



APC GROUP INC.

11 January 2013

PHILIPPINE STOCK EXCHANGE, INC.
Listing and Disclosure Group
4th Floor, Philippine Stock Exchange Centre
Exchange Road, Ortigas Center, Pasig City

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

Re: Board Approval of Reduction in Par Value of APC Shares
From One Peso (P1.00) to Thirty-five Centavos (P0.35) per share

Gentlemen:

This refers to your letter dated 4 January 2013 requesting for further information regarding the approval by the Board of Directors of APC Group, Inc.'s ("APC" or the "Company") Board last 19 December 2012 of the reduction in the par value of the shares of APC Group, Inc. (the "Company") from One Peso (P1.00) to Thirty-Five Centavos (P0.35) per share.

We respond as follows:

1. The rationale for the reduction in the par value is to substantially reduce the capital deficit of the Company.
2. The amount of net deficit will be reduced by P5,888,635,367 which includes the reduction of par from P1 to P0.35.
3. The tabular presentation of the effects on the capital structure after the reduction in par value is attached hereto as Annex "A".
4. The tabular presentation of the movement in stockholders equity after the reduction in par value is attached hereto as Annex "B"
5. The proposed timetable to effect the reduction in par value of the Company is as follows:



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Stockholder's ratification of the Board Resolution of 12 December 2012	Annual Stockholders Meeting (Second Thursday of June, 2013)
Expected date of filing amendments to the Articles of Incorporation	Third week of June, 2013
Expected date of SEC approval of the Amended Article of Incorporation	Last week of September, 2013* at the earliest

*Approval of the SEC of major amendments in the articles of incorporation usually takes at least three (3) months.

6. The detailed procedure on the updating of the Company's stock certificates as provided by the Company's stock transfer agent are as follows:

a. Details of the stock transfer agent:

PROFESSIONAL STOCK TRANSFER, INC.

Unit 1003 City and Land Mega Plaza

ADB Ave., cor. Garnet Rd. Ortigas Center

Pasig City (Tel Nos. 687-40-53 and 687-27-33)

Leonor M. Robles – Managing Consultant

b. Old Stock certificates can be replaced depending on the availability of the new unused stock certificates and the cut off date (Processing will take only 2 to 3 days after receiving instruction from the Principal)

c. Requirements in releasing the new stock certificates

- Surrender of the old stock certificate
- For Individual stockholders:
 - .. Submit at least 2 valid Government issued ID's (Photo and signature bearing)
 - .. Update specimen signature cards
 - .. Authorization letter from the stockholder in case he cannot personally claim the stock certificate
 - .. Advance mailing of the old stock certificate in case of provincial addresses



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- For Corporate Stockholders
 - .. Authorization letter from the authorized signatory/ies of the Corporation
 - .. Secretary's certificate as to authorized signatories
 - .. Update specimen signature cards
 - .. Company By-Laws and Articles of Incorporation
 - .. Latest GIS filed with the SEC

- d. Availability of the new stock certificates will depend on letter (b) above and the signing of the new stock certificates by the Corporate Secretary and the President.

- e. Procedures in case of lost stock certificates: Comply with the legal requirements under Section 73 of the Corporation Code, as follows:
 - Affidavit of Loss (in triplicate) by registered owner or legal representative filed with the corporation stating the circumstances of loss, the serial numbers of the lost certificates and the number of shares represented by each certificate. He may also submit other information or evidence as he may deem necessary.
 - Publication of notice of loss by the corporation for three (3) consecutive weeks in a newspaper of general circulation in the place of the Corporation's principal office. The notice shall contain:
 - i. Name of the Corporation
 - ii. Name of registered owner
 - iii. Serial numbers of share certificates and the number of shares represented by the certificates
 - iv. A statement that after one (1) year from the date of last publication, lost certificates will be cancelled and new certificates will be issued in lieu thereof, if no contest. Contest will be barred thereafter.
 - If there is no contest, new certificates may be issued before expiry of one (1) year, if a bond or other security is filed by the registered owner.
 - If a contest is presented to the corporation or if an action is pending in court, issuance of new certificates is suspended until final court decision.



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- No action is allowed against the corporation for issuing new shares except for fraud, bad faith or negligence.

We trust that the foregoing is in order.

Very truly yours,


EDMUNDO L. TAN
Corporate Secretary

Encl.: a/s

ANNEX "A"

**APC Group Inc.
Capital Structure Before and After
the Effects of the Decrease in the Par Value**

Par Value	AS OF DECEMBER 31, 2011 (AUDITED)	
	Before P1.00 per share	After P0.35 per share
Authorized Capital Stock - Common Shares	P 14,000,000,000	P 4,900,000,000
Authorized Capital Stock - Preferred Shares	P 6,000,000,000	P 2,100,000,000
Common Shares	14,000,000,000	14,000,000,000
Preferred Shares	6,000,000,000	6,000,000,000
Issued Shares - Common Shares	P 2,498,039,059	P 874,313,671
	2,498,039,059	2,498,039,059
Subscribed Shares - Common Shares (net of subscription receivable of P1,473,820,348 @ P1 and P515,837,122 @ P.35)	P 3,539,950,590	P 1,238,982,707
	5,013,770,938	5,013,770,938
Outstanding Shares - Common Shares (net of subscription receivable)	P 6,037,989,649	P 2,113,296,377
	7,511,809,997	7,511,809,997
Treasury Shares - Common Shares	P (29,435,220)	P (29,435,220)
	7,606,000	7,606,000
Listed Shares - Common Shares	P 2,726,641,700	P 954,324,595
	2,726,641,700	2,726,641,700

ANNEX "B"

APC Group Inc. Movement in stockholder's equity the Effects of the Decrease in the Par Value				
	Beginning Balance	Entries to record the decrease in ACS Debit	Credit	Balance after decrease in ACS
Authorized Capital Stock ("ACS")	P 14,000,000,000 6,000,000,000	Memo entry to reduce par value from P1 to P.35		P 4,900,000,000 2,100,000,000
Issued Shares	2,498,039,059	1,623,725,389		874,313,670
Subscribed Shares (net of subscription receivable P1,473,820,348 @ P1 and P515,837,122 @ P.35) **	3,539,950,590	2,300,967,884		1,238,982,706
Treasury Shares	(29,435,220)			(29,435,220)
Additional-paid-in capital	563,942,094		3,049,693,273	3,613,635,367
Issued and outstanding	1,400,000,000		875,000,000	2,275,000,000
Deposits on future subscription **	1,963,942,094			5,888,635,367
Deficit	(7,818,369,504)			(7,818,369,504)
Unrealized mark-to-market gain on AFS	21,196,139			21,196,139
Stockholders Equity	P 175,323,158	P 3,924,693,273	P 3,924,693,273	P 175,323,158

** In 2007, APC Group Inc. (APC) and Belle Corporation (Belle) agreed that the advances of APC from Belle amounting to P3,675.0 million will be offset against subscriptions receivable from Belle representing 3,500.0 million shares subscribed at P1.40 a share and the excess over par will be recognized as Additional-Paid in Capital (APIC) upon finalization of the details of the agreement.

In 2011, while the agreement has not been legally finalized, the related advances amounting to P2,275.0 million was presented as a reduction from the subscriptions receivable and the excess over par amounting to P1,400.0 million as APIC since the pending activities are administrative in nature and are not expected to substantially affect the intent of the parties nor the substance of the agreement.