

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

[illegible]

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

[illegible]

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

socinfo@socres.com.ph

Company's Telephone Number

(02) 8804-1978

Mobile Number

N/A

No. of Stockholders

358

Annual Meeting (Month / Day)

06/26

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ronna C. De Leon

Email Address

**ronnadeleon.soc
@gmail.com**

Telephone Number/s

(02) 8804-1977

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

4th Floor Enzo Building, 399 Senator Gil Puyat Avenue, Makati City 1200

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

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



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
SOCResources, Inc.
4th Floor Enzo Building
399 Senator Gil Puyat Avenue
Makati City 1200

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of SOCResources, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2019 and 2018, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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



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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

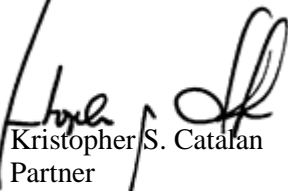


We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 21 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of SOCResources, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Kristopher S. Catafan
Partner

CPA Certificate No. 109712

SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021

Tax Identification No. 233-299-245

BIR Accreditation No. 08-001998-109-2018,
February 14, 2018, valid until February 13, 2021

PTR No. 7332534, January 3, 2019, Makati City

June 29, 2020



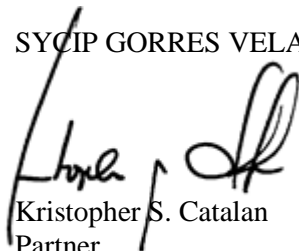
INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
SOCResources, Inc.
4th Floor Enzo Building
399 Senator Gil Puyat Avenue
Makati City 1200

We have audited the accompanying parent financial statements of SOCResources, Inc. (the Company) as of and for the year ended December 31, 2019, on which we have rendered the attached report dated June 29, 2020.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the above Company has three hundred fifty-nine (359) stockholders owning 100 or more shares each.

SYCIP GORRES VELAYO & CO.



Kristopher S. Catalan
Partner

CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332534, January 3, 2019, Makati City

June 29, 2020



SOCRESOURCES, INC.**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱517,536,471	₱418,578,909
Receivables (Note 6)	5,061,309	4,960,503
Due from related parties (Note 15)	243,387	230,703
Prepayments and other current assets (Note 7)	5,425,600	5,180,109
Total Current Assets	528,266,767	428,950,224
Noncurrent Assets		
Equity investments at fair value through other comprehensive income (FVTOCI) (Note 8)	43,208,458	52,290,036
Advances to and investment in a subsidiary (Notes 10 and 15)	1,227,498,241	1,323,498,241
Property and equipment (Note 11)	2,171,154	2,496,267
Other noncurrent assets	102,500	11,375
Total Noncurrent Assets	1,272,980,353	1,378,295,919
TOTAL ASSETS	₱1,801,247,120	₱1,807,246,143
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities (Note 12)	₱926,200	₱898,945
Noncurrent Liabilities		
Retirement benefits obligation (Note 13)	4,978,711	3,921,215
Deferred tax liabilities - net (Note 14)	3,498,750	3,498,750
Total Noncurrent Liabilities	8,477,461	7,419,965
Total Liabilities	9,403,661	8,318,910
Equity		
Common stock (Note 16)		
Issued	601,389,569	600,559,569
Subscribed	76,292,500	76,500,000
Additional paid-in capital	72,272,140	72,272,140
Retained earnings:		
Appropriated	745,000,000	745,000,000
Unappropriated	289,332,659	287,374,864
Other comprehensive income (Notes 8 and 13)	12,518,241	22,182,310
Treasury stock	(4,961,650)	(4,961,650)
Equity	1,791,843,459	1,798,927,233
TOTAL LIABILITIES AND EQUITY	₱1,801,247,120	₱1,807,246,143

See accompanying Notes to Parent Company Financial Statements.



SOCRESOURCES, INC.**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31	
	2019	2018
INCOME		
Interest income (Notes 4 and 5)	₱18,278,993	₱9,924,646
Dividend income (Note 8)	386,287	409,612
Foreign exchange gains (loss) - net	(241,472)	327,811
Realized gain on debt investments at fair value through profit or loss (FVTPL) [Note 9]	—	91,745
	18,423,808	10,753,814
COSTS AND EXPENSES		
Personnel costs	(4,278,744)	(3,793,716)
Research and development costs	(3,139,265)	(4,472,601)
Travel and transportation	(2,281,846)	(2,273,109)
Professional fees	(2,234,411)	(2,663,100)
Exploration cost	(1,127,290)	(356,745)
Depreciation and amortization (Note 11)	(702,471)	(587,568)
Taxes and licenses	(307,705)	(271,724)
Short-term lease (Note 17)	(246,600)	—
Supplies	(197,792)	(169,120)
Telecommunications and postage	(191,545)	(188,652)
Trainings and seminars	(156,508)	(146,880)
Dues and subscription	(125,575)	(104,600)
Entertainment and representation	(122,813)	(116,193)
Repairs and maintenance	(69,996)	(86,290)
Utilities	(48,051)	(18,100)
Rent (Note 17)	—	(234,000)
Others	(1,235,401)	(952,155)
	(16,466,013)	(16,434,553)
INCOME (LOSS) BEFORE INCOME TAX	1,957,795	(5,680,739)
PROVISION FOR INCOME TAX (Note 14)	—	—
NET INCOME (LOSS)	1,957,795	(5,680,739)
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Unrealized valuation loss on equity investments at FVTOCI (Note 8)	(9,081,578)	7,299,437
Actuarial gain on defined benefit plan, net of deferred income tax (Note 13)	(582,491)	204,068
	(9,664,069)	7,503,505
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱7,706,274)	₱1,822,766
Basic/Diluted Earnings (Loss) Per Share (Note 19)	₱0.0033	(₱0.0095)

See accompanying Notes to Parent Company Financial Statements



SOCRESOURCES, INC.

**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Common Stock (Note 16)		Additional	Retained Earnings (Note 16)		Other Comprehensive Income	Treasury Stock	
	Issued	Subscribed	Paid-in Capital	Appropriated	Unappropriated	(Notes 8 and 13)	(Note 16)	Total
BALANCES AT DECEMBER 31, 2017	P600,559,569	P76,500,000	P72,272,140	P745,000,000	P293,055,603	P14,678,805	(P4,961,650)	P1,797,104,467
Net loss	—	—	—	—	(5,680,739)	—	—	(5,680,739)
Other comprehensive income	—	—	—	—	—	7,503,505	—	7,503,505
Total comprehensive income	—	—	—	—	(5,680,739)	7,503,505	—	1,822,766
BALANCES AT DECEMBER 31, 2018	600,559,569	76,500,000	72,272,140	745,000,000	287,374,864	22,182,310	(4,961,650)	1,798,927,233
Issuance of stock	830,000	(207,500)	—	—	—	—	—	622,500
Net income	—	—	—	—	1,957,795	—	—	1,957,795
Other comprehensive income	—	—	—	—	—	(9,664,069)	—	(9,664,069)
Total comprehensive income	—	—	—	—	1,957,795	(9,664,069)	—	(7,706,274)
BALANCES AT DECEMBER 31, 2019	P601,389,569	P76,292,500	P72,272,140	P745,000,000	P289,332,659	P12,518,241	(P4,961,650)	P1,791,843,459

See accompanying Notes to Parent Company Financial Statements.



SOCRESOURCES, INC.**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	₱1,957,795	(₱5,680,739)
Adjustments for:		
Interest income (Notes 4 and 5)	(18,278,993)	(9,924,646)
Depreciation and amortization (Note 11)	702,471	587,568
Dividend income (Note 8)	(386,287)	(409,612)
Retirement benefit expense (Note 13)	475,005	336,259
Unrealized foreign exchange loss (gain)	241,472	(965,920)
Realized gain on debt investments at FVTPL (Note 9)	–	(91,745)
Loss on retirement of property and equipment	–	42,750
Operating loss before working capital changes	(15,288,537)	(16,106,085)
Changes in:		
Receivables	(41,026)	(52,197)
Prepayments and other assets	(245,491)	(369,171)
Accounts payable and other liabilities	27,255	(162,608)
Cash used in operations	(15,547,799)	(16,690,061)
Interest received	18,198,223	9,164,229
Net cash flows from (used in) operating activities	2,650,424	(7,525,832)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment received from a related party (Note 15)	96,000,000	109,328,660
Acquisition of property and equipment (Note 11)	(377,358)	(992,051)
Dividends received	407,277	399,628
Decrease (increase) in other noncurrent assets	(91,125)	397,791
Advances to related parties	(12,684)	(39,084)
Proceeds from:		
Sale of short-term investments (Note 5)	–	255,823,471
Redemption of UITF (Note 9)	–	10,197,117
Net cash flows from investing activities	95,926,110	375,115,532
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from additional issuance of stock	622,500	–
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(241,472)	965,920
NET INCREASE IN CASH AND CASH EQUIVALENTS	98,957,562	368,555,620
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	418,578,909	50,023,289
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱517,536,471	₱418,578,909

See accompanying Notes to Parent Company Financial Statements.



SOCRESOURCES, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information and Approval and Authorization of the Parent Company Financial Statements

Corporate Information

SOCResources, Inc. [formerly South China Resources, Inc.] (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 25, 1992, primarily to undertake oil and gas exploration, development and production. The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

In October 2003, the SEC approved the amendment of the Parent Company's articles of incorporation, particularly the change in its primary purpose of business. The Parent Company is now registered primarily to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, in particular shares of stocks, voting trust certificates, bonds, debentures, notes, evidences of indebtedness of associations and corporations, domestic or foreign, without being a stockbroker or dealer, and to issue in exchange therefore shares of the capital stock, bonds, notes, or other obligations and/or assets of the Parent Company and while the owner thereof, to exercise all the rights, powers, and privileges of ownership, including the right to vote any shares of stock or voting trust certificates so owned, and to do every act and thing that may generally be performed by entities known as "holding companies". The former primary purpose of oil and gas exploration was reclassified as among the secondary purposes of the Parent Company.

On April 25, 2014, the Board of Directors (BOD) approved the amendment in the articles of incorporation to change the name of the Parent Company from South China Resources, Inc. to SOCResources, Inc. The change was approved by the Philippine SEC on September 4, 2014.

SOC Land Development Corporation (SOC Land; the Subsidiary) was incorporated in the Philippines and registered with the SEC on November 25, 2010 (see Note 10).

The registered office address of the Parent Company is 4th floor Enzo Building, 399 Senator Gil Puyat Avenue, Makati City 1200.

Approval and Authorization of the Parent Company Financial Statements

The parent company financial statements as at December 31, 2019 and 2018 and for the years then ended were approved and authorized for issue by the BOD on June 29, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation

The parent company financial statements have been prepared on a historical cost basis except for equity investments at fair value through other comprehensive income (FVTOCI) that have been measured at fair value. The parent company financial statements are presented in Philippine peso (₱), which is the Parent Company's functional and presentation currency. All values are rounded off to the nearest peso, except when otherwise indicated.



Statement of Compliance

The Parent Company's separate financial statements are prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The Parent Company also prepares and issues consolidated financial statements, which are also presented in compliance with PFRSs, for the same financial year as the parent company financial statements.

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

The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance, unless otherwise indicated. Additional disclosures have been included in the notes to financial statements, as applicable.

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Parent Company is the lessor.

The Parent Company adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC 4. The Parent Company therefore did not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC 4.

The adoption of PFRS 16 has no impact to the Parent Company's financial statements because the Parent Company has no long-term lease contract as at January 1, 2019. The Parent Company elected to use the recognition exemption for lease contracts that have a lease term of 12 months or less and do not contain a purchase option (see Note 17).

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates



- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The interpretation has no impact to the Parent Company.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the financial statements of the Parent Company.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments had no impact on the financial statements of the Parent Company as it did not have any plan amendments, curtailments, or settlements during the period.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.



The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

These amendments had no impact on the financial statements as the Parent Company does not have long-term interests in its associate and joint venture.

- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the financial statements of the Parent Company as there is no transaction where joint control is obtained.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the financial statements of the Parent Company because dividends declared by the Parent Company do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.



An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Parent Company has no borrowing costs incurred, these amendments had no impact on the financial statements of the Parent Company.

Future Changes in Accounting Policies

The following are the new and revised standards and interpretations that will become effective subsequent to December 31, 2019. Unless otherwise indicated, the Parent Company does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have any significant impact on the parent company financial statements.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply to future business combinations of the Parent Company.

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

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.



The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

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 amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Parent Company continues to assess the impact of the above new and amended accounting standards and Interpretations effective subsequent to 2019 on the parent company financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the parent company financial statements when these amendments are adopted.

Current versus Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company statement of financial position based on whether it is current and noncurrent classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.



A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Parent Company classifies all other liabilities as noncurrent.

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 the Parent 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Parent 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 parent company 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 parent company financial statements on a recurring basis, the Parent 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.

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

As of December 31, 2019 and 2018, the Parent Company has no non-financial asset carried at fair value.



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 months or less from date of placements and that are subject to an insignificant risk of change in value.

Short-term Investments

Short-term investments include investments that the Parent Company has made that is expected to be converted into cash within one year.

Financial Instruments

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.

a. Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. The Parent 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. Trade receivables are measured at the transaction price determined under PFRS 15.

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

The Parent 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.

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

Subsequent measurement

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

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



Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Parent Company. The Parent 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 rate (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 Parent Company's financial assets at amortized cost includes cash and cash equivalents, short-term investments, receivables, security deposit presented under prepayments and other current assets and due from related parties.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Parent Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* 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 the parent company statement of comprehensive income when the right of payment has been established, except when the Parent 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 fair value through OCI are not subject to impairment assessment.

The Parent Company elected to classify irrevocably its listed equity investments and golf club shares under this category.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, 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 accounted for as financial assets at FVTPL unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the parent company statement of financial position at fair value with net changes in fair value presented as "gain on debt instruments at FVTPL" (positive net changes in fair value) or "loss on debt instruments at FVTPL" (negative net changes in fair value) in profit or loss.

As of December 31, 2019 and 2018, the Company has no investments at FVTPL.



Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the parent company statement of financial position) when:

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

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

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

Impairment of financial assets

The Parent Company recognizes an allowance for ECLs for all financial assets except debt instruments 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 Parent Company expects to receive, discounted at an approximation of the original EIR. 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).

For receivables that do not contain significant financing component, the Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Parent Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVTOCI, the Group applies the low credit risk simplification. At every reporting date, the Parent Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Parent Company reassesses the internal credit rating of the debt instrument.

For financial assets at amortized costs being individually assessed for ECLs, the Parent Company applied lifetime ECL calculation. This involves determination of probability of default and loss-given



default based on available data, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and cash equivalents, the Parent Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risks investments. It is the Parent Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Parent Company uses the ratings from the external credit rating agencies to determine whether the debt instruments has significantly increased in credit risk and estimate ECLs.

The Parent Company considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants. In certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, liabilities at amortized cost, 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 liabilities at amortized cost, net of directly attributable transaction costs.

The Parent Company's financial liabilities include accounts payable and other liabilities (excluding statutory payables).

Subsequent measurement

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

Liabilities at amortized cost

This is the category most relevant to the Parent Company. After initial recognition, interest-bearing liabilities at amortized cost 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 parent company statement of comprehensive income.

Derecognition

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



c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company 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, to realize the assets and settle the liabilities simultaneously.

Prepayments and Other Current Assets

Prepayments

Prepayments are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months.

Input Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company statement of financial position to the extent of the recoverable amount.

Any excess which will be claimed as tax credits within twelve (12) months or within the normal operating cycle is presented as part of "Prepayments and other current assets" in the parent company statement of financial position. Otherwise, these are classified as other noncurrent assets. Input VAT is stated at its estimated net realizable value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such equipment when the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

When assets are retired or otherwise disposed of, both the cost and the related accumulated depreciation and any impairment loss are removed from the accounts and any resulting gain or loss is directly credited to or charged against current operations.

Depreciation commences when an asset is in the location and condition capable of being operated in the manner intended by management. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

<u>Category</u>	<u>Number of Years</u>
Transportation equipment	5
Office furniture and equipment	5

Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated lives of the improvements, whichever is shorter.



Depreciation ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date that the asset is derecognized.

The estimated useful lives and depreciation and amortization methods are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized. Fully depreciated items are retained as property and equipment until these are no longer in use.

Investment in a Subsidiary

Investment in a subsidiary is accounted for at cost less any impairment in value. A subsidiary is an entity which the Parent Company controls. A company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All dividends received are reflected as income in profit or loss.

The Parent Company recognizes income from its investment in a subsidiary when its right to receive dividends is established. As of December 31, 2019 and 2018, the Parent Company's investment in subsidiary pertains to its investment in SOC Land, a company incorporated and domiciled in the Philippines.

Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

For nonfinancial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.



Retirement Benefits

The Parent Company recognizes the net defined benefit liability or asset which is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as an expense or income in profit or loss.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the parent company statement of financial position with a corresponding debit or credit to retained earnings through profit or loss in the period in which they occur. Re-measurements are not reclassified to the parent company statement in comprehensive loss in subsequent periods.

Common Stock and Additional Paid-in Capital

The Parent Company has issued common stocks that are classified as equity. Common stock is measured at par value for all shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Subscription receivable pertains to the uncollected portion of the subscribed shares. Subscription receivable is presented as deduction from equity if the subscription receivable is not expected to be collected within 12 months after reporting period. Otherwise, the subscription receivable is presented as current asset.

Retained Earnings

The amount included in retained earnings includes profit and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Parent Company's BOD. Interim dividends are deducted from equity when they are paid. Dividends for the year that are



approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Treasury Stock

Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the parent company statement of comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference in the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury stock are nullified for the Parent Company and no dividends are allocated to them respectively. When the stocks are retired, the common stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-up capital when the shares were issued and to retained earnings for the remaining balance.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific revenue recognition criteria should also be met before revenue is recognized.

Interest Income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate. Effective interest is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses incurred in the general administration of day-to-day operation of the Parent Company are generally recognized when the service is used or the expense arises.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Parent Company can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- its intention to complete and its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use.



Income Taxes

Current Income Tax

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

Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability and is presented as “Income tax payable” account in the parent company statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset and is presented as part of “Prepayments and other current assets” account in the parent company statement of financial position.

Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, 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 income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized.

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

Deferred income tax relating to items recognized directly in equity is recognized in OCI and not in profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset the deferred income tax assets against the deferred income tax liabilities and the deferred income taxes related to the same taxable entity and the same taxation authority.

The carrying amount of deferred income 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 income tax assets to be utilized. Unrecognized deferred income 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 assets to be recovered.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the foreign exchange rate ruling at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the reporting date. Foreign currency gains or losses are recognized in profit or loss.

Leases (Effective January 1, 2019)

The Parent Company as a lessee

The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Parent Company’s sole lease contract qualifies as a short-term lease.



Short-term leases

The Parent Company applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Leases (Effective prior to January 1, 2019)

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Parent Company's profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

Provisions

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

Contingencies

Contingent liabilities are not recognized in the parent company 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 parent company financial statements but are disclosed in the notes to parent company financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period

Post year-end events that provide additional information about the Parent Company's financial position at the reporting date (adjusting events) are reflected in the parent company financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.



3. Significant Accounting Judgments, Estimates and Assumptions

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

Judgment

Assessment of Impairment of Nonfinancial Assets

The Parent Company assesses impairment on property and equipment, investment in a subsidiary, input VAT and prepayments whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Parent Company is required to make estimates and assumptions that can materially affect the parent company financial statements.

As of December 31, 2019 and 2018, there were no impairment indicator that would lead to impairment analysis.

Estimates and Assumptions

Estimation of retirement benefits liability and expense

The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include among others, discount rate and salary increase rate. Actual results that differ from the Parent Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and liability in such future period. While the Parent Company believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect retirement benefits expense and liability. Retirement benefits costs charged to operations for the years ended December 31, 2019 and 2018 amounted to ₱0.48 million and ₱0.34 million, respectively. Retirement benefits liability amounted to ₱5.0 million and ₱3.9 million as of December 31, 2019 and 2018, respectively (see Note 13).



Recognition of Deferred Income Tax Assets

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess MCIT over RCIT and unused NOLCO, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Significant management 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.

As of December 31, 2019 and 2018, the Parent Company did not recognize deferred income tax assets on deductible temporary differences and carryforward benefits of unused NOLCO amounting to ₱12.62 million and ₱11.26 million, respectively (see Note 14).

4. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	₱11,415,276	₱14,981,717
Cash equivalents	506,121,195	403,597,192
	₱517,536,471	₱418,578,909

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

Interest income earned amounted to ₱18.28 million and ₱7.16 million in 2019 and 2018, respectively. Outstanding accrued interest receivable related to the cash equivalents amounted to ₱0.86 million and ₱0.78 million as of December 31, 2019 and 2018, respectively (see Note 6).

5. Short-Term Investments

In 2017, the Parent Company acquired investments in government securities bearing interest ranging from 2.85% to 3.00%. Upon maturity in 2018, the Parent Company sold the short-term investments. Interest earned amounted to nil, ₱2.8 million and ₱3.3 million in 2019, 2018 and 2017, respectively.

6. Receivables

	2019	2018
Receivable from officers and employees	₱4,114,834	₱4,073,808
Accrued interest (Note 4)	858,593	777,823
Others	87,882	108,872
	₱5,061,309	₱4,960,503

Receivables from officers and employees pertain to advances which are settled through liquidation.

Other receivables as of December 31, 2019 and 2018 include receivable for cash dividends declared by domestic corporation for which the Company owns shares amounting to ₱0.08 million and ₱0.10 million, respectively. This is expected to be collected within the next financial year.

No impairment loss on receivables was recognized in 2019 and 2018.



7. Prepayments and Other Current Assets

	2019	2018
Prepayments	P3,526,219	P3,547,111
Input VAT	1,771,407	1,509,925
Security deposit (Note 17)	93,798	88,920
Supplies	34,176	33,527
Others	–	626
	P5,425,600	P5,180,109

Prepayments consists of prepaid taxes and insurance.

8. Equity Investments at FVTOCI

	2019	2018
Golf club shares	P35,250,000	P35,250,000
Listed equity investments	7,958,458	17,040,036
	P43,208,458	P52,290,036

The Parent Company's equity investments at FVTOCI pertain to investments in shares of stock of various publicly-listed companies and golf club shares.

The fair value of quoted club share is determined by reference to published price quotation.

The fair values of listed equity investments are based on the quoted market price that is readily and regularly available in the Philippine Stock Exchange.

Dividend income earned from equity investments at FVTOCI amounted to P0.39 million, P0.41 million in 2019 and 2018, respectively.

The roll forward of net changes in fair value of equity investments at FVTOCI during the years ended December 31 are as follows:

	2019	2018
Balance at beginning of year	P21,643,114	P14,343,677
Fair value adjustments	(9,081,578)	7,299,437
Balances at end of year	P12,561,536	P21,643,114

9. Debt Investments at FVTPL

This account pertains to investment in UITF from China Banking Corporation (CBC). The reconciliation of the carrying amounts of debt investments at FVTPL as of December 31, 2018 follows:

Balance at beginning of year	P10,105,372
Fair value adjustments	91,745
Disposal during the year	(10,197,117)
Balances at end of year	P–



10. Advances to and Investment in a Subsidiary

The Parent Company's investment in a subsidiary pertains to its 100% equity interest in SOC Land (see Note 1). In November 2010, the Parent Company subscribed to and paid for 40,000,000 shares and 10,000,000 shares in SOC Land, respectively. The total cost of the investment amounted to ₱10.0 million.

SOC Land was incorporated in the Philippines and registered with the Philippine SEC on November 25, 2010. The primary purpose of SOC Land is to deal and engage in real estate business.

On July 28, 2010, the Parent Company purchased 24,023 square meters parcel of land located at East Service Road of South Superhighway, Barangay Buli, Muntinlupa City at a price of ₱321.0 million. As of December 31, 2010, the Parent Company classified the land under "Investment property" in the parent company statement of financial position at cost of ₱321.0 million which approximates its fair value. On March 4, 2011, the Parent Company transferred this investment property with fair value of ₱312.3 million, in exchange for 312,298 additional shares in SOC Land.

The registered office address of SOC Land is 4th Floor Enzo Building, 399 Senator Gil Puyat Avenue, Makati City.

Details of investment in and advances to a subsidiary as of December 31, 2019 and 2018 are as follows:

	2019	2018
Investment	₱322,298,000	₱322,298,000
Advances	905,200,241	1,001,200,241
	₱1,227,498,241	₱1,323,498,241

11. Property and Equipment

December 31, 2019

	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Total
Cost				
Balances at beginning of year	₱14,367,159	₱3,614,914	₱458,886	₱18,440,959
Additions	40,714	118,423	218,221	377,358
Balances at end of year	14,407,873	3,733,337	677,107	18,818,317
Accumulated depreciation and amortization				
Balances at beginning of year	13,344,209	2,141,597	458,886	15,944,692
Depreciation and amortization	279,106	395,882	27,483	702,471
Balances at end of year	13,623,315	2,537,479	486,369	16,647,163
Net book values	₱784,558	₱1,195,858	₱190,738	₱2,171,154



December 31, 2018

	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Total
Cost				
Balances at beginning of year	₱14,296,757	₱2,738,265	₱458,886	₱17,493,908
Additions	70,402	921,649	—	992,051
Retirement	—	(45,000)	—	(45,000)
Balances at end of year	14,367,159	3,614,914	458,886	18,440,959
Accumulated depreciation and amortization				
Balances at beginning of year	13,084,754	1,815,734	458,886	15,359,374
Depreciation and amortization	259,455	328,113	—	587,568
Retirement	—	(2,250)	—	(2,250)
Balances at end of year	13,344,209	2,141,597	458,886	15,944,692
Net book values	₱1,022,950	₱1,473,317	₱—	₱2,496,267

As of December 31, 2019 and 2018, the cost of fully depreciated property and equipment amounted to ₱13.5 million. These are retained in the records and still used by the Parent Company until these are disposed.

12. Accounts Payable and Other Liabilities

	2019	2018
Accrued expenses	₱518,837	₱708,934
Accounts payable	377,135	138,549
Statutory payables	30,228	51,462
	₱926,200	₱898,945

Accrued expenses are expected to be settled within the next financial year.

Accounts payable are noninterest-bearing with payment terms which are dependent on the suppliers' or contractors' credit terms, which is generally 30 to 60 days terms.

Statutory payables consist of mandatory contributions and payments to the Social Security System, Philippine Health Insurance Corporation, and the Home Development Mutual Fund and withholding tax payables which have an average term of 15 to 30 days.

13. Retirement Benefits Obligation

The Parent Company has an unfunded, noncontributory defined benefit retirement plan which covers all of its regular employees. Republic Act (RA) No. 7641 ("Retirement Pay Law"), an act amending article 287 of Presidential Decree No. 442 ("Labor Code of the Philippines"), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The latest actuarial valuation report is as at December 31, 2019.



The following tables summarize the components of retirement benefit expense:

	2019	2018
Current service cost	₱173,071	₱173,331
Interest cost	301,934	162,928
	₱475,005	₱336,259

The Parent Company recognized in comprehensive income actuarial loss of ₱582,491 in 2019 and actuarial gain of ₱204,068 in 2018.

Changes in the present value of the defined benefit obligation are as follows:

	2019	2018
Beginning defined benefit obligation	₱3,921,215	₱3,789,024
Current service cost	173,071	173,331
Interest cost	301,934	162,928
Actuarial loss (gain) due to:		
Experience adjustments	299,228	383
Changes in demographic assumptions	—	57,724
Changes in financial assumptions	283,263	(262,175)
Ending defined benefit obligation	₱4,978,711	₱3,921,215

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension benefit obligations for the plan are shown below:

	2019	2018
Discount rate	4.50%	7.70%
Future salary increase	3.00%	3.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation, assuming if all other assumptions were held constant.

December 31, 2019

	Increase (decrease) in basis points (bps)	Effect on defined benefit obligation
Discount rates	100 bps	(₱101,542)
	(100) bps	117,899
Future salary increases	100 bps	118,512
	(100) bps	(103,856)

December 31, 2018

	Increase (decrease) in basis points (bps)	Effect on defined benefit obligation
Discount rates	100 bps	(₱64,039)
	(100) bps	71,358



	Increase (decrease) in basis points (bps)	Effect on defined benefit obligation
Future salary increases	100 bps	74,054
	(100) bps	(67,433)

Shown below is the maturity analysis of the undiscounted expected benefit payments:

	2019	2018
Less than one year	₱5,095,201	₱3,615,068
More than one year to 10 years	719,370	719,370
More than 10 years to 30 years	2,575,948	2,587,575

The estimated weighted average duration of the defined benefit obligations is 4.6 years as at December 31, 2019.

14. Income Taxes

- a. The reconciliation of provision for (benefit from) income tax computed at statutory income tax rate to provision for income tax follows:

	2019	2018
Provision for (benefit from) income tax at statutory tax rate	₱587,339	(₱1,704,222)
Adjustments resulting from tax effects of:		
Interest income subjected to final tax	(5,483,698)	(2,977,394)
NOLCO for which no deferred income tax asset was recognized during the year	3,903,219	3,753,379
Nondeductible expenses	894,083	977,766
Deductible temporary difference for which no deferred income tax asset was recognized	214,943	100,878
Nontaxable income	(115,886)	(150,407)
Provision for income tax	₱—	₱—

- b. The Parent Company's net deferred income tax liabilities recognized as of December 31, 2019 and 2018 are as follows:

	2019	2018
Deferred income tax asset on NOLCO	₱—	₱289,776
Deferred income tax liabilities on:		
Unrealized valuation gains on financial assets at FVTOCI	(3,498,750)	(3,498,750)
Unrealized foreign exchange gain	—	(289,776)
	(3,498,750)	(3,788,525)
Net deferred income tax liabilities	(₱3,498,750)	(₱3,498,750)

As of December 31, 2019 and 2018, deferred income tax liability consists of provision for deferred tax recognized in other comprehensive income amounting to ₱3.50 million.

No deferred income tax assets were recognized on the following deductible temporary differences and carryforward benefits of unused NOLCO as of December 31 since management believes that



it is not probable that sufficient future taxable profit will be available in the near future to allow the benefit of the deferred income tax assets to be utilized:

	2019		2018	
	Gross Amount	Tax Effect	Gross Amount	Tax Effect
NOLCO	P36,838,931	P11,051,679	P33,611,173	P10,083,352
Retirement benefits obligation	4,978,711	1,493,613	3,921,215	1,176,365
Unrealized foreign exchange loss	241,472	72,442	—	—
Allowance for impairment losses on financial assets at FVTOCI	—	—	7,263	2,179
	P42,059,114	P12,617,734	P37,539,651	P11,261,896

- c. The Parent Company's NOLCO that can be claimed as deduction against future taxable income are as follows:

Year Incurred	Balance as of December 31, 2018	Addition	Expiration/Utilization	Balance as of December 31, 2019	Tax effect	Available Until
2016	P10,748,890	P—	P10,748,890	P—	P—	2019
2017	10,989,125	—	—	10,989,125	3,296,737	2020
2018	12,839,075	—	—	12,839,075	3,851,723	2021
2019	—	13,010,731	—	13,010,731	3,903,219	2022
	P34,577,090	P13,010,731	P10,748,890	P36,838,931	P11,051,679	

15. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Parent Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Parent Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Parent Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

In the normal course of business, the Parent Company has the following significant related party transactions:

	Amount/volume		Outstanding balance			
	2019	2018	2019	2018	Terms	Conditions
<i>Subsidiary:</i>						
SOC Land						
Due from related parties (a)	(P96,000,000)	(P109,328,660)	P905,200,241	P1,001,200,241	Within one year; noninterest bearing	Unsecured; No impairment
<i>Other related parties:</i>						
South China Petroleum International (SCPI)						
Advances from related parties (b)	12,684	39,084	243,387	230,703	Due and demandable; noninterest bearing	Unsecured; No impairment
Total			P905,443,628	P1,001,430,944		



- a. Due from related parties pertain to amounts owed by SOC Land used to finance the construction of the Anala and Althea projects, primarily consisting of building construction costs, consultancy fees, taxes and licenses, advertising and other business expenses.
- b. South China Petroleum International (SCPI) is a corporation established to prospect for, explore, extract, dig and drill for, exploit, produce, purchase, or otherwise obtain from the earth, any and all kinds of petroleum and petroleum products, rocks or carbon oils, natural gas and other volatile materials, chemical substance and salts, precious and base metals, diatomaceous earth as well as other minerals of whatever nature whether similar or dissimilar to those listed herein, and to manufacture, refine, prepare for market, buy, sell, import, export and transport and otherwise deal in petroleum and other minerals of whatever nature, whether similar or dissimilar thereto, their products, compounds and derivatives and other mineral and chemical substances in crude or refined condition, and to generally engage, as may be permitted by law, in the business of, and/or investing in mining, manufacturing, contracting and servicing, in addition to oil exploration. Receivable from SCPI pertains to the amount paid for SCPI's business permit and registration.
- c. Short-term employee benefits of key management personnel amounted to ₱2.4 million in 2019 and 2018. No retirement expense were incurred for key management personnel.

16. Equity

a. Common Stock

The Parent Company's authorized, issued and subscribed common stock and treasury stock are as follows:

	2019		2018	
	No. of Shares	Amount	No. of Shares	Amount
<i>Authorized</i> - ₱1 par value	1,000,000,000	₱1,000,000,000	1,000,000,000	₱1,000,000,000
<i>Issued</i>				
Beginning of year	600,559,569	₱600,559,569	600,559,569	₱600,559,569
Issuance	830,000	830,000	—	—
End of year	601,389,659	₱601,389,659	600,559,569	₱600,559,569
	2019		2018	
	No. of Shares	Amount	No. of Shares	Amount
<i>Subscribed*</i>				
Beginning of year	306,000,000	₱306,000,000	306,000,000	₱306,000,000
Issuance	(830,000)	(830,000)	—	—
Subscription receivable	(228,877,500)	(228,877,500)	(229,500,000)	(229,500,000)
End of year	76,292,500	₱76,292,500	76,500,000	₱76,500,000
Treasury - at cost	(4,639,000)	(₱4,961,650)	(4,639,000)	(₱4,961,650)

The Parent Company was registered with the SEC on September 25, 1992 with authorized capital stock amounting to ₱1.0 billion composed of one billion shares with par value ₱1.0 per share.

The Parent company has 359 and 361 shareholders as at December 31, 2019 and 2018, respectively.



b. Retained Earnings

On December 8, 2016, the BOD approved a resolution earmarking ₱600.0 million and ₱145.0 million of the Parent Company's retained earnings for purposes of funding its investments related to SOC Land's Althea and Azalea projects with a target completion in 2021 and the Parent Company's agricultural projects from 2020 to 2025, respectively.

17. Lease Agreements

In 2012, the Parent Company entered into a renewable lease contract with Haldane Investment NV, duly represented by E. Zobel, Inc. for the lease of the 4/F Unit of Enzo Building, located at No. 399 Gil J. Puyat Avenue, Makati City. The contract is for a term of eight (8) months commencing on May 1, 2012 and expiring December 31, 2012. The lease is renewable every year for a period of twelve (12) months subject to the mutual agreement of the parties. In line with the contract, the Parent Company paid a security deposit amounting ₱93,798 and ₱88,920 as of December 31, 2019 and 2018, respectively. The security deposit is classified under "Prepayment and other current assets" (see Note 7). Minimum lease payments within a year under this contract is ₱0.21 million.

The Parent Company recorded expenses related to short-term lease amounting to ₱0.25 million in 2019 and rent expense amounting to ₱0.23 million in 2018.

18. Financial Instruments

Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise cash and cash equivalents, short-term investments, receivables, security deposit, advances to related parties, equity investments at FVTOCI and accounts payable and other liabilities. The main purpose of these financial instruments is to fund the Parent Company's operations.

The BOD has overall responsibility for the establishment and oversight of the Parent Company's risk management framework. The Parent Company's risk management policies are established to identify and manage the Parent Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Parent Company's activities.

The Parent Company has exposure to credit risk, liquidity risk and equity price risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks and they are below:

Credit Risk

Credit risk arises when a customer or counterparty fails to discharge an obligation and cause the Company to incur a financial loss.

The Parent Company is exposed to credit risk primarily because of its investing and operating activities. The Parent Company is exposed to credit risk arising from the counterparties (i.e., foreign currency denominated debt instruments, fixed income deposits and receivables) to its financial assets.

Credit Risk Management

In managing credit risk on these investments, capital preservation is paramount. The Parent Company trades only with recognized, creditworthy third parties. For investment in bonds, funds are invested in



highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investment in equities securities represent investments in companies with good dividend track record, as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed by management.

With respect to credit risk arising from the other financial assets of the Parent Company, which comprise of cash and cash equivalents, receivables, due from related parties and security deposits, management monitor these financial assets on an ongoing basis with the result that the Parent Company's exposure to impairment losses is not significant.

Credit Risk Exposures

The maximum exposure to credit risk for financial assets, which is composed of cash and cash equivalents, receivables, financial assets at FVTOCI and security deposits, is equivalent to the carrying amount of these financial assets as carried in the parent company statement of financial position. The maximum exposure to credit risk for "Due from related parties" is equivalent to the carrying amount of these financial assets as carried in the parent company statement of financial position.

With respect to credit risk arising from financial assets, the Company's exposure to credit risk arises from default of the counterparties, with a maximum exposure as of December 31, 2019 and 2018 equal to the carrying value of the instruments. The Company does not require any collateral and other credit enhancements. Consequently, an impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The mechanics of the ECL calculations and the key elements are, as follows:

- Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
- Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
- Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

Credit Risk Concentration Profile

The Parent Company has no significant concentrations of credit risk.

The aging per class of financial assets and the expected credit loss are as follows:

December 31, 2019

	Past due					ECL	Net of ECL
	Current	Less than 30 days	31-60 days	61-90 days	Over 90 days		
Cash and cash equivalents*	P517,516,471	P-	P-	P-	P-	P-	P517,516,471
Receivables	983,723	-	-	-	4,077,586	-	5,061,309
Due from related parties	-	-	-	-	905,443,628	-	905,443,628
Security deposits	93,798	-	-	-	-	-	93,798
	P518,593,992	P-	P-	P-	P909,521,214	P-	P1,428,115,206

*Excludes cash on hand

December 31, 2018

	Past due					ECL	Net of ECL
	Current	Less than 30 days	31-60 days	61-90 days	Over 90 days		
Cash and cash equivalents*	P418,578,909	P-	P-	P-	P-	P-	P418,578,909
Receivables	851,631	-	-	-	4,108,872	-	4,960,503
Due from related parties	-	-	-	-	1,001,430,944	-	1,001,430,944
Security deposits	88,920	-	-	-	-	-	88,920
	P419,519,460	P-	P-	P-	P1,005,539,816	P-	P1,425,059,276

*Excludes cash on hand



The Company considers its cash in bank as high grade since these are placed in financial institutions of high credit standing. Accordingly, ECL relating to cash in banks is considered as immaterial. Other receivables consist of advances to officers and employees and others. The Company evaluated its other receivables as high grade since these are collected through salary deductions or deducted to employees final pay. The ECL relating to this financial asset is considered as immaterial.

The credit quality of financial assets is managed by the Parent Company using high quality and standard quality as internal credit ratings.

A high grade financial assets pertain to a counterparty that is not expected by the Parent Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies. Standard grade financial assets pertain to other financial assets not belonging to high quality financial assets. Past due but not impaired financial assets are items with history of frequent default. Nevertheless, the amount due are still collectible.

Financial assets that are past due but not impaired aging 91-180 days amounted to ₱909.53 million and ₱1,005.54 million as of December 31, 2019 and 2018, respectively.

Liquidity Risk

Liquidity risk is the risk that the Parent Company will not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Parent Company manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The following tables summarize the maturity profile of the Parent Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows, and the Parent Company's financial liabilities based on contractual undiscounted payments.

December 31, 2019

	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱11,415,276	₱506,121,195	₱-	₱-	₱517,536,471
Receivables	983,723	-	4,077,586	-	5,061,309
Due from related parties	-	-	12,684	905,430,944	905,443,628
Security deposit	93,798	-	-	-	93,798
Equity investment at FVTOCI:					
Golf club shares	-	-	-	35,250,000	35,250,000
Shares of stock	-	-	-	7,958,458	7,958,458
	12,492,797	506,121,195	4,090,270	948,639,402	1,471,343,664
Financial Liabilities					
Other financial liabilities:					
Accounts payable and other liabilities**	-	895,972	-	-	895,972
Liquidity position	₱12,492,797	₱505,225,223	₱4,090,270	₱948,639,402	₱1,470,447,692

**Excludes statutory payables.



December 31, 2018

	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱14,981,717	₱403,597,192	₱–	₱–	₱418,578,909
Receivables	851,631	–	4,108,872	–	4,960,503
Due from related parties	–	–	–	1,001,430,944	1,001,430,944
Security deposit	88,920	–	–	–	88,920
Equity investment at FVTOCI:					
Golf club shares	–	–	–	35,250,000	35,250,000
Shares of stock	–	–	–	17,040,036	17,040,036
	15,922,268	403,597,192	4,108,872	1,053,720,980	1,477,349,312
Financial Liabilities					
Other financial liabilities:					
Accounts payable and other liabilities**	–	847,483	–	–	847,483
	₱15,922,268	₱402,749,709	₱4,108,872	₱1,053,720,980	₱1,476,501,829

**Excludes statutory payables.

Equity Price Risk

Equity price risk is the likelihood that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Parent Company's equity securities at FVTOCI. For investments in Philippine equities, majority of funds are invested in equities listed in the PSE.

The Parent Company measures the sensitivity of its domestic equity investments at FVTOCI by using stock market index fluctuations and its effect to respective share prices.

In 2019 and 2018, changes in fair value of equity instruments held as equity investments at FVTOCI due to a reasonably possible change in equity interest, with all other variables held constant, will increase other comprehensive income by ₱4.3 million and ₱5.2 million, respectively, if equity prices will increase by 10%. An equal change in the opposite direction would have decreased equity by the same amount.

Foreign Currency Risk

Foreign currency risk is the risk where the value of the financial instruments diminishes due to changes in foreign exchange rates. The Parent Company's foreign currency risk relates to its US\$-denominated cash. The Parent Company seeks to mitigate the effect of its currency exposure by matching the level of return on investment with the magnitude of foreign exchange fluctuation. Management closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risks associated with the financial instruments. The Parent Company currently does not enter into derivative transactions to hedge its currency exposure.

The Parent Company's significant US\$-denominated financial asset as of December 31, 2019 and 2018 pertains to cash in bank which both amounted to US\$0.1 million. Translated Peso balances of this US\$-denominated cash as of December 31, 2019 and 2018 amounted to ₱6.2 million and ₱6.5 million, respectively.

The Parent Company recognized foreign exchange loss of ₱0.24 million in 2019 and foreign exchange gain of ₱0.33 million in 2018. The exchange rate of Peso to US\$ as of December 31, 2019 and 2018 used in translating the US\$-denominated financial instruments is ₱50.64 and ₱52.58, respectively.



The following table demonstrates the impact on the Parent Company's net income or loss before income tax of reasonably possible changes in the US\$ (all other variables held constant). There is no other impact on the Parent Company's equity other than those already affecting profit or loss as follows:

2019		2018	
Movement in US\$ rates	Effect on net income	Movement in US\$ rates	Effect on net loss
+4%	(P232,788)	+5%	P326,042
-4%	232,788	-5%	(326,042)

Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and cash equivalents, short-term investments, receivables, security deposit and accounts payable and other liabilities

The carrying amounts of cash and cash equivalents, short-term investments, receivables and accounts payable and other liabilities approximate their fair values due to the short-term maturities of these financial instruments.

Equity investments at FVTOCI

Equity investments at FVTOCI are based on closing prices for equity investments, published price for golf club shares.

Fair Value Hierarchy

The Parent Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; or
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Parent Company's financial instrument carried at fair value consists of listed equity investments amounting to P7.96 million and P17.04 million as of December 31, 2019 and 2018, respectively, which has been determined by reference to the price of the most recent transaction at the end of reporting period (Level 1). The Parent Company's financial instruments carried at fair value measured under Level 2 pertain to golf club shares amounting to P35.25 million as at December 31, 2019 and 2018, which has been determined by reference to published price quotation which has been determined by reference to net asset value per unit at the end of reporting period.

As of December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and there were no transfers into and out of Level 3 fair value measurements.

Capital Management

The primary objective of the Parent 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 stockholder value.



The Parent 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 Parent Company may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2019 and 2018.

The following table pertains to the account balances which the Parent Company considers as its core economic capital:

	2019	2018
Common stock	P601,389,569	P600,559,569
Subscribed common stock - net of subscription receivable	76,292,500	76,500,000
Additional paid-in capital	72,272,140	72,272,140
Unappropriated retained earnings	289,332,659	287,374,864
Treasury stock	(4,961,650)	(4,961,650)
	P1,034,325,218	P1,031,744,923

19. Basic/Diluted Loss Per Share

	2019	2018
Net income/(loss)	P1,957,795	(P5,680,739)
Weighted average number of outstanding shares	601,182,069	600,559,569
Basic/Diluted Loss per Share	P0.0033	(P0.0095)

There are no dilutive potential common shares outstanding as of December 31, 2019 and 2018.

20. Events after Reporting Period

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. After which Modified ECQ was implemented to Metro Manila until May 31, 2020, and General Community Quarantine until June 15, 2020, which was then subsequently extended to June 30, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Parent Company considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Parent Company cannot determine at this time the impact to its financial position, performance and cash flows. The Parent Company will continue to monitor the situation.



21. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

In compliance with Bureau of Internal Revenue (BIR) RR No. 15-2010 issued on November 25, 2010, hereunder are the information on taxes, duties and license fees paid or accrued by the Parent Company in 2019:

Input VAT

Balance at beginning of year	P1,509,925
Current year's domestic purchases for:	
Goods other than for resale or manufacture	21,721
Services lodged under other accounts	239,761
Balance at end of year	P1,771,407

The Parent Company has no sales subject to VAT of 12% for the year ended December 31, 2019.

Other Taxes and Licenses

In 2019, other taxes and licenses include all other taxes, local and national, including licenses and permit fees lodged under the taxes and licenses account under the costs and expenses section in the parent company statement of comprehensive income:

License and permit fees	P292,717
Community tax certificate	2,485
Documentary stamp tax	4,933
Others	7,570
	P307,705

Withholding Taxes

Tax on compensation and benefits	P346,154
Expanded withholding tax	244,663
	P590,817

Tax Assessment and Case

The Parent Company is currently not involved in any tax cases and assessments.

