Company are available for dividends only upon approval and declaration of the BOD.

Earnings Per Share (EPS)

Basic earnings per share are computed on the basis of the weighted average number of shares outstanding during the year after giving retroactive effect for any stock dividends declared in the current year.

Diluted earnings per share, if applicable, is computed on the basis of the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There are no dilutive potential common shares that would require disclosure of diluted earnings per common share in the financial statements.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has concluded that it is the principal in its revenue arrangement since it is the primary obligor in all revenue arrangements, has pricing latitude and is also exposed to credit risk.

Dividend income

Dividend income is recognized when the Company's right to receive the payment is established, which is generally when the BOD approves the dividend declaration.

Interest income

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

Service income

The Company recognizes revenue from services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company.

Rental income

Rental income under non-cancellable leases is recognized in the on a straight-line basis over the lease terms, as provided under the terms of the lease contract.

General and Administrative Expenses

Expenses are recorded when incurred. General and administrative expenses constitute costs of administering the business.

Income Tax

Current tax

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

Deferred tax

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax and unused net operating losses carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits from excess MCIT and unexpired NOLCO can be utilized.

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

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

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but

only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Events After the Reporting Date

Post year-end events up to the date of auditors' report that provide additional information about the Company's situation at the reporting date (adjusting events) are reflected in the financial statements, if any. Post year-end events that are not adjusting events are disclosed in the notes when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the accompanying financial statements requires management to make judgments, estimates and assumptions that affect amounts reported in the financial statements and related notes. The judgments, estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates.

Judgments and estimates are contractually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Recognition of deferred tax assets

The Company's deferred tax assets pertain to the carryforward benefits of NOLCO and excess MCIT over RCIT. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Company did not recognize deferred tax assets amounting to ₱4.87 million as of December 31, 2019 and September 30, 2020. Management believes that it may not be probable that sufficient taxable income will be available against which the income tax benefits can be realized prior to their expiration.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statements of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of fair value of unquoted equity securities classified as financial assets at FVOCI

The Company uses its judgment to select the most appropriate valuation methodology to value its unquoted equity investments and make assumptions that are mainly based on market conditions existing at each reporting period. As of September 30, 2020 and December 31, 2019, the Company valued the unquoted equity securities classified as financial assets at FVOCI using the adjusted net asset method which is a combination of the market and income approaches. It involves directly measuring the fair value of the assets and liabilities of the investee company. Assets of the investee company consist mainly of parcels of land for sale which is adjusted to its fair value. The fair value adjustments arising from changes in fair value of unquoted equity securities are fully disclosed in Note 8.

6. Cash and Cash Equivalents

	30-Sep-20 (Unaudited)	31-Dec-19 (Audited)
Cash in banks	₱ 3,180,614	₱690,233
Cash equivalents	47,605,047	42,347,036
	₱ 50,785,661	₱43,037,269

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are short-term investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term placement rates.

Interest income earned on cash in banks and cash equivalents amounted to ₱0.12 million and ₱0.42 million as of September 30, 2020 and December 31, 2019, respectively.

7. Investment in Trust Funds

The Company established trust funds (the Trust) which are being administered by a local bank under two trust agreements. The details of the trust funds based on the financial statements issued by the trustee bank follows:

	30-Sep-20 (Unaudited)	31-Dec-19 (Audited)
Assets		
Cash and cash equivalents	₱5,960,911	₱5,561,000
Financial assets at FVTPL	4,145,670	14,816,793
Financial assets at FVOCI - government securities	11,745,019	4,610,013
Loans and receivables	67,564	70,440
	21,919,164	25,058,246
Liabilities		
Accounts payable and accrued expenses	(36,967)	(177,027)
	₱21,882,197	₱24,881,219

	30-Sep-20 (Unaudited)	31-Dec-19 (Audited)
Equity		
Principal fund	₱28,006,730	₱28,056,417
Accumulated trust fund income (loss) at beginning of year	(3,115,044)	(5,756,733)
Trust fund income (loss) for the year	(3,009,489)	2,851,535
Accumulated trust fund income (loss) at end of year	(6,124,533)	(3,175,198)
	₱21,882,197	₱24,881,219

The assets, liabilities and performance of the fund are consolidated in the applicable accounts of the Company for financial statement presentation purposes.

8. Financial Assets

The Company's financial assets are summarized by measurement categories as follows:

	30-Sep-20 (Unaudited)	31-Dec-19 (Audited)
Cash and cash equivalents	₱ 50,785,661	₱43,037,269
Receivables	373,493	406,512
Financial assets at FVTPL	31,188,825	45,288,418
Financial assets at FVOCI	539,820,448	540,410,211
	₱ 622,168,427	₱629,142,410

Financial Assets at FVPL

Details of financial assets at FVTPL consisting of listed equity securities follow:

	30-Sep-20 (Unaudited)	31-Dec-19 (Audited)
Fair value	₱31,188,825	₱45,288,418
Acquisition cost	48,100,916	48,100,916

The net gain (loss) on fair value changes on financial assets at FVTPL amounted to (₱14.10) million and ₱0.44 million as of September 30, 2020 and for the year ended December 31, 2019, respectively.

The movements in financial assets at FVTPL as of September 30, 2020 and for the year ended December 31, 2019 are as follows:

	30-Sep-20 (Unaudited)	31-Dec-19 (Audited)
Balance at beginning of year	₱45,288,418	₱44,850,901
Fair value gain (loss) recognized during the year	(14,099,593)	437,517
Balance at end of year	₱31,188,825	₱45,288,418

Financial Assets at FVOCI

Financial assets at FVOCI consist of quoted and unquoted shares of stock held for long-term investment purposes and are carried at fair value. The carrying values of these investments are as follows:

	30-Sep-20 (Unaudited)	31-Dec-19 (Audited)
Listed equity securities:		
PetroEnergy Resources Corporation (PERC)	₱11,977,121	₱15,789,774
Benguet Corporation	6,519,771	2,833,592
	18,496,892	18,623,366
Non-listed equity security:		
Hermosa Ecozone Development Corporation (HEDC)	517,176,832	517,176,832
Investments in government securities	4,146,724	4,610,013
	₱539,820,448	₱540,410,211

The movements in financial assets at FVOCI as of September 30, 2020 and for the year ended December 31, 2019 are as follows:

	30-Sep-20 (Unaudited)	31-Dec-19 (Audited)
Balance at beginning of year	₱540,410,211	₱416,353,329
Fair value gains (loss) recognized during the period	(71,688)	112,735,628
Payment of subscription payable	-	12,353,884
Movement of government securities	(518,075)	(1,032,630)
Balance at end of year	₱539,820,448	₱540,410,211

Movements in the net unrealized gains on financial assets at FVOCI are as follows:

	30-Sep-20 (Unaudited)	31-Dec-19 (Audited)
Balance at beginning of year	₱359,424,346	₱263,345,540
Unrealized gain (loss) recognized in other comprehensive income	(71,688)	96,068,696
Balance at end of year	₱359,342,548	₱359,414,236

Investment in HEDC

On January 31, 1997, the Company entered into a Project Shareholders' Agreement with five other companies led by Investment and Capital Corporation of the Philippines (ICCP) and Penta Capital Investment Corporation (PCIC) to develop 500 to 600 hectares of raw land in Hermosa, Bataan into a new township consisting of industrial estates, residential communities, a golf and country club and a commercial center.

The fair value of investment in HEDC is determined using the adjusted net asset value method wherein the assets of HEDC consisting mainly of parcels of land are adjusted from cost to its fair value. The valuation of the parcels of land was performed by a Securities and Exchange Commission accredited independent valuer as at December 31, 2019 and 2018. This measurement falls under Level 3 in the fair value hierarchy.

Fair value measurement disclosures for the determination of fair value of unquoted equity securities are provided in Note 12.

9. Receivables

	30-Sep-20 (Unaudited)	31-Dec-19 (Audited)
Dividends receivable	₱188,895	₱217,814
Accrued interest receivable	102,889	124,089
Rent receivable	43,763	26,663
Receivable from HEDC	37,946	37,946
	₱373,493	₱406,512

Dividend income earned on its investments amounted to ₱7.93 million and ₱33.46 million in September 30, 2020 and December 31, 2019, respectively.

10. Other Income

	30-Sep-20 (Unaudited)	31-Dec-19 (Audited)	31-Dec-18 (Audited)
Service income	₱200,893	₱267,857	₱267,857
Rental income	51,000	61,040	84,480
	₱251,893	₱328,897	₱352,337

Service income pertains to accounting services rendered by the Company to HEDC.

Rental income pertains to rentals earned from the two (2) parking slots owned by the Company which are classified as investment property. As of September 30, 2020 and December 31, 2019, the cost of the fully depreciated parking slots amounted to ₱207,598.

The fair value of the investment property amounted to ₱800,000 to ₱1,000,000 per slot as of September 30, 2020 and December 31, 2019, respectively. This has been determined on the basis of recent sales of similar properties in the same area as the investment property and taking into account the economic conditions prevailing at the time the valuation was made. There are no related costs for the operations of the investment property.

11. 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 enterprises and its key management personnel, directors, or its shareholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Company in its regular conduct of business has entered into the following transactions with related parties consisting of reimbursement of expenses and management and accounting services agreements.

The Company's financial statements include the following amounts resulting from transactions with related parties:

30-Sep-20 (Unaudited)					
	Nature of transaction	Amount/ Volume	Receivables/ (Accounts payable)	Terms	Conditions
Affiliate:					
				Noninterest bearing, payable when due and demandable	Unsecured
PERC	Reimbursements Accounting	₱70,360	(₱33,613)		
HEDC	Services	200,893	37,946	- do -	- do -
		₱271,253			

31-Dec-19 (Audited)					
	Nature of transaction	Amount/ Volume	Receivables/ (Accounts payable)	Terms	Conditions
Affiliate:					
				Noninterest bearing, payable when due and demandable	Unsecured, no impairment
PERC	Reimbursements Accounting	₱100,806	(₱12,417)		
HEDC	Services	267,857	37,946	- do -	- do -
		₱368,663			

The Company has no employee. PERC provides administrative support to the Company. Therefore, no compensation and short-term benefits for key management personnel were charged in profit or loss as of September 30, 2020 and year ended December 31, 2019.

Terms and conditions of transactions with related parties

Outstanding balances at year-end are to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

12. Financial Instruments

Categories and Fair Values of Financial Instruments

The methods and assumptions used by the Company in estimating the fair values of the financial instruments are:

Cash and cash equivalents and receivables

Due to the short-term nature of the instruments, carrying amounts approximate fair values as of the reporting date.

Government securities

Fair values are generally based on quoted market prices at reporting date. This is under Level 1 category of the fair value hierarchy.

Equity securities

For quoted equity securities, fair values are based on published quoted prices. This is under Level 1 category of the fair value hierarchy.

For unquoted equity securities, fair values are determined using the adjusted net asset value method which involves directly measuring the fair value of the assets and liabilities of the investee company. This measurement falls under Level 3 in the fair value hierarchy.

Accounts payable and accrued expenses

Carrying values approximate fair values due to their short-term nature.

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at September 30, 2020 and December 31, 2019 are shown below:

	Valuation technique	Significant unobservable inputs	Range
Unquoted equity shares at FVOCI	Adjusted net asset method	Price per square meter	₱450 - ₱5,650

The appraised value of the land was determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets. Net adjustment factors arising from external and internal factors (i.e. location, size/shape/terrain, and development) affecting the subject properties as compared to the market listing of comparable properties ranges from -5% to -10%. Significant favorable (unfavorable) adjustments to the aforementioned factors based on the professional judgment of the independent appraisers would increase (decrease) the fair value of land, in return the fair value of the unquoted financial asset.

Financial Risk Management Objectives and Policies

The Company's financial instruments comprise cash and cash equivalents, receivables, financial assets, accounts payable and accrued expenses and subscriptions payable. The main purpose of these financial instruments is to fund its own operations and capital expenditures. The BOD reviews and approves policies for managing these risks. Also, the Audit Committee of the BOD meets regularly and exercises oversight role in managing these risks.

Financial Risks

The main financial risks arising from the Company's financial instruments are liquidity risk, market risk and credit risk.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligation when due. The Company has substantial investments in shares of stock which are not listed in the Philippine Stock

Exchange and may not be readily convertible to liquid assets necessary to meet any potential additional liquidity requirements of the Company. Investments in unquoted equity securities classified as financial assets at FVOCI amounted to ₱517.18 million as of September 30, 2020 and December 31, 2019.

The Company monitors its cash position and overall liquidity position in assessing its exposure to liquidity risk. The Company maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows.

The Company's accounts payable and accrued expenses are all settled on a monthly basis.

The tables below summarize the maturity profile of the Company's financial assets and liabilities as of September 30, 2020 and December 31, 2019 based on contractual undiscounted payments.

	30-Sep-20 (Unaudited)			Total
	On demand	Within one year	More than one year	
Financial assets				
Financial assets at FVTPL:				
Equity securities	₱31,188,825	₱–	₱–	₱31,188,825
Loans and receivables:				
Cash and cash equivalents	50,785,661	–	–	50,785,661
Receivables:				
Receivable from HEDC	37,946	–	–	37,946
Receivable from rent	43,763	–	–	43,763
Accrued interest receivable	102,889	–	–	102,889
Dividends receivable	–	188,895	–	188,895
Financial assets at FVOCI:				
Listed equity securities:				
PERC	–	–	11,977,121	11,977,121
Benguet Corporation	–	–	6,519,770	6,519,770
Nonlisted equity security:				
HEDC	–	–	517,176,832	517,176,832
Investments in government securities	–	–	4,146,724	4,146,724
	82,159,084	188,895	539,820,447	622,168,427
Financial liabilities				
Accounts payable and accrued expenses				
	184,565	–	–	184,565
	184,565	–	–	184,565
Net financial assets	₱81,974,519	₱188,895	₱539,820,447	₱621,983,862

31-Dec-19 (Audited)				
	On demand	Within one year	More than one year	Total
Financial assets				
Financial assets at FVTPL:				
Equity securities	P45,288,418	P-	P-	P45,288,418
Loans and receivables:				
Cash and cash equivalents	43,037,269	-	-	43,037,269
Receivables:				
Receivable from HEDC	37,946	-	-	37,946
Rent receivable	26,663	-	-	26,663
Accrued interest receivable	124,089	-	-	124,089
Dividends receivable	-	217,814	-	217,814
Financial assets at FVOCI:				
Listed equity securities:				
PERC	-	-	15,789,774	15,789,774
Benguet Corporation	-	-	2,833,592	2,833,592
Nonlisted equity security:				
HEDC	-	-	517,176,832	517,176,832
Investments in government securities	-	-	4,610,013	4,610,013
	88,514,385	217,814	540,410,211	629,142,410
Financial liabilities				
Accounts payable and accrued expenses	582,595	-	-	582,595
	582,595	-	-	582,595
Net financial assets	P87,931,790	P217,814	P540,410,211	P628,559,815

Market risk

Market risk is the risk of loss on future earnings, on fair values or on future cash flows that may result from changes in market prices. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, commodity prices, equity prices and other market changes. The Company's market risk emanates from its holdings in debt and equity securities.

The Company closely monitors the prices of its debt and equity securities as well as macroeconomic and entity-specific factors which could directly or indirectly affect the prices of these instruments. In case of an expected decline in its portfolio of equity securities, the Company readily disposes or trades the securities for replacement with more viable and less risky investments.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. With respect to credit risk arising from cash and cash equivalents, receivables, financial assets at FVTPL and financial assets at FVOCI, the Company's exposure to credit risk is equal to the carrying amount of these instruments. The Company limits its credit risk on these assets by dealing only with reputable counterparties.

For cash and cash equivalents and quoted government securities, the Company applies the low credit risk simplification where the Company measures the ECLs on a 12-month basis based on the probability of default and loss given default which are publicly available. The Company also evaluates the credit rating of the bank and other financial institutions to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers its cash and cash equivalents and quoted government securities as high grade since these are placed in financial institutions of high credit standing. Accordingly, ECLs relating to these debt instruments rounds to nil.

The Company's receivables are aged current as of September 30, 2020 and December 31, 2019. No receivables are considered credit-impaired.

As of September 30, 2020 and December 31, 2019, the carrying values of the Company's financial instruments represent maximum exposure as of reporting date.

The table below shows the comparative summary of maximum credit risk exposures on financial instruments as of September 30, 2020 and December 31, 2019:

	30-Sep-20 (Unaudited)	31-Dec-19 (Audited)
Financial assets at FVTPL:		
Equity securities	₱31,188,825	₱45,288,418
Financial assets at amortized cost:		
Cash and cash equivalents	50,785,661	43,037,269
Receivable from HEDC	37,946	37,946
Rent receivable	43,763	26,663
Accrued interest receivable	102,889	124,089
Dividend receivable	188,895	217,814
Financial assets at FVOCI:		
Listed equity securities:		
PERC	11,977,121	15,789,774
Benguet Corporation	6,519,770	2,833,592
Nonlisted equity security: HEDC	517,176,832	517,176,832
Investments in government securities	4,146,724	4,610,013
	₱622,168,427	₱629,142,410

The following tables show financial instruments recognized at fair value as of September 30, 2020 and December 31, 2019, analyzed between those whose fair values are based on:

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

	30-Sep-20 (Unaudited)			
	Level 1	Level 2	Level 3	Fair Value
Financial assets:				
Financial assets at FVTPL:				
Equity securities	₱31,188,825	₱-	₱-	₱31,188,825
Financial assets at FVOCI:				
PERC	11,977,121	-	-	11,977,121
Benguet Corporation	6,519,770	-	-	6,519,770
HEDC	-	-	517,176,832	517,176,832
Investments in government securities	4,146,724	-	-	4,146,724
	₱53,832,440	₱-	₱517,176,832	₱ 571,009,272

	31-Dec-19 (Audited)			Fair Value
	Level 1	Level 2	Level 3	
Financial assets:				
Financial assets at FVTPL:				
Equity securities	₱45,288,418	₱-	₱-	₱45,288,418
Financial assets at FVOCI:				
PERC	15,789,774	-	-	15,789,774
Benguet Corporation	2,833,592	-	-	2,833,592
HEDC	-	-	517,176,832	517,176,832
Investments in government securities	4,610,013	-	-	4,610,013
	₱68,521,797	₱-	₱517,176,832	₱585,698,629

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements in September 30, 2020 and December 31, 2019.

13. Capital Management

The primary objective of the Company'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 shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The Company monitors capital using a debt-to-equity ratio, which is total debt divided by total equity. The Company includes within total debt the following: accounts payable and accrued expenses and subscriptions payable. Total equity includes capital stock, net unrealized gains (losses) on financial assets at FVOCI and retained earnings (deficit).

The Company has no externally imposed capital requirements as of September 30, 2020 December 31, 2019.

The table below demonstrates the debt-to-equity ratios of the Company as of September 30, 2020 and December 31, 2019:

	30-Sep-20 (Unaudited)	31-Dec-19 (Audited)
Total liabilities:		
Accounts payable and accrued expenses	₱184,565	₱582,595
Total equity:		
Capital stock	₱163,000,000	₱163,000,000
Net unrealized gains on financial assets at FVOCI	359,342,548	359,414,236
Retained earnings	38,253,533	44,645,751
	₱560,596,081	₱567,059,987
Debt-to-equity ratio	0.0003:1	0.0010:1

There were no changes in the objectives, policies or processes as of the 3rd quarter 2020 and year ended December 31, 2019.

The Company has declarable dividends amounted ₱55.2 million as of September 30, 2020.

The Company's track record of capital stock is as follows:

	Number of shares registered	Issue/ offer price	Date of SEC approval	Number of holders as of year-end
Listing date - May 7, 1974	10,000,000,000	₱0.01/share	November 5, 1973	
Add (deduct):				
50% stock dividend	5,000,000,000	0.01/share	November 27, 1981	
60% stock dividend	9,000,000,000	0.01/share	October 31, 1990	
1:2.400 stock rights offering	10,000,000,000	0.01/share	September 28, 1992	
1:2.125 stock rights offering	16,000,000,000	0.01/share	February 8, 1994	
15% stock dividend	7,500,000,000	0.01/share	January 20, 1997	
Change in par value from ₱0.01/share to ₱1.00/share	(56,925,000,000)		August 14, 1997	
Quasi-reorganization	(412,000,000)	1/share	October 5, 1998	
December 31, 2010	163,000,000			4,941
Add (deduct): Movement	—	—	—	(38)
December 31, 2011	163,000,000			4,903
Add (deduct): Movement	—	—	—	(156)
December 31, 2012	163,000,000			4,747
Add (deduct): Movement	—	—	—	71
December 31, 2013	163,000,000			4,818
Add (deduct): Movement	—	—	—	(32)
December 31, 2014	163,000,000			4,786
Add (deduct): Movement	—	—	—	(28)
December 31, 2015	163,000,000			4,758
Add (deduct): Movement	—	—	—	—
December 31, 2016	163,000,000			4,758
Add (deduct): Movement	—	—	—	(41)
December 31, 2017	163,000,000			4,717
Add (deduct): Movement	—	—	—	(11)
December 31, 2018	163,000,000			4,706
Add (deduct): Movement	—	—	—	(14)
December 31, 2019	163,000,000			4,692
Add (deduct): Movement	—	—	—	(3)
September 30, 2020	163,000,000			4,689

14. Basic and Diluted Earnings Per Share

The computations of the Company's basic earnings per share are as follows:

	30-Sep-20 (Unaudited)	30-Sep-19 (Unaudited)	31-Dec-19 (Audited)
Net income (loss)	(₱6,392,217)	₱26,186,156	₱32,421,673
Weighted average number of shares	163,000,000	163,000,000	163,000,000
Basic/Diluted earnings (loss) per share	(₱0.039)	₱0.161	₱0.199

The Company has no potentially dilutive common stock as of September 30, 2020, September 30, 2019, and December 31, 2019.

15. Others

- a) The Interim Financial Report as of September 30, 2020 is in compliance with generally accepted accounting principles (all effective standards and interpretations under PFRS).
- b) The same policies and methods of computation were followed in the preparation of the interim financial report compared to the December 31, 2019 Audited Financial Statements.
- c) There are no unusual item or items that affected the assets, liabilities, equity and cash flows of the September 30, 2020 Financial Statements.
- d) There are no material events happened subsequent to the end of September 30, 2020 that might affect the result of said financial statements.
- e) Earnings per share is presented in the face of the unaudited statements of income for the period ended September 30, 2020 and September 30, 2019.
- f) No significant events happened during the quarter that will affect the September 30, 2020 Unaudited Financial Statements.
- g) There are no seasonal aspects that had a material effect on the financial condition or results of operation of the Company.
- h) There is no foreseeable event that will trigger direct or contingent financial obligation that is material to the Company, including any default of accelerated obligation.
- i) There are no material off-balance sheet transactions, arrangements, obligations and other relationship of the Company with other entities or persons that were created during the period.
- j) There are no changes in estimates of amounts reported in prior periods of the current financial year or changes in estimates of amounts reported in prior financial years that could have material effect in the current period.
- k) There are no issuances, repurchases, repayments, repayments of debt and equity securities.
- l) We are not required to disclose segment information in our financial statements because we only have one source of revenue.
- m) There are no changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructuring and discounting operations during the period.

II. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1. Financial Condition (As of September 30, 2020 and September 30, 2019)

	30-Sep-20	30-Sep-19	% Change	% to Asset
ASSETS				
Cash & cash equivalents	P50,785,661	P22,640,568	124.31%	8.15%
Financial assets at FVTPL	31,188,825	50,384,718	-38.10%	5.00%
Receivables	373,493	7,066,666	-94.71%	0.06%
Other current assets	1,180,590	1,068,985	10.44%	0.19%
Financial assets at FVOCI	539,820,448	432,132,937	24.92%	86.60%
TOTAL ASSETS	623,349,017	513,293,874	21.44%	100.00%
LIABILITIES AND EQUITY				
Accounts payable and accrued expenses	184,565	185,776	-0.65%	0.03%
Deferred Tax Liability	62,568,371	45,901,439	36.31%	10.04%
TOTAL LIABILITIES	62,752,936	46,087,215	36.16%	10.07%
EQUITY	560,596,081	467,206,659	19.99%	89.93%
TOTAL LIABILITIES AND EQUITY	P623,349,017	P513,293,874	21.44%	100.00%

Total assets amounted to P623.349 million and P513.294 million as of September 30, 2020 and September 30, 2019, respectively.

The Company's cash and cash equivalents amounted to P50.786 million as of September 30, 2020 and P22.641 million as of September 30, 2019, respectively. Bulk of the 124.31% increase was due to receipt of cash dividend from HEDC amounting to P26.05 million. These dividends are declared and paid by HEDC in the 4th quarter of 2019 amounting to P18.123 million and in 2nd quarter of 2020 amounting to 7.928 million.

Financial assets at fair value through profit or loss amounted to P31.189 million and P50.385 million as of September 30, 2020 and as of September 30, 2019, respectively. The 38.10% decrease is mainly due to negative movement of market values of investments in stocks traded at PSE.

Receivables as of September 30, 2020 amounted to P0.373 million compared to P7.067 million in September 30, 2019. The significant decrease pertains to the payment received from HEDC last October 2019 for dividend, declared in September 2019.

Other current assets consist of prepayments, prepaid taxes and input tax carry-overs. This amounted to P1.181 million and P1.069 million as of September 30, 2020 and as of September 30, 2019, respectively. The 10.44% net increase mainly represents additional input taxes recorded during the period.

Financial assets at FVOCI account as of September 30, 2020 amounted to P539.820 million and P432.133 million as of September 30, 2019. The bulk of the 24.92% increase is due to the revaluation of investment in HEDC in December 2019, net of downward movement of the investment in stocks traded at the PSE.

Accounts payable and accrued expenses amounted to P0.185 million and P0.186 million as of September 30, 2020 and September 30, 2019, respectively. The 0.65% decrease accounts for the payment of general and administrative expenses.

Total Stockholders' Equity as of as of September 30, 2020 amounted to P560.596 million or P3.439 book value per share and P467.207 million or P2.866 book value per share as of September 30, 2019. The bulk of the increase pertains to the revaluation of the market value of the investment in HEDC.

2. Results of Operations (For the Quarter ended September 30, 2020 and September 30, 2019)

	30-Sep-20	30-Sep-19	% Change 2020 vs. 2019	% in Total Revenue
REVENUES				
Dividend income	P4,626	P6,877,239	-99.93%	2.16%
Interest income	121,930	85,019	43.42%	56.84%
Other income-net	87,964	78,964	11.40%	41.01%
TOTAL REVENUES	214,520	7,041,223	-96.95%	100.00%
EXPENSES				
General & administrative	484,747	663,619	-26.95%	225.97%
Net loss on fair value changes on financial assets at fair value through profit or loss	144,294	3,300,683	100.00%	68.75%
TOTAL EXPENSES	629,041	3,964,302	-84.13%	293.23%
Income/(Loss) before income tax	(414,521)	3,076,920	-113.47%	-193.23%
Provision for income tax	1,759	1,700	3.47%	0.82%
NET INCOME	(416,280)	3,075,220	-113.54%	-194.05%

The Company posted a net loss of P0.416 million or (P0.0026) earnings per share and P3.075 million or P0.0190 earnings per share as of September 30, 2020 and September 30, 2019, respectively.

Dividend income decreased from P6.877 million for the 3rd quarter September 30, 2019 to P0.005 million for the 3rd quarter of September 30, 2020 due to declaration of dividend of HEDC in September 2019, none in same period 2020.

The Company's net loss on fair value changes on financial assets at FVTPL amounted to P0.144 million and P3.301 million as of September 30, 2020 and September 30, 2019, respectively. Both losses pertains to the further decline of the market values of the investments in stocks.

Interest income amounted to P0.122 million and P0.085 million for the 3rd quarter of September 30, 2020 and September 30, 2019, respectively. There was a 43.42% increase due to increase in interests earned from higher money market placements resulting from the receipt of dividends from HEDC.

Other income for the 3rd quarter of September 30, 2020 and 2019 mainly pertains to recurring service income for accounting services rendered by the Company to HEDC and rental income. Higher values in 2020 mainly due to increase in rental income during the period.

General and administrative expenses amounted to P0.485 million and P0.664 million for the 3rd quarter of September 30, 2020 and September 30, 2019, respectively. Lower expense in 2020 pertains to the payment for the share in the abandonment cost of Tara South-1 last year.

Provision for income tax for the quarter September 30, 2020 and 2019 pertains to the Minimum Corporate Income Tax (MCIT) set-up. The Company set-up MCIT rather than the 30% regular tax because most of its income are from unrealized market changes of investments and passive income subject to final tax.

3. Financial Conditions (As of September 30, 2020 and December 31, 2019)

	30-Sep-20	31-Dec-19	% Change	% Asset
ASSETS				
Cash & cash equivalents	P50,785,661	P43,037,269	18.00%	8.15%
Financial assets at FVTPL	31,188,825	45,288,418	-31.13%	5.00%
Receivables	373,493	406,512	-8.12%	0.06%
Other current assets	1,180,590	1,068,543	10.49%	0.19%
Financial assets at FVOCI	539,820,448	540,410,211	-0.11%	86.60%
TOTAL ASSETS	623,349,017	630,210,953	-1.09%	100.00%
LIABILITIES AND EQUITY				
Accounts payable and accrued expenses	184,565	582,595	-68.32%	0.03%
Deferred Tax Liability	62,568,371	62,568,371	0.00%	10.04%
TOTAL LIABILITIES	62,752,936	63,150,966	-0.63%	10.07%
EQUITY	560,596,081	567,059,987	-1.14%	89.93%
TOTAL LIABILITIES AND EQUITY	P623,349,017	P630,210,953	-1.09%	100.00%

Total assets amounted to P623.349 million as of September 30, 2020 compared to P630.211 million as of December 31, 2019.

The Company's cash and cash equivalents amounted to P50.786 million as of September 30, 2020 compared to P43.037 million as of December 31, 2019. The 18% net increase was primarily due to cash dividend received from HEDC amounting to P7.923 million on July 2020.

Financial assets at FVTPL account as of September 30, 2020 amounted to P31.189 million compared to P45.288 million as of December 31, 2019. The 31.13% decrease pertains to negative changes in market values of investments in stocks traded at PSE.

Receivables account as of September 30, 2020 amounted to P0.373 million compared to P0.407 million as of December 31, 2019. The 8.12% decrease is due to receipt of payment from Hermosa Ecozone Development Corporation (HEDC) for the accounting services rendered.

Other current assets as of September 30, 2020 amounted to P1.181 million compared to P1.069 million as of December 31, 2019. The 10.49% increase is due to additional input taxes and other assets recorded during the period.

The 0.11% net decrease in financial assets at FVOCI mainly pertains to the downward movement of the investment in stocks traded at the PSE.

Accounts payable and accrued expenses amounted to P0.185 million and P0.583 million as of September 30, 2020 and December 31, 2019, respectively. The 68.32% net decrease accounts for payment of accrued expense such as professional fees and other general and administrative expenses

Total Stockholders' Equity as of September 30, 2020 amounted to P560.596 million or P3.439 book value per share compared to P567.060 million or P3.479 book value per share as of December 31, 2019.

Except for items discussed above, there are no more changes in the financial statements that will reach the materiality threshold of 5%.

4. Results of Operations (For nine months ended September 30, 2020 and September 30, 2019)

	30-Sep-20	30-Sep-19	% Change 2020 vs. 2019	% in Total Revenue
REVENUES				
Dividend income	P7,932,126	P21,939,155	-63.84%	90.48%
Net gains on fair value changes on financial assets at fair value through profit or loss	-	5,533,818	-100.00%	0.00%
Interest income	583,092	192,620	202.72%	6.65%
Other income-net	251,893	243,933	3.26%	2.87%
TOTAL REVENUES	8,767,111	27,909,526	-68.59%	100.00%
EXPENSES				
General & administrative	1,054,697	1,718,491	-38.63%	12.03%
Net loss on fair value changes on financial assets at fair value through profit or loss	14,099,593	-	100.00%	160.82%
TOTAL EXPENSES	15,154,290	1,718,491	781.84%	172.85%
Income (Loss) before income tax	(6,387,179)	26,191,035	-124.39%	-72.85%
Provision for income tax	5,038	4,879	3.26%	0.06%
NET INCOME (LOSS)	(6,392,217)	26,186,156	-124.41%	-72.91%

The Company posted a net loss of P6.392 million as of September 30, 2020 and a net income of P26.186 million or P0.161 earnings per share as of September 30, 2019.

Dividend income decreased from P21.939 million as of September 30, 2019 to P7.932 million as of September 30, 2020 due to lower dividend income from HEDC.

The Company's net gain (loss) on fair value changes on financial assets at fair value through profit or loss amounted to (P14.100) million and P5.534 million as of September 30, 2020 and September 30, 2019, respectively. The downturn pertains to negative movements in market value of the investments in stocks traded at the PSE for the period.

Interest income amounted to P0.583 million and P0.193 million as of September 30, 2020 and September 30, 2019, respectively. There was a 202.72% increase due to interests earned in the company's increase money market placement during the period.

Other income for September 30, 2020 and 2019 mainly pertains to recurring service income for accounting services rendered by the Company to HEDC and rental income.

General and administrative expenses amounted to P1.055 million and P1.718 million as of September 30, 2020 and September 30, 2019, respectively. Lower expense in 2020 pertains to the payment for the share in the abandonment cost of Tara South-1 and increase in taxes and licenses last year.

Provision for income tax as of September 30, 2020 and September 30, 2019 pertains to the Minimum Corporate Income Tax (MCIT) set-up. The Company set-up MCIT rather than the 30% regular tax because most of its income are from unrealized market changes of investments and passive income subject to final tax.

KEY PERFORMANCE INDICATORS (KPI):

The following liquidity and profitability ratios indicate acceptable levels of financial condition and performance of the company:

	Unaudited 30-Sep-20	Unaudited 30-Sep-19	Audited 31-Dec-19	Formula
Current ratio	452.57:1	436.875:1	154.139:1	Total Current Assets/Total Current Liabilities
Debt-equity ratio	0.0003:1	0.0004:1	0.001:1	Liabilities/Total Stockholders' Equity
Net profit margin	-194.05%	43.67%	93.58%	Net Income/Total Revenue
Asset turnover	0.0003:1	0.0137:1	0.055:1	Revenue/Total Assets
Earnings/(loss) per share	(0.003)	0.019	0.199	Net Income (Loss)/Issued & Outstanding Shares

There is an increase in the Company's current ratio as of September 30, 2020 as compared to September 30, 2019 mainly due to the increase in current assets coming from the receipt of dividends from HEDC.

The decrease in the Company's debt-equity ratio as of September 30, 2020 compared to September 30, 2019 is primarily due to movements in equity during the period as a result of adjustment on valuation of HEDC.

Asset turnover for the 3rd quarter 2020 is lower compared to the 3rd quarter 2019 due to negative market value movements of the investments in stock.

Please refer to Financial Soundness Indicators for additional KPIs

Discussion of indicators of the Company's level of performance

Receivable Management

The Company's receivables reported in the Statements of Financial Position include the following:

1. Cash Dividends from various stock investments.
2. Accrued Interest Receivable from the Company's short term investments as of September 30, 2020 of which the Company will receive upon maturity.

Furthermore, the Company manages its receivables by monitoring on a regular basis to ensure timely execution of necessary interventions efforts.

Liquidity Management

The Company has substantial investments in shares of stock which are not listed in the Philippine Stock Exchange and may not be readily convertible to liquid assets necessary to meet any potential additional liquidity requirements of the Company. Investment in unquoted securities included in financial assets at FVOCI amounted to P517 million as of September 30, 2020 and December 31, 2019.

Management of liquidity requires a flow and stock perspective. Constraint such as political environment, taxation, foreign exchange, interest rates and other environmental factors can impose significant restrictions on firms in management of their financial liquidity.

Seafront has considered the above factors and paid special attention to its cash flow management. The Company identifies all its cash requirements for a certain period and invests unrestricted funds to maximize interest earnings, i.e. money market placements.

Rate of Return of Each Stockholder

The Company has no existing dividend policy. However, the Company intends to declare dividends in the future out of its unrestricted retained earnings in accordance with the Corporation Code of the Philippines.

Cost Reduction Effort

In order to minimize expenses, the Company has engaged the services of PetroEnergy Resources Corporation to handle its legal, administrative, accounting and treasury functions.

Financial disclosures in view of the current financial condition

The Company is still on wait-and-see attitude with respect to investing in other businesses. It has no intention of increasing its capital stock. The current market does not warrant an aggressive stance towards investments. The Company is generating its funds from interest earnings on money market placements.

There are no known trends, demands, commitments, events or uncertainties that will have material impact on the Company's liquidity.

The Philippine economy is still affected by economic crisis, resulting in fluctuating foreign exchange rates and increase stock market uncertainties. Uncertainties including the impact of the Covid 19 pandemic remain as to whether the country will continue to be affected by regional trends in the coming months. The financial statements do not include any adjustments that might result from these uncertainties. Related effects will be reported in the financial statements, as they become known and estimable.

Assess the financial risks exposures of the Company particularly on currency, interest credit, and market and liquidity risks. If any change thereof would materially affect the financial condition and results of operation of the Company, provide a discussion in the report on quantitative impact or such risks and include a description of enhancement in the Company's risk management policies to address the same.

The Company's principal financial instruments include cash and cash equivalents, trading and investment securities (financial assets at FVTPL) and receivables. The main purpose of these financial instruments is to fund the Company's working capital requirements.

Financial Risk Management Objectives and Policies

Please refer to Note 12

Plan of Operations

A. Investment in Financial assets at FVOCI not traded in the market (Investment in HEDC)

As of September 30, 2020 the Company holds 11.33% interest in its investment in Hermosa Development Corporation (HEDC).

The Management of HEDC is taking all efforts to sell portion of its saleable property, proceeds of which will be used to finance the development of the undeveloped portions of the property.

B. Investment in Financial Assets at FVTPL and FVOCI traded in the market

The Company will continue to closely monitor the prices of its securities as well as those specific factors which could directly or indirectly affect the prices of these instruments. Because such investments are subject to price risk due to changes in market values, an expected decline in the portfolio will prompt the Company to dispose or trade the securities for replacement with more viable and less risky investments in the future.

With the Company's current cash position, it can sustain its needs for operating expenses. The only possible material commitment is a cash call from HEDC, of which is not expected to call in the next twelve months. Thus, it does not intend to raise additional funds.

Aside from the Company's investments stated above, there are no other researches or development plans, and purchase or sale of significant equipment that the Company expects perform.

PART II - Other Information

The Company has no other information that need to be disclosed other than disclosures made under SEC Form 17-C (if any).

SEAFRONT RESOURCES CORPORATION

**SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC
RULE 68 AS AMENDED**

SEPTEMBER 30, 2020

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68, as Amended (2011) that are relevant to the Company. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets

Below is the detailed schedule of the Company’s financial assets as of September 30, 2020:

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Income Received and Accrued
Financial assets at FVPL			
Equity Securities:			
PetroEnergy Resources Corporation	3,613,852	₱11,239,080	₱-
House of Investments, Inc.	2,484,000	7,948,800	-
Ayala Land, Inc.	128,193	3,807,332	-
Araneta Properties, Inc.	3,756,788	3,719,220	-
EEl Corporation	372,500	2,566,525	-
Others		1,907,868	-
		₱31,188,825	₱-

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Income Received and Accrued
Financial assets at FVOCI			
Debt equities			
Philippine Government	-	₱4,146,724	₱-
Quoted:			
Benguet Corporation	2,507,604	6,519,770	-
PetroEnergy Resources Corporation	3,851,164	11,977,121	-
	-	18,496,891	-
Unquoted:			
Hermosa Ecozone Development Corporation	-	517,176,832	7,927,500
	-	₱539,820,448	₱7,927,500

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price without any deduction for transaction costs. For securities in which current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For unquoted financial securities, the most recent sales transaction was used as the basis for determining the fair value as of September 30, 2020 and December 31, 2019.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

The Company has no outstanding receivables from its directors, officers, employees, related parties and principal stockholders as of September 30, 2020 and December 31, 2019.

Schedule C. Amounts Receivable from/Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements

Not applicable.

Schedule D. Intangible Asset

The Company has no intangible assets as of September 30, 2020 and December 31, 2019.

Schedule E. Long-term Debt

The Company has no outstanding long-term debt as of September 30, 2020 and December 31, 2019.

Schedule F. Indebtedness to Related Parties (Long Term Loans from Related Companies)

The Company has no long-term indebtedness to related parties as of September 30, 2020 and December 31, 2019.

Schedule G. Guarantees of Securities of Other Issuers

The Company does not have guarantees of securities of other issuers as of September 30, 2020 and December 31, 2019.

Schedule H. Capital Stock

<u>Title of issue</u>	<u>Number of shares authorized</u>	<u>Number of shares issued and outstanding as shown under related balance sheet caption</u>	<u>Number of Shares reserved for options, warrants, conversion and other rights</u>	<u>Number of shares held by related parties</u>	<u>Directors, officers and employees</u>	<u>Others</u>
Common Shares	388,000,000	163,000,000	—	30,469,858	4,926	132,525,216

SEAFRONT RESOURCES CORPORATION
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Company for the 3rd quarter ended September 30, 2020, September 30, 2019 and for the year ended December 31, 2019:

Financial ratios		30-Sep-20 (Unaudited)	30-Sep-19 (Unaudited)	31-Dec-19 (Audited)
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	452.57:1	436.88:1	154.14:1
Debt to assets	$\frac{\text{Total debt}}{\text{Total assets}}$	0.10:1	0.09:1	0.10:1
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	1.11:1	1.10:1	1.11:1
Earnings/(loss) per share	$\frac{\text{Net income}}{\text{Weighted average no. of shares}}$	(0.003:1)	0.16:1	0.20:1
Price earnings ratio	$\frac{\text{Closing price}}{\text{Earnings per share}}$	N/A	16.06	11.11
Return on revenue	$\frac{\text{Net income}}{\text{Total revenue}}$	N/A	0.94	0.94
Long-term debt to equity ratio	$\frac{\text{Long-term debt}}{\text{Equity}}$	N/A	N/A	N/A
EBITDA to total interest paid	$\frac{\text{EBITDA}^*}{\text{Total interest paid}}$	N/A	N/A	N/A

**Earnings before interest, taxes, depreciation and amortization (EBITDA)*

SEAFRONT RESOURCES CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION
SEPTEMBER 30, 2020

Unadjusted retained earnings, beginning	₱44,645,751
Prior year adjustments:	
Unrealized fair value adjustments (marked-to-market)	2,812,498
Adjusted retained earnings, beginning	47,458,249
Net income (loss) during the period closed to retained earnings	(6,392,217)
Add: Non-actual/unrealized income net of tax	—
Less: Non-actual/unrealized income net of tax	—
Fair value adjustments (mark-to-market)	14,099,593
Impairment loss on available-for-sale financial assets	—
Net income actually incurred during the year	7,707,376
Less: Dividend declarations during the year	—
Total retained earnings available for dividends	₱55,165,625

SEAFRONT RESOURCES CORPORATION

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

Group Structure

All existing stockholders as of September 30, 2020 neither constitute control nor significant influence over the Company. Also, the Company's investments neither constitute control nor significant influence.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on behalf of the undersigned thereunto duly authorized.

Registrant : **SEAFRONT RESOURCES CORPORATION**

Signature and Title :  Milagros V. Reyes - President

Signature and Title :  Perry Y. Uy - Treasurer

Date : November 12, 2020

