COVER SHEET

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S. E. C. Registration Number

A P C G R O U P , I N C .

(Company's Full Name)

8 TH F L O O R P H I L C O M B U I L D I N G

8 7 5 5 P A S E O D E R O X A S

M A K A T I C I T Y

(Business Address: No. Street City/Town/province)

JACKSON T. ONGSIP

Contact Person

845-0614

Company's Telephone Number

1	2		3	1

Month Day

Fiscal Year

SEC Form 17A

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Number of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

L C U

Cashier

S T A M P S

Remarks = Pls. use black ink for scanning purposes

SEC Number **ASO93-008127-A**
File Number ____

APC GROUP, INC.
(Company's Full Name)

8th Floor PhilCom Bldg.
8755 Paseo de Roxas, Makati City
(Company's Address)

(632) 845-0614
(Telephone Numbers)

SEC Form 17-A

FOR THE FISCAL YEAR ENDED

31 DECEMBER 2015

APC GROUP INC.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE REVISED SECURITIES ACT AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **31 December 2015**

2. SEC Identification Number: **AS093-08127**

3. BIR Tax Identification No. **002-834-075-000**

4. Exact name of registrant as specified in its charter: **APC GROUP, INC.**

5. Province, Country or other jurisdiction of incorporation or organization: **Philippines**

6. Industry Classification Code: _______(SEC Use Only)

7. Address of principal office: **8th Floor, Philcom Bldg., 8755 Paseo de Roxas, Makati City**

   Postal Code 1226

8. Registrant's telephone number: **(632) 845-0614**

9. Former name, former address, and former fiscal year: **N / A**

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares Outstanding
Common Stock, ₱1.00 par value	**7,504,203,997**

11. Are any or all of these securities listed on the Philippine Stock Exchange? Yes [**x**] No [ ]

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes [**x**] No [ ]

(b) has been subject to such filing requirements for the past 90 days: Yes [**x**] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates of the registrant as of 31 December 2015:
₱1.73Billion

APC GROUP INC.

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Contents

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Business Profile and Corporate History

APC GROUP, INC. (APC or the Company) was registered with the Securities & Exchange Commission (SEC) on October 15, 1993 for the primary purpose of engaging in oil and gas exploration and development in the Philippines. The Company's shares of stock were approved for listing with the Manila Stock Exchange on February 16, 1994. The Company is 46.59% owned by Belle Corporation, another publicly-listed company.

On April 30, 1997, the Securities and Exchange Commission approved the change of the Company's primary purpose from oil and gas exploration to that of a holding company.

In 2005, the Parent Company created new companies, namely, Aragorn Power and Energy Corporation (Aragorn Power), APC Energy Resources, Inc. (APCERI- formerly Aragorn Coal Resources, Inc.) and APC Mining Corporation (APC Mining). These companies were established in line with the government's thrust in developing the country's energy and mining sectors. The prospects in these industries are bolstered by the government's decision to open up this sector to foreign investors. Thus, APC will concentrate in energy resource exploration and development and pursue mining activities. The government's thrust to encourage investments in these sectors augurs well with the Company's investment direction.

The company has two (2) Mineral Production and Sharing Agreements (MPSA) with the DENR-MGB covering more than 1,000 hectares of land containing limestone deposits. The project is located in the Municipality of Ginatilan in Southern Cebu.

From November 2010 up to April 2011, thirteen (13) holes were drilled covering an area of approximately 29 hectares. Proven and probable reserves in the drilled area are sufficient to supply the limestone requirements of the cement plant for more than 50 years.

A Revised Feasibility Study for a 1.5 million Metric Tons Cement Project was prepared in July 2011. The study concluded that the cement project is financially viable offering an attractive rate of return. Management is currently seeking for prospective partners.

Employees

APC Group Inc. had a total of 6 employees as of December 31, 2015.

Subsidiaries

Aragorn Power and Energy Corporation (Aragorn Power)

Aragorn Power is still on the pre-operating stage. It was established to engage in energy resource exploration and development.

Kalinga Apayao Geothermal Service Contract.

In 2008, Aragorn Power was granted a Geothermal Service Contract (GSC) by the Department of Energy (DOE) located in the Province of Kalinga. The GSC was granted after a Certificate Precondition (CP) from the National Commission of Indigenous People (NCIP), covering a major portion of the geothermal service area, was secured. The GSC was converted into a Geothermal Renewable Energy Service Contract (RESC) in late March 2010 to avail of the incentives provided under the Renewable Energy Act (RE) of 2008. As at March 27, 2016, the consent of nine (9) out of eleven (11) ancestral domains has been secured covering 85% of the geothermal service contract area.

In November 2010, Aragorn Power and its partner Guidance Management Corporation (GMC) formed a partnership with Chevron Geothermal Philippines Holdings, Inc. (Chevron) in developing the geothermal area in November 2010. The parties signed a Farm-out Agreement which gives Aragorn Power and GMC the option to take an equity position of up to 40% in the geothermal project. The parties also signed a Joint Operating Agreement. Under the agreement, Chevron will be responsible for the exploration, development and operation of the steam field and power activities. The effectivity of the two agreements hinges on the approval by the government of the application for a Financial and Technical Assistance Agreement (FTAA). Under the Renewable Energy (RE) Act of 2008, a foreign company can own majority interest in an RE company provided the Service Contract is converted into an FTAA. The application for an FTAA has been filed with the DOE.

The project involves the development of steam fields that can generate around 100 megawatts (MW) of new capacity, providing an additional source of clean, indigenous and reliable base load power to the Luzon grid. A 100 MW geothermal project will approximately cost US$300 million. This GRESC will be the first major international investment in the country under the Renewable Energy Act of 2008.

As at December 31, 2015, Aragorn Power accomplished exploration activities that included Geological and Geochemical surveys and the Magneto Telluric Geophysical survey have been completed. As of March 31, 2016, community development projects have been undertaken in the various ancestral domains while preparations to acquire the Environmental Compliance Certificate (ECC) and the engineering design for road and pad construction is underway.

Sub-Phase 3 (Drilling of Exploratory wells) of the exploration work program will be done in 2017. The exploration wells will take about six months to complete. If the results of the exploration wells prove positive, construction of the power plant will follow.

In September 2015, the DOE approved a one (1) year extension of the term of Geothermal Service Contract.

<u>The following companies are still in the pre-operating stage and currently have no operations:</u>

PRC-MAGMA Energy Resources Inc. (PRC-Magma)

APC Energy Resources, Inc. (APCERI- formerly Aragorn Coal Resources, Inc.)

APC Mining Corporation (APCM)

APC Cement Corporation (APCC)

Item 2. Properties

Description of Property

Company/Owner	Location	Description
APC Group, Inc.	Ginatilan ,Cebu City	Various lots with a total estimated area of 1,550,681 square meters

Item 3. Legal Proceedings

There are no legal proceedings against the Company.

Item 4. Submission of Matters to a Vote of Security Holders

Except for matters taken up during the annual meeting of stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) **Market Information**

(a) The principal market where the registrant's common equity is traded is the **Philippine Stock Exchange.**

The high and low sales prices for each quarter within the last two fiscal years of registrant's common shares as quoted on the Philippine Stock Exchange are as follows:

Quarter	2015		2014	
	High	**Low**	**High**	**Low**
First Quarter	**.73**	**.68**	.72	.59
Second Quarter	**.83**	**.62**	.82	.60
Third Quarter	**.65**	**.50**	1.05	.77
Fourth Quarter	**.62**	**.45**	.87	.70

The price information as of the close of the latest practicable trading date, 22 March 2016, is Php0.56.

(2) **Holders**

As of December 31, 2015, Registrant had 603 shareholders. On the said date, the following were the Top 20 registered shareholders of the common equity of the Company:

	No. of Common Shares Held	Percentage owned out of Total outstanding common shares
Belle Corporation	3,500,000,000	46.59
PCD Nominee Corporation	2,174,221,165	28.94
Dominion Equities, Inc.	340,000,000	4.53
Compact Holdings, Inc.	281,000,000	3.74
Eastern Sec. Dev. Corp. – Non Filipino	230,000,000	3.06
Integrated Holdings, Inc.	180,000,000	2.40
Elite Holdings, Inc.	168,500,000	2.24
Parallax Resources, Inc.	165,722,334	2.21
Equinox International Resources Corp.	100,000,000	1.33
Richold Investor Corporation	100,000,000	1.33
Gilt-Edged Properties, Inc.	68,616,665	0.91
Headland Holdings Corporation	55,500,000	0.74
Eastern Sec. Dev. Corp.	23,869,114	0.32
Lim Siew Kim	18,000,000	0.24
Tak Chang Investments Co., Ltd.	18,000,000	0.24
Coscolluela, William V.	10,000,000	0.13
Reyes, Vicente O. ITF:Peter Paul Phil. Cor	8,332,000	0.11
Dharmala Sec. (Phils), Inc.	5,050,000	0.07
Singson, Evelyn R. ITF: Gilt-Edged Prop.	3,933,333	0.05
Singson, Evelyn R. ITF: Jaime F. Singson	3,000,000	0.04

** At par value of P1.00 per share*

(3) **Dividends**

(a) The ability to pay dividends depends on the availability of retained earnings. The Company has not declared any dividends on common stock since the time it was incorporated. The Company is not in a position to declare cash dividends because of its huge deficit.

(b) Dividend Policy

Dividends shall be declared only from the surplus profit and shall be payable at such time and in such manner and in such amounts as the Board of Directors shall determine. No dividends shall be declared which would impair the capital of the Corporation.

(4) **Recent Sale of Unregistered or Exempt Securities, including recent issuance of securities constituting an exempt transaction**

There was no recent sale of unregistered or exempt securities.

(5) **Minimum Public Ownership**

APC GROUP, INC.
Computation of Public Ownership as of December 31, 2015

		Number of Shares
Number of Issued Shares		7,511,809,997
Less: Number of Treasury Shares (if any)		7,606,000
Number of Outstanding Shares		**7,504,203,997**
Less:		
	% to total I/O Shares	**Common**
Directors and Officers		
Sub-Total	**0.0327%**	**2,452,706**
Principal Stockholders		
Sub-Total	**46.6405%**	**3,500,000,000**
Affiliates		
Sub-total	**2.2084%**	**165,722,334**
TOTAL	**48.8816%**	**3,668,175,040**
Total Number Of Shares Owned by the Public		**3,836,028,957**

PUBLIC OWNERSHIP PERCENTAGE
Total Number of Shares Owned by the Public
Total Issued and Outstanding Shares
as of December 31, 2015

3,836,028,957	shares =	**51.1184%**
7,504,203,997	shares	

Number of Issued Shares	=	2,498,069,059
Number of Outstanding Shares	=	7,504,203,997
Number of Treasury Shares	=	7,606,000
Number of Listed Shares	=	2,726,641,700
Total Number of Non-Public Shares	=	3,668,175,040
Number of Foreign Owned Shares	=	773,497,463
Foreign Ownership Level (%)	=	10.31%
Foreign Ownership Limit (%)	=	40%

Item 6. Management's Discussion and Analysis or Plan of Operation.

For The Financial Year Ended 2015

Income Statement

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2015	Dec 31 2014	Increase (Decrease) Amount	%	2015	2014
Interest Income	**2,350,520**	960,530	1,389,990	*145%*	*94%*	*1%*
Dividend Income	**139,898**	-	139,898	*100%*	*6%*	*0%*
Gain on sale of available-for-sale financial assets	**-**	144,924,050	(144,924,050)	*-100%*	*0%*	*93%*
Other Income	**16,960**	10,444,512	(10,427,552)	*-100%*	*1%*	*7%*
Total Revenue	**2,507,378**	156,329,092	(153,821,714)	*-98%*	*100%*	*100%*
General and Administrative Expenses	**(20,103,133)**	(17,608,577)	(2,494,556)	*14%*	*802%*	*11%*
Loss on Decline of Fair Value of Investments	**(27,438,106)**	-	(27,438,106)	*100%*	*1094%*	*0%*
Provisions and Other Expenses	**(1,416,139)**	(17,937,682)	16,521,543	*-92%*	*56%*	*11%*
Total Costs and Expenses	**(48,957,378)**	(35,546,259)	(13,411,119)	*38%*	*1953%*	*23%*
Net Income (Loss)	**(46,450,000)**	120,782,833	(167,232,833)	*-138%*	*-1853%*	*77%*

The Company ended the year ending December 31, 2015 with a consolidated net loss of P46.5 million compared to a normalized net loss in 2014 of P24.1 million, which excludes a one-time gain on sale of available-for-sale financial assets in 2014.

Total costs and expenses for 2015 amounted to P49.0 million, 38% higher compared to the prior year mainly due to the following:

- Recognition of loss on the decline of fair market value of investments held amounting to P27.4 million.
- Higher general and administrative expenses due to professional fees incurred related to on-going projects.
- This was offset by lower provision for impairment losses in 2015 on deferred exploration costs.

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2015	Dec 31 2014	Increase (Decrease) Amount	%	2015	2014
Net Income (Loss)	**(46,450,000)**	120,782,833	(167,232,833)	*-138%*	*-1853%*	*77%*
Other Comprehensive Income (Loss)						
Unrealized mark-to-market gain/(loss) on available-for-sale financial assets	**(9,474,910)**	122,152,320	(131,627,230)	*-108%*	*-378%*	*78%*
Realized gain on available-for-sale financial assets	**-**	(124,370,730)	124,370,730	*-100%*	*0%*	*-80%*
Remeasurement gain/(loss) on defined benefit obligation	**(138,200)**	(91,200)	(47,000)	*52%*	*-6%*	*0%*
Total Comprehensive income (loss) for the period	**(56,063,110)**	118,473,223	(174,536,333)	*-147%*	*-2236%*	*76%*

Total comprehensive net loss for 2015 amounted to P56.1 million resulting from operating net loss of P46.5 million and a P9.5 million decline in market value of available-for-sale financial assets.

Balance Sheet

(Amounts in Pesos, except percentages)	December 31 2015	December 2014	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2015	2014
ASSETS						
Cash and cash equivalents	**133,801,121**	157,411,732	(23,610,611)	*-15%*	*38%*	*38%*
Trade and other receivables - net	**650,242**	619,406	30,836	*5%*	*0%*	*0%*
Available-for-sale financial assets	**4,154,681**	13,629,591	(9,474,910)	*-70%*	*1%*	*3%*
Other current assets	**7,308,995**	6,307,661	1,001,334	*16%*	*2%*	*2%*
Property and equipment	**196,003**	114,436	81,567	*71%*	*0%*	*0%*
Investment properties	**129,548,000**	156,986,106	(27,438,106)	*-17%*	*37%*	*38%*
Other noncurrent assets - net	**77,488,181**	77,071,321	416,860	*1%*	*22%*	*19%*
Total Assets	**353,147,223**	412,140,253	(58,993,030)	*-14%*	*100%*	*100%*
LIABILITIES AND EQUITY						
Trade and other payables	**29,406,279**	32,801,044	(3,394,765)	*-10%*	*8%*	*8%*
Income tax payable	**342**	251,642	(251,300)	*-100%*	*0%*	*0%*
Advances from related parties	**79,772,006**	79,629,961	142,045	*0%*	*23%*	*19%*
Subscriptions payable	**161,959**	161,959	-	*0%*	*0%*	*0%*
Accrued retirement costs	**2,364,600**	1,790,500	574,100	*32%*	*1%*	*0%*
Total Liabilities	**111,705,186**	114,635,106	(2,929,920)	*-3%*	*32%*	*28%*
Capital Stock	**6,388,072,148**	6,388,072,148	-	*0%*	*1809%*	*1550%*
Additional paid-in capital	**1,613,942,096**	1,613,942,096	-	*0%*	*457%*	*392%*
Unrealized mark-to-market gain on available-for-sale financial assets	**3,306,680**	12,781,590	(9,474,910)	*-74%*	*1%*	*3%*
Gain on dilution	**226,304**	226,304	-	*0%*	*0%*	*0%*
Remeasurement loss on defined benefit obligation	**(2,863,605)**	(2,725,405)	(138,200)	*5%*	*-1%*	*-1%*
Deficit	**(7,722,678,819)**	(7,676,711,115)	(45,967,704)	*1%*	*-2187%*	*-1863%*
Treasury shares	**(29,435,220)**	(29,435,220)	-	*0%*	*-8%*	*-7%*
Equity Attributable to Non-controlling Interests	**(9,127,547)**	(8,645,251)	(482,296)	*6%*	*-3%*	*-2%*
Total Equity	**241,442,037**	297,505,147	(56,063,110)	*-19%*	*68%*	*72%*
Total Liabilities and Equity	**353,147,223**	412,140,253	(58,993,030)	*-14%*	*100%*	*100%*

APC Group's consolidated assets stood at P353.1 million as of December 31, 2015 compared to P412.1 million as of end 2014.

- Consolidated cash and cash equivalents amounted to P133.8 million at the end of 2015, 15% lower than the P157.4 million as of end-December 2014. The decline is mostly due to the disbursements for general and administrative expenses (P20.1 million).
- Available-for-sale financial assets was at P4.2 million as of December 31, 2015, 70% lower compared to the P13.6 million in 2014 due to the decline in market price of stocks held by the Company.
- Investments properties, which is measured at fair value, stood at P129.5 million, P27.4 million lower year-on-year as the appraised value of the properties was lower compared to reported value in prior years.
- Other non-current assets increased by P0.4 million due to disbursements for the existing exploration projects booked under deferred exploration costs.

Consolidated liabilities decreased by 3% or P2.9 million from P114.6 million as of December 31, 2014 to P111.7 million as of December 31, 2015. The decrease was mainly attributable to the payment of income tax due for year 2014 and the disbursement of funds related to the scholarship program of Aragorn Power (P4.5 million), which was partially offset by the increase in accrued retirement costs.
Stockholders' equity as of December 31, 2015 and December 31, 2014 amounted to P241.4 million and P297.5 million, respectively. The 19% decline was due to P56.1 million comprehensive net loss recognized in 2015.

The Company does not foresee any cash flow problems during the next twelve months. The Company has enough cash to meet cash requirements in 2015.

There were no off-balance sheet transactions.

As of December 31, 2015, except for what have been mentioned in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the company;
- Material commitments for capital expenditure;
- Known trends, events or uncertainties that are expected to have a material impact on revenues from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations aside from those mentioned in this report;
- Seasonal aspects that had a material impact on the company's results of operations; and
- Material changes in the financial statements of the Company from the year ended December 31, 2015 to December 31, 2014.

KEY PERFORMANCE INDICATORS

Management uses the following key performance indicators to evaluate the performance of the Company and its subsidiaries. Except for Net Income, these key performance indicators are not measurements in accordance with Philippine Financial Reporting Standards (PFRS) and should not be considered as an alternative to net income or any other measure of performance which are in accordance with PFRS.

1. **Return on Assets Ratio (ROA).** Return on Assets is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings and is calculated by dividing the Company's annual earnings by its total assets.

2. **Return on Equity Ratio (ROE).** Return on Equity measures how much profit is generated with the money shareholders have invested in the Company. It is expressed as a percentage and calculated by dividing net income by total Stockholders' Equity.

3. **Current Ratio.** Current ratio is computed by dividing current assets by current liabilities. This indicates the liquidity of the Company in the short term and measures the peso amount of current asset available to cover a peso amount of current liability.

4. **Debt-to-Equity Ratio (DER).** DER gives an indication of the Company's leverage position and is computed by dividing total liabilities with total stockholders' equity.

5. **Asset-to-Equity Ratio (AER).** Asset-to-Equity Ratio is computed using total assets divided by the total stockholders' equity. This ratio shows the relationship of the total assets of the firm owned by shareholders and an indicator of the leverage used to finance the Company.

The table below shows the comparative figures of the key performance indicators for the period in review.

	YTD 31 December 2015	YTD 31 December 2014
Return on Assets Ratio...……………………………………..	(0.13)	0.29
Return on Equity Ratio...……………………………………..	(0.19)	0.41
Current Ratio………….……………………………………..	1.34	1.58
Debt to Equity Ratio….……………………………………...	0.46	0.39
Asset to Equity Ratio ………………………………………..	1.46	1.39

Discussion on the key performance indicators

Return on Assets Ratio

The Company posted negative consolidated Return on Assets Ratio for the period ended December 2015 compared to year-end 2014 due to the reported net loss in 2015 amounting to P52.4 million.

Return on Equity Ratio

Return on Equity Ratio was at -0.19x due to the net loss of 2015 compared to the net income reported in 2014 amounting to P120.8 million.

Current Ratio

Current Ratio declined by 15% year-on-year due to the reported lower cash and cash equivalents and available for sale financial assets.

Debt to Equity Ratio

Debt to Equity Ratio increased to 0.46x as of end-December 2015 as total Stockholders' Equity declined on the incurred net loss for the year.

Assets to Equity Ratio

Assets to Equity Ratio increased to 1.46x due to the decline in Stockholders' Equity as the Company recorded net loss of P46.5 million for the period ending December 31, 2015 compared to the net income of 2014 amounting to P120.8 million.

For The Financial Year Ended 2014

Income Statement

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2014	Dec 31 2013	Increase (Decrease) Amount	%	2015	2014
Gain on sale of available-for-sale financial assets	**144,924,050**	-	144,924,050	*100%*	*1271%*	*0%*
Interest Income	**960,530**	1,384,487	(423,957)	*-31%*	*8%*	*13%*
Gain on sale of investments in a subsidiary and AFS financial assets	**-**	9,223,172		*0%*	*0%*	*87%*
Other Income	**10,444,512**	2,127	10,442,385	*490944%*	*92%*	*0%*
Total Revenue	**11,405,042**	10,609,786	795,256	*7%*	*100%*	*100%*
General and Administrative Expenses	**(17,608,577)**	(15,543,292)	(2,065,285)	*13%*	*154%*	*146%*
Provisions and Other Expenses	**(17,937,682)**	(59,059,688)	41,122,006	*-70%*	*157%*	*557%*
Total Expenses	**(35,546,259)**	(74,602,980)	39,056,721	*-52%*	*312%*	*703%*
Net Income (Loss) from Continuing Operations	**120,782,833**	(63,993,194)	184,776,027	*-289%*	*1059%*	*-603%*
Net Income (Loss) after Tax from Discontinued Operations	**-**	(7,380,128)	7,380,128	*-100%*	*0%*	*-70%*
Net Income (Loss)	**120,782,833**	(71,373,322)	192,156,155	*-269%*	*-1059%*	*673%*
Other Comprehensive Income (Loss)						
Unrealized mark-to-market gain/(loss) on available-for-sale financial assets	**122,152,320**	(4,000,000)	126,152,320	*-3154%*	*1071%*	*-38%*
Realized gain on available-for-sale financial assets	**(124,370,730)**	(300)	(124,370,430)	*41456810%*	*-1090%*	*0%*
Remeasurement gain/(loss) on defined benefit obligation	**(91,200)**	(2,139,900)	2,048,700	*-96%*	*-1%*	*-20%*
Total Comprehensive income (loss) for the period	**118,473,223**	(77,513,522)	195,986,745	*-253%*	*1039%*	*-731%*

Net income for the year ending December 31, 2014 amounted to P120.8 million while loss during year-end 2013 amounted to P64.0 million. The difference is primarily due to the gain on sale of available-for-sale financial assets amounting to P144.9 million.

Total Costs and Expenses including depreciation for 2014 amounted to P35.5 million. Compared to the Costs and Expenses incurred in 2013, expenses was lower in 2014 by P39.1 million mainly due to the following:

- Higher provision for impairment of deferred exploration costs and mining rights was recognized in 2013 following the discontinuance of all mining projects under APC Mining Corporation amounting to P46.8 million. For the year 2014, impairment of deferred exploration costs amounting to P16.3 million were recognized on exploration projects under Aragorn Coal Resources, Inc. and PRC-Magma Energy Resources, Inc.

- Salaries and Employee Benefits in 2014 was lower by P2.8 million or 33% compared to the year 2013 mainly due to retirement and resignation of employees.

- The decline was countered by an increase in the taxes and licenses and other incidental costs attributable to the sale of available-for-sale financial assets during the latter portion of 2014.

Other comprehensive income amounted to P118.5 million in 2014 compared to the comprehensive loss of P77.5 million in 2013. The variance was due to the recognized net income of P120.8 million in 2014 and partially offset by the lower reduction to the unrealized mark-to-market gain on Available-for-Sale Financial Assets amounting to P2.3 million and a lower re-measurement loss on defined benefit obligation amounting to P0.1 million.

Balance Sheet

(Amounts in Pesos, except percentages)	December 31	December	Horizontal Analysis		Vertical Analysis	
	2014	2013	Increase (Decrease) Amount	%	2015	2014
ASSETS						
Cash and cash equivalents	**157,411,732**	73,754,007	83,657,725	*113%*	*38%*	*20%*
Trade and other receivables - net	**619,406**	11,346,682	(10,727,276)	*-95%*	*0%*	*3%*
Available-for-sale financial assets	**13,629,591**	28,270,021	(14,640,430)	*-52%*	*3%*	*8%*
Other current assets	**6,307,661**	5,805,854	501,807	*9%*	*2%*	*2%*
Property and equipment	**114,436**	678,112	(563,676)	*-83%*	*0%*	*0%*
Investment properties	**156,986,106**	156,986,106	(0)	*0%*	*38%*	*43%*
Other noncurrent assets - net	**77,071,321**	91,229,241	(14,157,920)	*-16%*	*19%*	*25%*
Total Assets	**412,140,253**	368,070,023	44,070,230	*12%*	*100%*	*100%*
LIABILITIES AND EQUITY						
Trade and other payables	**32,801,044**	28,008,877	4,792,167	*17%*	*8%*	*8%*
Income tax payable	**251,642**	98,016	153,626	*157%*	*0%*	*0%*
Advances from related parties	**79,629,961**	79,406,947	223,014	*0%*	*19%*	*22%*
Subscriptions payable	**161,959**	75,161,959	(75,000,000)	*-100%*	*0%*	*20%*
Accrued retirement costs	**1,790,500**	6,422,300	(4,631,800)	*-72%*	*0%*	*2%*
Total Liabilities	**114,635,106**	189,098,099	(74,462,993)	*-39%*	*28%*	*51%*
Capital Stock	**6,388,072,148**	6,388,012,148	60,000	*0%*	*1550%*	*1736%*
Additional paid-in capital	**1,613,942,096**	1,613,942,096	-	*0%*	*392%*	*438%*
Unrealized mark-to-market gain on available-for-sale financial assets	**12,781,590**	15,000,000	(2,218,410)	*-15%*	*3%*	*4%*
Gain on dilution	**226,304**	226,304	-	*0%*	*0%*	*0%*
Remeasurement loss on defined benefit obligation	**(2,725,405)**	(2,634,205)	(91,200)	*3%*	*-1%*	*-1%*
Deficit	**(7,676,711,115)**	(7,799,599,734)	122,888,619	*-2%*	*-1863%*	*-2119%*
Treasury shares	**(29,435,220)**	(29,435,220)	-	*0%*	*-7%*	*-8%*
Equity Attributable to Non-controlling Interests	**(8,645,251)**	(6,539,465)	(2,105,786)	*32%*	*-2%*	*-2%*
Total Equity	**297,505,147**	178,971,924	118,533,223	*66%*	*72%*	*49%*
Total Liabilities and Equity	**412,140,253**	368,070,023	44,070,230	*12%*	*100%*	*100%*

APC Group's consolidated assets stood at P412.1 million as of December 31, 2014 compared to P368.1 million as of end 2013.

- Consolidated cash and cash equivalents was at P157.4 million at the end of 2014, 113% higher than the P73.8 million as of end-December 2013. The increase is mainly attributable to the proceeds of sale of available-for-sale financial assets. Disbursement for general and administrative expenses (P17.2 million), payment of subscriptions payable (P75 million) and additions to deferred exploration costs (P3.1 million) offset the said increase.
- Trade and other receivables declined by 95% from P11.4 million in 2013 to P0.6 million in 2014 mainly due to the collection of receivables related to the sale of available-for-sale financial assets (P9.2 million) and liquidation of advances to officers and employees (P0.6 million).
- Total available-for-sale financial assets as of December 31, 2014 stood at P13.6 million, 52% lower compared to 2013 due to the sold financial assets in the latter part of 2014.

- Property, plant and equipment, net of accumulated depreciation, declined to P0.1 million from P0.7 million due to the annual depreciation expense and write-off of unusable assets held by subsidiaries.
- Net deferred exploration costs and mining rights declined by 17% in 2014 from the P85.2 million balance in 2013 due to the allowance for impairment on deferred exploration costs of P16.3 million, partially offset by the disbursements for the existing exploration projects.

Consolidated liabilities decreased by 39% or P74.5 million from P189.1 million as of December 31, 2013 to P114.6 million as of December 31, 2014. The decrease was mainly attributable to the payment of subscription payables amounting to P75 million and payments made to retired and resigned employees reducing accrued retirement costs by P4.6 million.

Stockholders' Equity as of December 31, 2014 and December 31, 2013 amounted to ₱297.5 million and ₱179.0 million, respectively. The 66% increase was due to ₱120.8 million net income recognized in 2014, partially offset by a P2.2 decline in unrealized mark-to-market gain.

The Company does not foresee any cash flow problems during the next twelve months. The Company has enough cash to meet cash requirements in 2015.

There were no off-balance sheet transactions.

As of December 31, 2014, except for what have been mentioned in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the company;
- Material commitments for capital expenditure;
- Known trends, events or uncertainties that are expected to have a material impact on revenues from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations aside from those mentioned in this report;
- Seasonal aspects that had a material impact on the company's results of operations; and
- Material changes in the financial statements of the Company from the year ended December 31, 2013 to December 31, 2014.

KEY PERFORMANCE INDICATORS

Management uses the following key performance indicators to evaluate the performance of the Company and its subsidiaries. Except for Net Income, these key performance indicators are not measurements in accordance with Philippine Financial Reporting Standards (PFRS) and should not be considered as an alternative to net income or any other measure of performance which are in accordance with PFRS.

6. **Return on Assets Ratio (ROA).** Return on Assets is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings and is calculated by dividing the Company's annual earnings by its total assets.

7. **Return on Equity Ratio (ROE).** Return on Equity measures how much profit is generated with the money shareholders have invested in the Company. It is expressed as a percentage and calculated by dividing net income by total Stockholders' Equity.

8. **Current Ratio.** Current ratio is computed by dividing current assets by current liabilities. This indicates the liquidity of the Company in the short term and measures the peso amount of current asset available to cover a peso amount of current liability.

9. **Debt-to-Equity Ratio (DER).** DER gives an indication of the Company's leverage position and is computed by dividing total liabilities with total stockholders' equity.

10. **Asset-to-Equity Ratio (AER).** Asset-to-Equity Ratio is computed using total assets divided by the total stockholders' equity. This ratio shows the relationship of the total assets of the firm owned by shareholders and an indicator of the leverage used to finance the Company.

The table below shows the comparative figures of the key performance indicators for the period in review.

	YTD 31 December 2014	**YTD 31 December 2013**
Return on Assets Ratio...……………………………………..	0.29	(0.17)
Return on Equity Ratio...……………………………………..	0.41	(0.35)
Current Ratio…………..……………………………………..	1.58	1.10
Debt to Equity Ratio….……………………………………...	0.39	1.06
Asset to Equity Ratio ………………………………………..	1.39	2.06

Discussion on the key performance indicators

Return on Assets Ratio

The Company's consolidated Return on Assets Ratio was higher for the period ended December 2014 compared to year-end 2013 as the Company posted a net income of P120.8 million mostly coming from the gain on sale of available-for-sale financial assets.

Return on Equity Ratio

Return on Equity Ratio increased to 0.41x due to the net income recorded in 2014 compared to the year-end of 2013 when it posted a net loss of P63.2 million.

Current Ratio

Current Ratio improved by 1.58x year-on-year due to the increase in cash and cash equivalents from the proceeds of sale of available-for-sale financial assets during 2014.

Debt to Equity Ratio

Debt to Equity Ratio decreased to 0.39x as of end-December this year as total liabilities declined mostly due to the payment of subscription payables amounting to P75 million during the third quarter of 2014.

Assets to Equity Ratio

Assets to Equity Ratio decreased to 1.39x due to the increase in Stockholders' Equity as the Company recorded net income of P120.8 million for the period ending December 31, 2014.

APC GROUP INC.

Item 7. Financial Statements

The audited Financial Statements and Supplementary Schedules for the year 2015 are filed as part of this Form 17A.

APC GROUP AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

Consolidated Financial Statements

Statement of Management's Responsibility for Financial Statements	Report
Report of Independent Auditors	
Consolidated Statement of Financial Position as of December 31, 2014 and 2013	CSFP
Consolidated Statements Comprehensive Income for the years ended December 31, 2015, 2014 and 2013	CSCI
Consolidated Statements of Changes in Equity for the years ended December 31, 2015, 2014 and 2013	CSCE
Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013	CCFS
Notes to Consolidated Financial Statements	

Supplementary Schedules

Report of Independent Auditors on Supplementary Schedules

A. Financial Assets	Attached
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)	Attached
C. Amount Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	Attached
D. Intangible Assets and Other Assets	Attached
E. Long-term Debt	Not Applicable
F. Indebtedness to Related Parties (Long-term Loans from Related Companies)	Not Applicable
G. Guarantees of Securities of Other Issuers	Not Applicable
H. Capital Stock	Attached

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Independent Public Accountants

SyCip, Gorres Velayo & Co., the Company's external auditors was reappointed as such for the current year during the annual stockholder's meeting last June 11, 2015.

In 2015, Sherwin Yason was assigned as SGV's partner-in-charge for the company. His appointment shall not exceed five (5) years in compliance with SEC Rule 68.

The Audit Committee* is composed of the following:

Laurito E. Serrano	Chairman
Virginia A. Yap	Member
Bernardo D. Lim	Member

**elected during the organizational meeting in June 11, 2015*

No principal accountant or independent accountants of the registrant has resigned, was dismissed or has ceased to perform services during the two (2) most recent fiscal years or any subsequent interim period.

There have been no disagreements with any accountant or any matter of accounting principles or practices, financial statement disclosure or auditing scope of procedure.

External Audit Fees and Services

1. Audit fees for the audit of the Company's annual financial statements amounted to P455,000 for 2015 and P560,000 for 2014.
2. a. No other assurance and related services were rendered in 2015 and 2014.
   b. No tax services were rendered by the external auditor in 2015 and 2014.
   c. There were no other fees paid to the external auditor in 2015 and 2014.
   d. The audit committee approved the policies and procedures of the above services. The Board of Director has established an audit committee to provide oversight of the external audit function and review of the internal audit function of the company.

Among the policies and procedures of the audit committees are:

a. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations.
b. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities.
c. Perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.
d. Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources, and budget necessary to implement it;

e. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.

f. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;

g. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security, to ensure the integrity of the financial reports and protection of assets of the Company for the benefit of all shareholders and other stakeholders.

h. Review the reports submitted by the internal and external auditors.

i. Review the quarterly, half-year, and annual financial statements before their submission to the Board, with particular focus on the following matters:

i. Any change/s in accounting policies and practices
ii. Major judgmental areas
iii. Significant adjustments resulting from the audit
iv. Going concern assumptions
v. Compliance with accounting standards
vi. Compliance with tax, legal, and regulatory requirements.

j. Coordinate, monitor and facilitate compliance with laws, rules and regulations;

k. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report;

l. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

All incumbent directors, elected on June 11, 2015 are to serve for a term of one (1) year until their successors shall have been duly elected and qualified. The names and ages of Directors and the executive officers of the Registrant are:

Name	Age/yrs.	Position	Nationality
Willy N. Ocier	59	Chairman	Filipino
Jackson T. Ongsip	42	President/Director	Filipino
Edmundo L. Tan	70	Director / Corporate Secretary	Filipino
Bernardo D. Lim	68	Director	Filipino
Virginia A. Yap	65	Director	Filipino
Tomas D. Santos	64	Director-independent	Filipino
Laurito E. Serrano	56	Director-independent	Filipino
Ian Jason R. Aguirre	41	EVP-CFO	Filipino

The Company's Board of Directors are vested by the by-laws of the Company over-all responsibility for the management of the Company's business. The Board of Directors elects the executive officers of the Company. The composition of the Board of Directors and the incumbent executive officers of the Company are as follows:

Willy N. Ocier
Chairman

Mr. Willy N. Ocier is Chairman of the Board of APC Group and has been a Director of the Company since 1999. He is also the Chairman, Chief Executive Officer and President of Philippine Global Communications, Inc. and likewise the Chairman and President of Pacific Online Systems Corporation. He is the Co-Vice Chairman of Belle Corporation, Highlands Prime, Inc. and Tagaytay Highlands International Golf Club, Inc. He is the Chairman of Premium Leisure Corp., Premium Leisure and Amusement, Inc., Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc. and The Spa and Lodge Inc. He sits as Director of Leisure and Resorts World Corporation, IVantage Equities, and Toyota Corporation Batangas. He was the former President and Chief Operating Officer of Eastern Securities Development Corporation. He graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics.

Jackson T. Ongsip
President/ CEO

Mr. Jackson T. Ongsip was appointed as a Director, the President and CEO of the Company effective August 13, 2015. He is a Certified Public Accountant with an extensive audit and finance background accumulated from 5 years in external audit with Sycip, Gorres, Velayo & Co. (SGV) and 11 years with Globe Telecom. He concurrently holds the position of Vice President for Portfolio Investments of SM Investments Corporation, CFO in Premium Leisure Corp. and Premium Leisure and Amusement Inc. He graduated from the University of Santo Tomas with a Bachelor of Science in Accountancy.

Edmundo L. Tan
Corporate Secretary and Director

Atty. Edmundo L. Tan is a Director and Corporate Secretary of APC Group, Inc. from 2000 up to the present. He serves as Director of Philippine Global Communications, Inc. from 2000 up to the present and as Corporate Secretary from 2000 until 2010. He is a director of Aragorn Power and Energy Corporation from 2005 up to the present and as Corporate Secretary from 2005 up to 2012. He is currently a Director of PRC MAGMA Resources, Inc. (2010 up to the present). He is a director of OCP Holdings, Inc. from July 2012 up to the present. He is a Trustee of Philippine Dispute Resolution Center, Inc. (PDRCI) from 2011 up to the present. He serves as Corporate Secretary of BDO Unibank, Inc. from July 2007 up to the present and BDO Private Bank from February 2012 up to the present. He was formerly a Director of BDO Leasing & Finance, Inc. and now serves as Adviser of the Board.

Atty. Tan is the Managing Partner of Tan, Acut Lopez & Pison Law Offices (1993 up to present). He was formerly Senior Partner in Ponce Enrile Cayetano Reyes & Manalastas Law Offices, a Partner in Angara Abello Concepcion, Regala & Cruz Law Offices, and an Associate in Cruz Villarin Ongkiko Academia & Durian Law Offices.

Bernardo D. Lim
Director

Mr. Bernardo D. Lim, before he joined APC Group, was the General Manager for Finance of P.T. Bakrie Sumatra Plantations in Indonesia. He also assumed various positions in the firms he joined earlier: Vice President for Finance and Administration of Westinghouse Asia Controls Corporation and Cellophil Resources Corporation; Vice President and Treasurer of Atlantic Gulf & Pacific Company of Manila and AG&P Industrial Corporation; Vice President for Finance of Trans-Philippines Investment Corporation; Treasurer of Fluor Daniel/AG&P, Inc., Technoserve International Corporation, and Wire Rope Corporation of the Philippines; Director of Philippine Global Communications. D. Mr. Lim was also Controller of Philippine Iron Mines. He was previously the President of Aragorn Power and Energy Corp., Aragorn Coal and APC Mining.

Mr. Lim holds a Bachelor of Science in Business Administration degree from the University of the Philippines. He is a Certified Public Accountant.

Mr. Lim has been a Director since 2001. He retired from APC Group on March 31, 2014.

Virginia A. Yap
Director

Ms. Virginia A. Yap, Filipino, is also a director of Belle Corporation and Sinophil Corporation. She holds key positions in the SM Group of Companies including being Treasurer of SM Development Corporation (SMDC), and Vice President-Office of the Chairman of the Board of Directors of SM Investments Corporation, SM Land, Inc. (formerly Shoemart, Inc.) and SM Retail, Inc. She is also Treasurer of SMDC and Highlands Prime Inc. She has been connected with the SM Group of Companies for the last twenty-nine years. She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao.

Tomas D. Santos
Independent Director

Mr. Tomas D. Santos, a Filipino, is also the President of Irvine Construction Corporation from 1994 to present. He is the owner of Shamu Marketing and the President of Filipino Chinese Youth Volunteer Fire Department, Inc. from 2011 to present.

Mr. Santos holds a Bachelor of Science in Business Administration degree from the University of the East.

Atty. Maritoni Z. Liwanag, no relation to the nominee, nominated Mr. Santos.

Laurito E. Serrano
Independent Director

Mr. Laurito E. Serrano is a Certified Public Accountant with a Master in Business Administration degree from the Harvard Graduate School of Business. His area of specialization is Financial Advisory and Corporate Finance. Mr. Serrano currently serves as independent director and Chairman of the Audit and Risk Management Committee of Atlas Consolidated Mining Development Corporation. He also serves as a director at Philippine Veterans Bank and a member of its Credit, Corporate Governance, and Audit Committees; an independent director of Travellers International Hotel Group and MJC Investments, Inc.; and a director of MRT Development Corporation, among others. Mr. Serrano is also a former partner of the Corporate Finance Consulting Group of SGV & Co.

Atty. Israel L. Pison, no relation to the nominee, nominated Mr. Laurito E. Serrano.

Ian Jason R. Aguirre
Executive Vice President/ CFO

Mr. Ian Jason R. Aguirre was appointed as the Executive Vice President of the Company effective August 13, 2015. Mr. Aguirre is concurrently a Vice President of SM Investments Corporation ("SMIC"). He has worked in various management positions over a 16-year career that included local and international experience in strategic planning, operations and business development. His last stint prior to joining SMIC was as a Director for CEMEX Asia Pte. Ltd. Mr. Aguirre holds a Bachelor of Science degree in Industrial Engineering from the University of the Philippines and a Master's degree in Business Management from the Asian Institute of Management.

Family Relationships

None

Involvement in Certain Legal Proceedings

The Company is not aware of any if the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years:

Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time.
Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding.
Any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities or banking activities; and,
Any finding by a domestic or foreign court of competent jurisdiction(in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended or vacated.

Item 10. Executive Compensation

(1) General

All Compensation Covered
Except for executive officers included under the compensation table below, all other executive officers and directors do not receive salaries.

(2) Summary Compensation Table

The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the President, Chief Executive Officer, and Chief Finance Officer of the Company are as follows:

Name and Principal Position	Year	Salary	Other Variable Pay
*Frederic C. DyBuncio[1] (CEO &President)			
Jackson T. Ongsip[1] (CEO & President)			
Ian Jason Aguirre[1] (CFO & Executive Vice-President)			
CEO & Most Highly Compensated Executive Officers	Actual 2014	1,962,000	220,483
	Actual 2015	1,888,000	194,000
	Estimated 2016	1,408,000	274,000
All Other officers as a group unnamed	Actual 2014	0	0
	Actual 2015	0	0
	Estimated 2016	0	0

[1]CEO and Most Highly Compensated Executive Officers
**Resigned as CEO and President last August 13, 2015*

(3) Compensation of Directors

(A) Standard Arrangements.

Each director is entitled to a per diem of P 5,000 per board meeting attended to cover transportation expenses.

(B) Other Arrangements.

Eligibility for grant of options under the Registrant's Stock Option Plan.

(4) Employment Contracts and Termination of Employment and Change-in Control Arrangements.

None.

(5) Warrants and Options Outstanding: Repricing

None. All outstanding options of all executive officers and directors and other stock options expired in 1999.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following persons or group are directly or indirectly the record or beneficial owners of more than 5% of the Company's voting shares (common) as of December 31, 2015:

Title of Class	Name and address of record owner and relationship with issuer	Name of beneficial owner and relationship with record holder	Citizenship	No. of shares held	Percent of class
Common	Belle Corporation 28th F, East Tower PSE Centre, Ortigas Pasig City (**Parent)**	**(Note 1)**	Filipino	3,500,000,000	46.59%
Common	PCD Nominee Corp G/F Makati Stock Exchange, Ayala Ave. Makati City **(Stockholder)**	**(Note 2)**	Filipino	1,666,823,702	22.19%
Common	PCD Nominee Corp G/F Makati Stock Exchange, Ayala Ave. Makati City **(Stockholder)**	**(Note 2)**	Non-Filipino	507,397,463	6.75%

Notes:

1.) *Belle Corporation is a publicly-listed corporation. Mr. Willy N. Ocier will vote for the shares of Belle Corporation.*

2.) *PCD Nominee Corporation is a wholly-owned subsidiary of Philippine Central Depository, Inc. The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares. Instead, the participants have the power to decide how the PCD shares in APC Group are to be voted. No PCD participant who holds shares in their own behalf or in behalf of clients owns more than 5% of the Corporation's voting shares.*

(1) Security Ownership of Management

The following table shows the shareholdings of the following directors and officers as of December 31, 2015.

1) Title of Class	(2) Name of Beneficial Owner	(3) Amount and nature of beneficial ownership(direct)	(4) Citizenship	(5) Percent of Class
Common Stock	Willy N. Ocier	310,001	Filipino	0-
-do-	Bernardo D. Lim	1,000	Filipino	0-
-do-	Edmundo L. Tan	1	Filipino	0-
-do-	Tomas D. Santos	1	Filipino	0-
-do-	Virginia A. Yap	10,001	Filipino	0-
-do-	Laurito E. Serrano	1	Filipino	0-
-do-	Jackson T. Ongsip	1	Filipino	0-
-do-	Ian Jason R. Aguirre	0	Filipino	0-
	Total	**321,006**		

2. Voting Trust Holders of 10% or More

There is no party holding voting trust for 10% or more of APC's voting securities.

3. Changes in Control

There is no arrangement which may result in a change in control of APC.

Item 12. Certain Relationships and Related Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, key management personnel, including directors and officers of the Company and close members of the family of any such individual and; (d) affiliate, which is a party that, directly or indirectly through one or more intermediaries, control, is controlled by, or is under common control with the Company. Related party transactions pertain to the availment of noninterest-bearing advances from a stockholder and other related parties. The details of advances from related parties are as follows:

Category	**Year**	**Amount/ Volume of Transactions**	**Advances to (from) Related Parties**	**Terms**	**Conditions**
Stockholders					
(1) Advances received	**2015**	**₱–**	**₱(79,406,947)**	On demand;	No impairment;
	2014	–	(79,406,947)	noninterest-bearing	unsecured
(2) Share in expenses	**2015**	**(142,045)**	**(365,059)**	On demand;	No impairment;
	2014	(223,014)	(223,014)	noninterest-bearing	unsecured
Total					
Advances from related parties	**2015**	**₱142,045**	**₱79,772,006**		
	2014	(223,014)	(79,629,961)		

Compensation and benefits of key management personnel of the Company for the year ended December 31, 2015 and 2014 consists of the following:

	2015	2014
Salaries	₱3,360,000	₱3,958,046
Retirement costs	198,800	216,000
	₱3,558,800	₱4,174,046

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Please refer to attached Annual Corporate Governance Report.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - Please see accompanying Index to Exhibits in the following pages

(b) Reports on SEC Form 17-C - The Company regularly files various reports on SEC Form 17-C relative to various company disclosures. Of these, the more significant ones are as follows:

Date	Title
January 8, 2015	advisement letter-attendance to board meetings for the year 2014
January 21, 2015	SEC Approval to amend Articles of Incorporation
April 15, 2015	Schedule of Annual Stockholders' Meeting
June 18, 2015	Certification of Qualification of Independent Directors
August 13, 2015	Change of Directors and Officers

APC GROUP INC.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on March 31, 2016.

By:

1. ______________________ Date: 23 March 2016
Willy N. Ocier
Chairman of the Board

2. ______________________ Date: 23 March 2016
Jackson T. Ongsip
President

3. ______________________ Date: 23 March 2016
Ian Jason R. Aguirre
Chief Financial Officer

MAKATI CITY

SUBSCRIBED AND SWORN to before me this APR 12 2016 day of ______ 2016, affiants who are personally known to me or identified through competent evidence of identity, to wit:

Name	Passport or ID No.	Date of Issue	Place of Issue
Willy N. Ocier	EB6130282	August 14, 2012	Manila
Jackson T. Ongsip	N03-90-097042	July 21, 2014	Manila
Ian Jason R. Aguirre	EB7204576	January 21, 2013	Manila

ATTY. GERVACIO B. ORTIZ, JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2016
PTR NO.4748512 / 01-05-2015/MAKATI
IBP NO.556155 LIFETIME MEMBER
APPT. NO.M-199/2016/ROLL NO. 40091
MCLE COMPLIANCE NO.V-0006934
UNIT 102 PENINSULA COURT BLDG.
8735 MAKATI AVE., MAKATI CITY

Doc. No. 254
Page No. 58
Book No. V
Series 2016

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

	A	S	0	9	3	-	8	1	2	7

COMPANY NAME

APC GROUP, INC. AND SUBSIDIARIES

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

8th Floor, PhilCom Building, 8755 Paseo de Roxas, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAPFS	SEC	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
apc_group_inc@yahoo.com	845-0614	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
601	Last Thursday of June	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jackson T. Ongsip	jackson.ongsip@sminvestments.com	840-5465	–

CONTACT PERSON's ADDRESS

8th Floor, PhilCom Building, 8755 Paseo de Roxas, Makati City

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.

APC GROUP INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of APC Group, Inc. and Subsidiaries ("APC Group") is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the consolidated financial statements of APC Group in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

WILLY N. OCIER
Chairman of the Board

JACKSON T. ONGSIP
President and Chief Executive Officer

IAN JASON R. AGUIRRE
Executive Vice President and Chief Finance Officer

March 23, 2016

SUBSCRIBED AND SWORN to before me this APR 12 2016 at MAKATI CITY City, affiants who are personally known to me or identified through competent evidence of identity, to wit:

Name	Passport or ID No.	Date of Issue	Place of Issue
Willy N. Ocier	EB6130282	August 14, 2012	Manila
Jackson T. Ongsip	N03-90-097042	July 21, 2014	Manila
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UNTIL DECEMBER 31, 2016
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IBP NO. 656155 LIFETIME MEMBER
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BOOK NO. V
SERIES OF 2016

8th Floor, PhilCom Building
8755 Paseo de Roxas, Makati City
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Fax No.: (632) 845-0259

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
APC Group, Inc.
8th Floor, PhilCom Building
8755 Paseo de Roxas, Makati City

We have audited the accompanying consolidated financial statements of APC Group, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

SGV
Building a better working world

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of APC Group, Inc. and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Sherwin V. Yason
Partner
CPA Certificate No. 104921
SEC Accreditation No. 1514-A (Group A),
October 6, 2015, valid until October 5, 2018
Tax Identification No. 217-740-478
BIR Accreditation No. 08-001998-112-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5321713, January 4, 2016, Makati City

March 23, 2016

APC GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 20 and 21)	**₱133,801,121**	₱157,411,732
Trade and other receivables (Notes 6, 20 and 21)	**650,242**	619,406
Available-for-sale financial assets (Notes 7, 20 and 21)	**4,154,681**	13,629,591
Other current assets (Note 8)	**7,308,995**	6,307,661
Total Current Assets	**145,915,039**	177,968,390
Noncurrent Assets		
Property and equipment (Note 9)	**196,003**	114,436
Investment property (Notes 10 and 21)	**129,548,000**	156,986,106
Goodwill and other noncurrent assets (Notes 11, 20 and 21)	**77,488,181**	77,071,321
Total Noncurrent Assets	**207,232,184**	234,171,863
	₱353,147,223	₱412,140,253

LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 12, 20 and 21)	**₱29,406,279**	₱32,801,044
Advances from related parties (Notes 18, 20 and 21)	**79,772,006**	79,629,961
Income tax payable	**342**	251,642
Total Current Liabilities	**109,178,627**	112,682,647
Noncurrent Liabilities		
Subscriptions payable (Notes 7, 20 and 21)	**161,959**	161,959
Accrued retirement costs (Note 15)	**2,364,600**	1,790,500
Total Noncurrent Liabilities	**2,526,559**	1,952,459
Total Liabilities	**111,705,186**	114,635,106
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 13 and 20)	**6,388,072,148**	6,388,072,148
Additional paid-in capital (Notes 13 and 20)	**1,613,942,096**	1,613,942,096
Unrealized mark-to-market gain on available-for-sale financial assets (Note 7)	**3,306,680**	12,781,590
Remeasurement loss on defined benefit obligation (Note 15)	**(2,863,605)**	(2,725,405)
Gain on dilution	**226,304**	226,304
Deficit	**(7,722,678,819)**	(7,676,711,115)
Treasury shares - 7,606,000 shares (Notes 13 and 19)	**(29,435,220)**	(29,435,220)
Total Equity Attributable to Equity Holders of the Parent Company	**250,569,584**	306,150,398
Non-controlling Interests	**(9,127,547)**	(8,645,251)
Total Equity	**241,442,037**	297,505,147
	₱353,147,223	₱412,140,253

See accompanying Notes to Consolidated Financial Statements.

APC GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2015	2014	2013
REVENUE			
Interest income	**₱2,350,520**	₱960,530	₱1,384,487
Dividend income	**139,898**	–	–
	2,490,418	960,530	1,384,487
EXPENSES			
Loss on fair value change in investment property (Note 10)	**(27,438,106)**	–	–
General and administrative expenses (Note 14)	**(20,103,133)**	(17,608,577)	(15,543,292)
Provision for impairment of deferred exploration costs and mining rights (Note 11)	**(945,000)**	(16,270,018)	(46,788,151)
	(48,486,239)	(33,878,595)	(62,331,443)
OTHER INCOME (EXPENSES)			
Foreign exchange gain	**1,616**	160	2,127
Gain on sale of available-for-sale financial assets - net (Note 7)	**–**	144,924,050	9,223,172
Write-off on available-for-sale financial assets (Note 7)	**–**	(1,185,100)	–
Interest expense	**–**	–	(25,851)
Loss on sale of investment in a subsidiary (Note 1)	**–**	–	(7,380,128)
Other income (expense) - net (Note 16)	**15,344**	10,444,352	(11,870,757)
	16,960	154,183,462	(10,051,437)
INCOME (LOSS) BEFORE INCOME TAX	**(45,978,861)**	121,265,397	(70,998,393)
PROVISION FOR INCOME TAX (Note 17)	**471,139**	482,564	374,929
NET INCOME (LOSS)	**(46,450,000)**	120,782,833	(71,373,322)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Unrealized mark-to-market gain (loss) on available-for-sale financial assets (Note 7)	**(9,474,910)**	122,152,320	(4,000,000)
Realized gain on available-for-sale financial assets (Note 7)	**–**	(124,370,730)	(300)
Items not to be reclassified to profit or loss in subsequent periods -			
Remeasurement loss on defined benefit obligation (Note 15)	**(138,200)**	(91,200)	(2,139,900)
	(9,613,110)	(2,309,610)	(6,140,200)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱56,063,110)**	₱118,473,223	(₱77,513,522)
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company (Note 19)	**(₱45,967,704)**	₱122,888,619	(₱63,178,200)
Non-controlling interests	**(482,296)**	(2,105,786)	(8,195,122)
	(₱46,450,000)	₱120,782,833	(₱71,373,322)
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	**(₱55,580,814)**	₱120,579,009	(₱69,318,400)
Non-controlling interests	**(482,296)**	(2,105,786)	(8,195,122)
	(₱56,063,110)	₱118,473,223	(₱77,513,522)
Basic/Diluted Earnings (Loss) Per Common Share	**(₱0.006126)**	₱0.016376	(₱0.008419)

See accompanying Notes to Consolidated Financial Statements.

APC GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock (Notes 13 and 20)	**Additional Paid-in Capital** (Notes 13 and 20)	**Unrealized Mark-to-Market Gain (Loss) on Available-for-Sale Financial Assets** (Note 7)	**Remeasurement Loss on Defined Benefit Obligation** (Note 15)	**Gain on Dilution**	**Deficit**	**Treasury Shares** (Notes 13 and 19)	**Total**	**Non-controlling Interests**	**Total**
Balances at January 1, 2015	**₱6,388,072,148**	**₱1,613,942,096**	**₱12,781,590**	**(₱2,725,405)**	**₱226,304**	**(₱7,676,711,115)**	**(₱29,435,220)**	**₱306,150,398**	**(₱8,645,251)**	**₱297,505,147**
Net loss during the year	**–**	**–**	**–**	**–**	**–**	**(45,967,704)**	**–**	**(45,967,704)**	**(482,296)**	**(46,450,000)**
Other comprehensive loss	**–**	**–**	**(9,474,910)**	**(138,200)**	**–**	**–**	**–**	**(9,613,110)**	**–**	**(9,613,110)**
Total comprehensive (loss)	**–**	**–**	**(9,474,910))**	**(138,200)**	**–**	**(45,967,704)**	**–**	**(55,580,814)**	**(482,296)**	**(56,063,110)**
Balances at December 31, 2015	**₱6,388,072,148**	**₱1,613,942,096**	**₱3,306,680**	**(₱2,863,605)**	**₱226,304**	**(₱7,722,678,819)**	**(₱29,435,220)**	**₱250,569,584**	**(₱9,127,547)**	**₱241,442,037**
Balances at January 1, 2014	₱6,388,012,148	₱1,613,942,096	₱15,000,000	(₱2,634,205)	₱226,304	(₱7,799,599,734)	(₱29,435,220)	₱185,511,389	(₱6,539,465)	₱178,971,924
Net income during the year	–	–	–	–	–	122,888,619	–	122,888,619	(2,105,786)	120,782,833
Other comprehensive loss	–	–	(2,218,410)	(91,200)	–	–	–	(2,309,610)	–	(2,309,610)
Total comprehensive income	–	–	(2,218,410)	(91,200)	–	122,888,619	–	120,579,009	(2,105,786)	118,473,223
Movements in other equity accounts:										
Collection of subscription receivable	60,000	–	–	–	–	–	–	60,000	–	60,000
Balances at December 31, 2014	₱6,388,072,148	₱1,613,942,096	₱12,781,590	(₱2,725,405)	₱226,304	(₱7,676,711,115)	(₱29,435,220)	₱306,150,398	(₱8,645,251)	₱297,505,147
Balances at January 1, 2013	₱6,388,012,148	₱1,613,942,096	₱19,000,300	(₱494,305)	₱226,304	(₱7,736,421,534)	(₱29,435,220)	₱254,829,789	₱1,655,657	₱256,485,446
Net loss during the year	–	–		–	–	(63,178,200)	–	(63,178,200)	(8,195,122)	(71,373,322)
Other comprehensive loss	–	–	(4,000,300)	(2,139,900)	–	–	–	(6,140,200)	–	(6,140,200)
Total comprehensive loss	–	–	(4,000,300)	(2,139,900)	–	(63,178,200)	–	(69,318,400)	(8,195,122)	(77,513,522)
Balances at December 31, 2013	₱6,388,012,148	₱1,613,942,096	₱15,000,000	(₱2,634,205)	₱226,304	(₱7,799,599,734)	(₱29,435,220)	₱185,511,389	(₱6,539,465)	₱178,971,924

See accompanying Notes to Consolidated Financial Statements.

APC GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax:	**(₱45,978,861)**	₱121,265,397	(₱70,998,393)
Adjustments for:			
Loss on fair value change in investment property (Note 10)	**27,438,106**	–	–
Interest income (Note 5)	**(2,350,520)**	(960,530)	(1,384,487)
Provision for impairment of deferred exploration costs and mining rights (Note 11)	**945,000**	16,270,018	46,788,151
Retirement costs (Note 15)	**435,900**	635,200	503,700
Dividend income	**(139,898)**	–	–
Depreciation and amortization (Note 14)	**43,023**	463,296	661,932
Gain on sale of available-for-sale financial assets and investment - net (Notes 1 and 7)	**–**	(144,924,050)	(1,843,344)
Loss on write off of property and equipment	**–**	144,017	–
Loss on write-off of available-for-sale financial asset (Note 7)	**–**	1,185,100	–
Interest expense	**–**	–	25,851
Operating loss before working capital changes	**(19,607,250)**	(5,921,552)	(26,246,590)
Decrease (increase) in:			
Trade and other receivables	**(30,836)**	10,727,276	23,195,674
Other current assets	**(1,001,334)**	(501,807)	1,840,597
Increase (decrease) in trade and other payables	**(3,394,765)**	(566,033)	2,326,521
Cash generated from (used for) operations	**(24,034,185)**	3,737,884	1,116,202
Interest received	**2,350,520**	960,530	1,384,487
Income taxes paid	**(722,439)**	(328,938)	(277,774)
Dividend received	**139,898**	–	–
Net cash provided by (used in) operating activities	**(22,266,206)**	4,369,476	2,222,915
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 9)	**(124,590)**	(34,822)	–
Investment property	**–**	–	(33,106)
Proceeds from sale of:			
Available-for-sale financial assets (Note 7)	**–**	156,160,970	9,232,772
Investments in subsidiary	**–**	–	25,000,000
Payment of subscriptions payable (Note 7)	–	(75,000,000)	–
Increase in other noncurrent assets	**(1,361,860)**	(2,120,913)	(7,272,206)
Net cash provided by (used in) investing activities	**(1,486,450)**	79,005,235	26,927,460
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in advances from related parties	**142,045**	223,014	–
Proceeds from collection of subscription receivable	**–**	60,000	–
Interest paid	–	–	(25,851)
Cash provided by (used in) financing activities	**142,045**	283,014	(25,851)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(23,610,611)**	83,657,725	29,124,524
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**157,411,732**	73,754,007	44,629,483
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱133,801,121**	₱157,411,732	₱73,754,007

See accompanying Notes to Consolidated Financial Statements.

APC GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **General Information**

Corporate Information
APC Group, Inc. (the Parent Company or APC) and subsidiaries (collectively referred to as the Company) were all incorporated in the Philippines and are registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated in the Philippines on October 15, 1993 and was originally organized to engage in the oil and gas exploration and development in the Philippines. On April 30, 1997, the Philippine SEC approved the change in the primary purpose of the Parent Company to that of a holding company. The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The registered office address of the Parent Company is 8th Floor, PhilCom Building, 8755 Paseo de Roxas, Makati City.

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 23, 2016.

Status of Operations
In 2005, the Company created new companies, namely Aragorn Power and Energy Corporation (Aragorn Power), APC Energy Resources, Inc. (APC Energy) and APC Mining Corporation (APC Mining). These companies were established in line with the government's thrust in developing the country's energy and mining sectors. The prospects in these subsidiaries are bolstered by the government's decision to open up this sector to foreign investors. Thus, the Company will concentrate in energy resource exploration and development and pursue mining activities. The government's thrust to encourage investments in these sectors augurs well with the Company's investment direction. Other subsidiaries of the Company are in the pre-operating stage.

As at December 31, 2015, the following are the status of operations of the Company's subsidiaries:

a. Aragorn Power

Aragorn Power is still in the pre-operating stage. It was established to engage in energy resource exploration and development.

In 2008, Aragorn Power was granted a Geothermal Service Contract (GSC) by the Department of Energy (DOE) located in the Province of Kalinga. The GSC was granted after a Certificate Precondition (CP) from the National Commission of Indigenous People, covering a major portion of the geothermal service area, was secured. The GSC was converted into a Geothermal Renewable Energy Service Contract (GRESC) in late March 2010 to avail of the incentives provided under the Renewable Energy (RE) Act of 2008. As at March 23, 2016, the consent of nine (9) out of eleven (11) ancestral domains has been secured covering 85% of the geothermal service contract area.

In November 2010, Aragorn Power and its partner Guidance Management Corporation (GMC) formed a partnership with Chevron Geothermal Philippines Holdings, Inc. (Chevron) in developing the geothermal area. The parties signed a Farm-out Agreement which gives Aragorn Power and GMC the option to take an equity position of up to 40% in the geothermal project. The parties also signed a Joint Operating Agreement. Under the agreement, Chevron will be responsible for the exploration, development and operation of the steam field and power activities. The effectivity of the two agreements hinges on the approval by the government of the application for a Financial and Technical Assistance Agreement (FTAA).

Under the RE Act of 2008, a foreign company can own majority interest in a renewable energy company provided the Service Contract is converted into an FTAA. The application for an FTAA has been filed with the DOE.

The project involves the development of steam fields that can generate around 100 megawatts (MW) of new capacity, providing an additional source of clean, indigenous and reliable baseload power to the Luzon grid. A 100 MW geothermal project will approximately cost more than US$300 million. This GRESC will be the first major international investment in the country under the RE Act of 2008.

In September 2015, the DOE approved a one (1) year extension of the term of Geothermal Service Contract.

Geochemical and geophysical surveys have been completed covering Sub-phases 1 and 2 of the Geothermal Service Contract signed with the DOE. Sub-Phase 3 (Drilling of Exploratory wells) of the exploration work program will be done in 2017. The exploration wells will take about six months to complete. If the results of the exploration wells prove positive, construction of the power plant will follow.

As at March 23, 2016, community development projects have been undertaken in the various ancestral domains while preparations to acquire the Environmental Compliance Certificate (ECC) and the engineering design for road and pad construction are underway.

b. APC Energy (formerly Aragorn Coal)

APC Energy is still in the pre-operating stage. It was established to engage in coal resource exploration and development.

To align with the Parent Company's plan to concentrate in energy resource exploration and development, it changed its name to APC Energy Resources, Inc. and was granted approval by SEC on March 13, 2015 with the primary purpose "to explore, develop and utilize renewable energy resources".

c. APC Mining

APC Mining was organized to engage in mining, processing, manufacturing, buying and selling of all kinds of ores, metals and minerals. It is still in the pre-operating stage.

d. APC Cement Corporation (APC Cement)

APC Cement was established to engage in the manufacture of cement. It is still in the pre-operating stage.

e. PRC-Magma Energy Resources, Inc. (PRC Magma)

PRC-Magma is still in its pre-operating stage. It was registered with the SEC on June 10, 2009 to engage in the business of exploration, development, and processing of renewable and non-renewable energy resources, including but not limited to wind power, solar power, hydropower, biofuels, biomass, and coal; exploration, mining and processing of metalliferous and non-metalliferous mineral and ore resources; trading and supply of energy and mineral resources; and generation of electric power using energy resources.

f. Environmental and General Services, Inc. (EGSI)

In 2013, the sale of 100% equity interest in EGSI, which is engaged in manpower services for a consideration of ₱25.0 million resulted to a loss of ₱7.4 million.

2. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation
The accompanying consolidated financial statements have been prepared on a historical cost basis, except for quoted available-for-sale (AFS) financial assets and investment properties which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements, which are prepared for submission to the SEC, have been prepared in compliance with PFRS. PFRS includes standards named PFRS, Philippine Accounting Standards (PAS) and Philippine interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at December 31:

		Percentage of Effective Ownership		
Subsidiaries	Nature of Business	**2015**	2014	2013
APC Cement (1)	Manufacturing	**100.0**	100.0	100.0
APC Energy (1)	Mining	**100.0**	100.0	100.0
Aragorn Power (1)	Energy	**90.0**	90.0	90.0
PRC - Magma (2)	Energy	**85.0**	85.0	85.0
APC Mining (1)	Mining	**83.0**	83.0	83.0

(1) Still in the pre-operating stage
(2) Owned by Aragorn Power. Still in the pre-operating stage.

All of the subsidiaries were incorporated in the Philippines.

Subsidiaries are entities controlled by the company. They are fully consolidated from the date of acquisition, being the date on which the Company obtains control and continue to be consolidated until the date that such control ceases. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and when it has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are prepared for the same reporting period as Parent Company, using uniform accounting policies for like transactions and other events with similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, resulting from intra-group transactions are eliminated in full.

Non-controlling Interests
Non-controlling interests represent the portion of profit or loss and the net assets not held by the Company and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to equity holders of the Parent Company.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to existing standards, which became effective for annual periods beginning on or after January 1, 2015. The adoption of these amended standards did not have significant impact on the Company's financial statements.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)

- Annual Improvements to PFRS (2010–2012 cycle)

    - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
    - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
    - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
    - PAS 16, *Property, Plant and Equipment,* and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
    - PAS 24, *Related Party Disclosures - Key Management Personnel*

- Annual Improvements to PFRS (2011–2013 cycle)

    - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
    - PFRS 13, *Fair Value Measurement - Portfolio Exception*
    - PAS 40, *Investment Property*

Standards Issued but not yet Effective
Standards issued but are not yet effective up to the date of the Company's financial statements are listed below. The Company intends to adopt these standards when they become effective. Except as otherwise indicated, the Company does not expect these new standards, amendments and interpretations to have a significant impact on its financial statements.

Effective January 1, 2016

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments), are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

    a. That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
    b. That specific line items in the statement of comprehensive income and the balance sheet may be disaggregated
    c. That entities have flexibility as to the order in which they present the notes to financial statements

d. That the share of other comprehensive income (OCI) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Company is currently assessing the impact of these amendments on its financial statements.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments), clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company is not using a revenue-based method to depreciate its noncurrent assets.

- PAS 16, *Property, Plant and Equipment, and* PAS 41, *Agriculture - Bearer Plants* (Amendments), change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments), will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (Amendments), clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Company since the Company is not an investment entity nor does it have investment entity associates.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments), require that a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 14, *Regulatory Deferral Accounts*, is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRS (2012–2014 cycle)

The annual improvements to PFRS (2012-2014 cycle), effective for annual periods beginning on or after January 1, 2016, contain non-urgent but necessary amendments to the following standards. The Company does not expect the amendments to have a significant impact on its financial statements.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal.* The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts.* PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements.* This amendment is applied retrospectively and clarifies that the disclosures on offsetting financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*. This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*. The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments*, whose final version was issued in July 2014, reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The Company did not early adopt PFRS 9.

  The adoption of PFRS 9 (2014 version) will have an effect on the classification and measurement of the Company's financial assets but will have no impact on the classification and measurement of the Company's financial liabilities. The Company is currently assessing the impact of adopting this standard.

The following new standard and amendments issued by the International Accounting Standards Board (IASB) has not yet been adopted by the FRSC:

- International Financial Reporting Standard (IFRS) 15, *Revenue from Contracts with Customers*, was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- IFRS 16, *Leases*, was issued in January 2016. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with International Accounting Standards (IAS) 17. Rather, leases will apply the single-asset model, wherein lessees will recognize the assets and the related liabilities for most leases in their balance sheets and, subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

The Company is currently assessing the impact of IFRS 15 and IFRS 16 and plans to adopt the new and amended standards on their required effective dates once adopted locally.

Significant Accounting Policies

Current versus Noncurrent Classification
The Company presents assets and liabilities in statements of financial position based on current/noncurrent classification. An asset as 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 Company classifies all other liabilities as noncurrent.

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

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

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

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

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 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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (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 consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The policies and procedures for both recurring fair value measurement, such as investment properties.

External valuers are involved for the valuation of significant assets, such as properties. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. At each reporting date, the movements in the value of assets and liabilities which are required to be re-measured or re-assessed as per accounting policies are analyzed. For the analysis, the major inputs applied in the latest valuation are verified by agreeing the information in the valuation computation to the contracts and other relevant documents.

In conjunction with the external valuers, the changes in the fair value of each assets and liabilities are compared with the relevant external sources to determine whether the change is reasonable. This includes a discussion of major assumptions used in the valuations. For the purpose of fair value disclosures, classes of assets and liabilities are determined 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.

Determination of Amortized Cost. Amortized cost is computed using the effective interest method, less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are integral part of the effective interest.

'Day 1' Difference. Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition. The Company recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Initial Recognition. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except financial assets at fair value through profit or loss (FVPL), includes transaction costs.

Classification of Financial Instruments. Subsequent to initial recognition, the Company classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets and other financial liabilities. The category depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such classification at each financial year-end.

The Company has no financial assets and liabilities at FVPL and HTM investments as at December 31, 2015 and 2014.

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current account if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

Classified as loans and receivables are the Company’s cash and cash equivalents, trade and other account receivables and deposits (included in “Goodwill and other noncurrent assets” account) as at December 31, 2015 and 2014 (see Note 20).

AFS Financial Assets. AFS financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets may be designated at initial recognition as AFS financial assets if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets are carried at fair value in the consolidated statement of financial position. Unrealized gains and losses are recognized in other comprehensive income as “Unrealized mark-to-market gain or loss on AFS financial assets” until the financial asset is derecognized or until the financial asset is determined to be impaired at which time the cumulative unrealized mark-to-market gain or loss previously reported as other comprehensive income is recognized as part of profit or loss in the consolidated statement of comprehensive income. AFS financial assets are classified as current assets if expected realization is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets. When the investment is disposed of, the cumulative gains or losses previously recorded in other comprehensive income is recognized in the consolidated statement of comprehensive income as part of profit or loss. Interest earned or paid on the investments is reported as interest income using the effective interest method. Dividends earned on equity investments are recognized in the consolidated statement of comprehensive income when the right of payment has been established.

AFS financial assets include unquoted equity instruments, which are carried at cost, less any accumulated impairment in value. The fair value of these instruments is not reasonably determinable due to the unpredictable nature of future cash flows and the lack of other suitable methods for arriving at a fair value.

Classified as AFS financial assets are the Company's investments in equity instruments as at December 31, 2015 and 2014 (see Notes 7 and 20).

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading nor designated as at FVPL upon the inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Classified under this category are the Company's trade and other payables, advances from related parties and subscriptions payable (see Note 20).

<u>Impairment of Financial Assets</u>
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost. The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment based on historical loss experience. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account and the amount of the loss shall be recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans, together with associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets Carried at Cost. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets. In the case of equity investments, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized as other comprehensive income, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss in the consolidated statement of comprehensive income; increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments, these are assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income. Future interest income is based on the reduced carrying amount of the asset and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" account in the consolidated statement of comprehensive income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of comprehensive income, the impairment loss is reversed through profit or loss in the consolidated statement of comprehensive income.

Derecognition of Financial Assets and Liabilities

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

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

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

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Classification of Financial Instruments between Debt and Equity
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement.

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

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

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

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

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

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 acquisition and are subject to an insignificant risk of change in value.

Property and Equipment
Property and equipment, except land, are stated at cost excluding the cost of day-to-day servicing, less accumulated depreciation and amortization and accumulated impairment losses. Land is stated at cost less any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties and any directly attributable costs, including borrowing cost, in bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if 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 operations in the period such 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 additional costs of property and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Mining equipment	1–2 years
Office and other equipment	1–5 years
Leasehold improvements	5 years or term of the lease, whichever is shorter

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 item) is included in the consolidated statement of comprehensive income in the year the asset is derecognized.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are credited or charged to current operations.

The property and equipment's residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

Investment Properties
Investment properties are measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date and have been determined based on the latest valuations performed by an independent firm or appraisers. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of comprehensive income in the year in which the gains or losses arise.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. These transfers are recorded using the carrying amount of the investment property at the date of change in use.

Mining Rights
Mining rights are carried at cost less any impairment in value.

Expenditures for mine exploration work prior to drilling are charged to operations. Expenditures for the acquisition of property rights and expenditures subsequent to drilling and development costs are deferred. When exploration work and project development results are positive, these costs and subsequent mine development costs are capitalized as “Mining rights,” which are included as part of “Goodwill and other noncurrent assets” account in the consolidated statements of financial position, until the start of commercial operations when such costs are transferred to property and equipment. When the results are determined to be negative or not commercially viable, the accumulated costs are written off.

Deferred Exploration Costs
Expenditures for exploration works on mining properties (i.e., acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource) are deferred as incurred and included as part of “Goodwill and other noncurrent assets” account in the consolidated statements of financial position. If and when recoverable reserves are determined to be present in commercially producible quantities, the deferred exploration expenditures and subsequent mine development costs are capitalized as part of the “Mining equipment” account classified under “Property and equipment” account in the consolidated statement of financial position.

A valuation allowance is provided for unrecoverable mining rights and deferred exploration costs based on the Company’s assessment of the future prospects of the exploration project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable, all revocable cost associated with the project and the related impairment provisions are written off. When a project is abandoned, the related deferred exploration costs are also written off.

Business Combination

Business combinations are accounted for using the acquisition method. Applying the acquisition method requires the (a) determination whether the Company will be identified as the acquirer, (b) determination of the acquisition-date, (c) recognition and measurement of the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree and (d) recognition and measurement of goodwill or a gain from a bargain purchase. The cost of an acquisition is measured as the aggregate of the (a) consideration transferred by the Company, measured at acquisition-date fair value, (b) amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of the Company's previously held equity interest in the acquiree in a business combination achieved in stages. Acquisition costs incurred are expensed and included in "General and administrative expenses" account in the consolidated statement of comprehensive income.

Business Combination Achieved in Stages. In a business combination achieved in stages, the Company remeasures its previously held equity interests in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss.

Goodwill

Initial Measurement of Goodwill or Gain on a Bargain Purchase. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on a bargain purchase. Before recognizing a gain on a bargain purchase, the Company determines whether it has correctly identified all of the assets acquired and all of the liabilities assumed and recognize any additional assets or liabilities that are identified in that review.

Subsequent Measurement of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment Testing of Goodwill. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition-date, allocated to each of the Company's CGU, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment as defined in PFRS 8, *Operating Segments*, before aggregation.

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that an asset (property and equipment, investment properties and other noncurrent assets) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of 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 pre-tax 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, quoted share prices for publicly traded securities or other available fair value indicators. Impairment losses, if any, are recognized in the consolidated statement of comprehensive income in the expense categories consistent with the function of the impaired asset.

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

<u>Capital Stock and Additional Paid-in Capital</u>
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

<u>Treasury Shares</u>
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.

<u>Deficit</u>
The amount included in deficit includes profit (loss) attributable to the Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the Company's stockholders. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the reporting date.

<u>Revenue</u>
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Rental Income. Revenue (included as part of "Others" account in the consolidated statements of comprehensive income) arising from investment properties is recorded as income on a straight-line basis over the lease term.

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the assets.

Dividend Income. Revenue is recognized when the Company's right to receive the payment is established.

Costs and Expenses
Cost of services and general and administrative expenses are recognized as incurred.

Employee Benefits

Retirement Costs. The Company has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its employees.

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

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding interest on defined benefit obligation and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes restructuring-related costs.

Interest is calculated by applying the discount rate to the net defined benefit liability. The Company recognizes the following changes in the net defined benefit obligation under "general and administrative expenses" in consolidated statement of comprehensive income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Interest expense on defined benefit obligation.

Other Employee Benefits. Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or 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 agreement;
b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether the 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 and the date of renewal or extension period for scenario b.

Company as a Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Company as a Lessor. Leases where the Company does not transfer substantially all the risks and reward of ownership of the asset are classified as operating leases. Lease payments received are recognized as income in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased assets and recognized over the lease term on the same basis as rental income.

<u>Taxes</u>

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

Deferred Tax. Deferred tax is provided, using the 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 tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of 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 taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from the excess of MCIT over RCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

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

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

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

The net amount of VAT recoverable from, or payable, to the taxation authority is included as part of “Other current assets” or “Trade and other payables” accounts in the consolidated statements of financial position.

Foreign Currency-Denominated Transactions
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated using the closing exchange rate at the reporting date. All differences are taken to the consolidated statements of comprehensive income.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, 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 interest expense. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Segment Reporting
The Company is organized and managed separately according to the nature of business. The two major operating businesses of the Company are mining and exploration and unallocated corporate balances and other operations. These operating businesses are the basis upon which the Company reports its primary segment information presented in Note 4 to the consolidated financial statements.

Events after the Reporting Period
Post year-end events that provide additional information about the Company’s financial position at the reporting period (adjusting events), if any, are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Earnings (Loss) per Common Share
Earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares issued and outstanding during each year after giving retroactive effect to stock dividends declared during the year and after deducting the treasury shares, if any. The Company has no dilutive potential common shares outstanding.

3. Significant Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect certain reported amounts and disclosures. In preparing the consolidated financial statements, management has made its best judgments and estimates of certain amounts, giving due consideration to materiality. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from those estimates, and such estimates will be adjusted accordingly.

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

The Company believes that the following represent a summary of these significant judgments, estimates and assumptions and related impact and associated risks in its consolidated financial statements.

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

Operating Lease Commitments - Company as Lessee. The Company has entered into lease agreements with Philippine Global Communication, Inc. (PhilCom) for use of certain office spaces. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it has not retained any significant risks and rewards of ownership of these properties because the lease agreements do not transfer to the Company the ownership over the assets at the end of the lease term and do not provide a bargain purchase option over the leased assets and accounts for these arrangements as operating leases.

Rental expense recognized by the Company amounted to ₱0.6 million each in 2015, 2014 and 2013 (see Note 14).

Impairment of AFS Financial Assets. The Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more or "prolonged" as period longer than 12 months for quoted equity securities.

No impairment loss was recognized in 2015, 2014 and 2013. In 2014, AFS financial asset amounting to ₱1.2 million deemed to be unrecoverable was written off. AFS financial assets amounted to ₱4.2 million and ₱13.6 million as at December 31, 2015 and 2014, respectively (see Note 7).

Classification of AFS Financial Assets. The Company holds various AFS financial assets. The Company expects that portion of these AFS financial assets are to be realized within 12 months from the reporting date to respond to the liquidity requirement of the Company. Consequently, these are classified as part of current assets in the consolidated statements of financial position.

AFS financial assets classified as current assets amounted to ₱4.2 million and ₱13.6 million as at December 31, 2015 and 2014, respectively (see Note 7).

Estimates and Assumptions

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

Estimating Allowance for Doubtful Accounts. The Company maintains allowance for doubtful accounts based on the result of the specific and collective assessment. Under the specific assessment, the Company is required to obtain the present value of estimated cash flows using the receivable’s original effective interest rate. Impairment loss is determined as the difference between the receivable’s carrying amount and the computed present value. Impairment loss is then determined based on loss experience of the receivables grouped per credit risk profile. Loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the specific and collective assessments are based on management’s judgments and estimates. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

No provision was recognized in 2015, 2014 and 2013. Trade and other receivables amounted to ₱0.7 million and ₱0.6 million as at December 31, 2015 and 2014, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment. The useful life of each of the Company’s item of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded depreciation expense and decrease the carrying value of property and equipment.

There was no change in the estimated useful lives of property and equipment in 2015 and 2014. The carrying values of property and equipment amounted to ₱0.2 million and ₱0.1 million as at December 31, 2015 and 2014, respectively (see Note 9).

Fair Value of Investment Property. The Company engaged an independent valuation specialist to determine the fair value of investment property in 2015. The appraiser used a valuation technique based on Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. The comparison was premised on the factors of location, size and shape of the lot and time element.

Fair value of investment property amounted to ₱129.5 million and ₱157.0 million as at December 31, 2015 and 2014, respectively (see Note 10).

Impairment of Goodwill. The Company determines whether goodwill with indefinite useful life is impaired at least on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

No impairment loss was recognized in 2015, 2014 and 2013. The carrying amount of goodwill amounted to ₱6.0 million as at December 31, 2015 and 2014 (see Note 11).

Impairment of Nonfinancial Assets. Property and equipment and mining rights, except land, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or CGUs is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's CGU's fair value less cost to sell and 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, in which case the asset is tested as part of a large CGU. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value-in-use is the present value, using a pre-tax discount rate, 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. Impairment losses are recognized in the consolidated statement of comprehensive income. Recovery of impairment losses recognized in prior periods is recorded when there is any indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of comprehensive income. However, the increased carrying amount of an asset due to recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depletion, depreciation and amortization) had no impairment loss been recognized for that asset in prior periods.

Deferred Exploration Costs. An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined.

Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

The carrying values of the Company’s nonfinancial assets that are subject to impairment testing when certain impairment indicators are present are as follows:

	2015	2014
Property and equipment (see Note 9)	**₱196,033**	₱114,436
Deferred exploration costs and mining rights (see Note 11)	**71,466,061**	71,059,197

Impairment loss recognized on deferred exploration costs and mining rights under “Provision for impairment of deferred exploration costs and mining rights” account in the consolidated statements of comprehensive income amounted to ₱0.9 million, ₱16.3 million, and ₱46.8 million in 2015, 2014 and 2013, respectively (see Note 11).

Realizability of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized. The Company’s assessment on recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the forecasted taxable income. This forecast is based on the Company’s past results and future expectations on revenue and expenses.

There were no recognized deferred tax assets as at December 31, 2015 and 2014. Unrecognized deferred tax assets amounted to ₱42.5 million and ₱42.8 million as at December 31, 2015 and 2014, respectively (see Note 17).

Fair Value of Assets and Liabilities. Certain assets and liabilities are required to be carried at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and financial liabilities would directly affect profit or loss and equity.

The fair values of the Company’s assets and liabilities are disclosed in Note 21.

Retirement Costs. The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Retirement costs amounted to ₱0.4 million, ₱0.6 million and ₱0.5 million in 2015, 2014 and 2013, respectively (see Note 15). Accrued retirement costs amounted to ₱2.4 million and ₱1.8 million as at December 31, 2015 and 2014, respectively (see Note 15).

Contingencies. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. The Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsel believe that, after making certain provisions in prior years, the eventual liabilities under these lawsuits or claims, if any, will no longer have a material effect on the Company's consolidated financial statements. Accordingly, no provision for probable losses arising from legal contingencies was recognized in the consolidated statements of comprehensive income in 2015, 2014 and 2013.

4. Segment Information

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. These segments are regularly reviewed by the Management Committee, Chief Operating Decision Maker, to make decisions about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available.

As discussed in Note 1, the Company is engaged in mining and exploration activities, among others.

Following are the segments of the Company:

a. Mining and Exploration - pertain to the mining, coal and power and energy business of the Company.

b. Unallocated Corporate Balances and Other Operations - contain the operations of the holding companies and the real estate business.

Segment revenue, segment expenses and segment results include transfers among business segments. Those transfers are eliminated in the consolidation.

Information with regard to the significant business segments of the Company are shown below.

	Mining and Exploration	Unallocated Corporate Balances and Other Operations	Combined	Eliminations	Total Operations
Year Ended December 31, 2015					
Segment expenses	(₱1,823,049)	(₱18,280,084)	(₱20,103,133)	₱–	(₱20,103,133)
Interest income	26,196	2,324,324	2,350,520	–	2,350,520
Provision for impairment of deferred exploration costs and mining rights	(945,000)	–	(945,000)	–	(945,000)
Provision for impairment of investments in and advances to subsidiaries	–	(86,248,165)	(86,248,165)	86,248,165	–
Fair value loss on investment property		(27,438,106)	(27,438,106)		(27,438,106)
Foreign exchange gain	–	1,616	1,616	–	1,616
Dividend and other income	–	155,242	155,242	–	155,242
Provision for income tax	(5,103)	(466,036)	(471,139)	–	(471,139)
Net income (loss)	(₱2,746,956)	(₱129,951,209)	(₱132,698,165)	₱86,248,165	(₱46,450,000)

	Mining and Exploration	Unallocated Corporate Balances and Other Operations	Combined	Eliminations	Total Operations
As at December 31, 2015					
Other information:					
Segment assets	**₱72,154,670**	**₱385,437,551**	**₱457,592,221**	**(₱104,444,998)**	**₱353,147,223**
Segment liabilities	**113,617,549**	**114,540,763**	**228,158,312**	**(116,453,126)**	**111,705,186**
Depreciation and amortization	**–**	**43,023**	**43,023**	**–**	**43,023**

	Mining and Exploration	Unallocated Corporate Balances and Other Operations	Combined	Eliminations	Total Operations
Year Ended December 31, 2014					
Segment expenses	(₱1,523,176)	(₱16,085,401)	(₱17,608,577)	₱–	(₱17,608,577)
Interest income	46,530	914,000	960,530	–	960,530
Provision for impairment of deferred exploration costs and mining rights	(16,270,018)	–	(16,270,018)	–	(16,270,018)
Gain on sale of investments in subsidiary and AFS financial assets – net	–	144,924,050	144,924,050	–	144,924,050
Loss on write off on AFS	–	(1,185,100)	(1,185,100)	–	(1,185,100)
Foreign exchange gain on investment property	–	160	160	–	160
Other income	–	10,444,352	10,444,352	–	10,444,352
Provision for income tax	(9,825)	(472,739)	(482,564)	–	(482,564)
Net income (loss)	(₱17,756,489)	₱138,539,322	₱120,782,833	₱–	₱120,782,833
As at December 31, 2014					
Other information:					
Segment assets	₱96,360,181	₱544,339,449	₱640,699,630	(₱228,559,377)	₱412,140,253
Segment liabilities	115,697,303	132,157,575	247,854,787	(133,219,772)	114,635,106
Depreciation and amortization	413,971	49,325	463,296	–	463,296

	Mining and Exploration	Unallocated Corporate Balances and Other Operations	Combined	Eliminations	Total Operations
Year Ended December 31, 2013					
Segment expenses	(₱2,150,109)	(₱11,133,446)	(₱13,283,555)	(₱2,259,737)	(₱15,543,292)
Interest expense	(25,851)	–	(25,851)	–	(25,851)
Interest income	144,232	1,240,255	1,384,487	–	1,384,487
Provision for impairment of deferred exploration costs and mining rights	(46,788,151)	–	(46,788,151)	–	(46,788,151)
Gain (loss) on sale of investments in subsidiary and AFS financial assets - net	–	71,389,068	71,389,068	(62,165,896)	1,843,044
Foreign exchange gain	–	2,127	2,127	–	2,127
Other income	–	4,898,677	4,898,677	(16,769,434)	(11,870,757)
Provision for income tax	(28,886)	(346,043)	(374,929)	–	(374,929)
Net income (loss)	(₱48,848,765)	₱66,050,638	₱17,201,873	(₱81,195,067)	(₱71,373,322)
As at December 31, 2013					
Other information:					
Segment assets	₱110,591,201	₱483,176,490	₱593,767,691	(₱225,697,668)	₱368,070,023
Segment liabilities	111,055,910	208,400,252	319,456,162	(130,358,063)	189,098,099
Depreciation and amortization	487,706	174,226	661,932	–	661,932

5. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand and in banks	**₱5,817,006**	₱6,299,487
Short-term investments	**127,984,115**	151,112,245
	₱133,801,121	₱157,411,732

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

Interest income earned from cash in banks and short-term investments amounted to ₱2.4 million, ₱1.0 million and ₱1.4 million in 2015, 2014 and 2013, respectively.

6. Trade and Other Receivables

This account consists of:

	2015	2014
Trade	**₱81,682**	₱71,749
Advances to officers and employees	**79,889**	43,177
Others	**488,671**	504,480
	₱650,242	₱619,406

The terms and conditions of the above receivables are as follows:

- Trade receivables are noninterest-bearing and generally have 30-day term.
- Advances to officers and employees are noninterest-bearing and are normally settled within a 30-day term.
- Other receivables consist of advances to contractors and suppliers.

7. Available-for-Sale Financial Assets

This account consists of:

	2015	2014
Premium Leisure Corp. (formerly "Sinophil Corporation")	**₱4,069,760**	₱13,544,670
Others	**84,921**	84,921
	₱4,154,681	₱13,629,591

In 2013, the Company sold investments in equity securities with a total acquisition cost of ₱9.2 million and for the same amounts of consideration. These were fully impaired, thus the amount of consideration was recorded as "Gain on sale of investments in a subsidiary and available-for-sale financial assets – net" in the 2013 consolidated statement of comprehensive income. In 2014, the Company sold investments in equity securities with a total acquisition cost of ₱11.3 million for a gross consideration of ₱156.2 million resulting to a gain of ₱144.9 million. Also in 2014, the Company has paid ₱75.0 million of its subscription payables to Premium Leisure Corporation (formerly Sinophil).

Movements of AFS financial assets as at December 31 are as follows:

	2015	2014
Balance at beginning of year	**₱13,629,591**	₱28,270,021
Fair value changes	**(9,474,910)**	122,152,320
Disposals	–	(135,607,650)
Write off	–	(1,185,100)
Balance at end of year	**₱4,154,681**	₱13,629,591

In 2014, AFS financial asset amounting to ₱1.2 million was written off.

Movements of the unrealized mark-to-market gain (loss) on AFS financial assets attributable to the shareholders of the Parent Company (presented in the equity section of the consolidated statements of financial position) follow:

	2015	2014
Balance at beginning of year	**₱12,781,590**	₱15,000,000
Unrealized mark-to-market gain (loss)	**(9,474,910)**	122,152,320
Realized mark-to-market gain	–	(124,370,730)
Balance at end of year	**₱3,306,680**	₱12,781,590

8. Other Current Assets

This account consists of:

	2015	2014
Input VAT	**₱7,308,995**	₱6,305,876
Prepayments and others	**–**	1,785
	₱7,308,995	₱6,307,661

9. Property and Equipment

This account consists of:

	2015			
	Mining Equipment	**Office and Other Equipment**	**Leasehold Improvements**	**Total**
Cost				
Balance at beginning of year	**₱–**	**₱1,622,177**	**₱3,332,976**	**₱4,955,153**
Additions	**–**	**124,590**	**–**	**124,590**
Balance at end of year	**–**	**1,746,767**	**3,332,976**	**5,079,743**
Accumulated Depreciation and Amortization				
Balance at beginning of year	**–**	**1,584,426**	**3,256,291**	**4,840,717**
Depreciation and amortization (see Note 14)		**12,360**	**30,663**	**43,023**
Balance at end of year	**–**	**1,596,786**	**3,286,954**	**4,883,740**
Net Book Value	**₱–**	**₱149,981**	**₱46,022**	**₱196,003**

	2014			
	Mining Equipment	Office and Other Equipment	Leasehold Improvements	Total
Cost	₱–	₱1,622,177	₱3,332,976	₱4,955,153
Accumulated Depreciation and Amortization:				
Balance at beginning of year	159,436	5,269,045	3,222,629	8,651,110
Depreciation and amortization (see Note 14)	369,386	51,433	33,662	454,481
Disposals/Write-offs	(528,822)	(3,736,052)	–	(4,264,874)
Balance at end of year	–	1,584,426	3,256,291	4,840,717
Net Book Value	₱–	₱37,751	₱76,685	₱114,436

The fully depreciated transportation equipment was disposed on March 31, 2014. There were no idle assets as at December 31, 2015 and 2014.

10. Investment Property

The movement of this account follows:

	2015	2014
Balance at beginning of year	**₱156,986,106**	₱156,986,106
Fair value adjustments	**(27,438,106)**	–
Balance at end of year	**₱129,548,000**	₱156,986,106

Investment property consists of parcels of land which is being held by the Company for capital appreciation.

The fair value of the investment property is determined based on the valuation performed by Cuervo Appraiser's, Inc., an independent appraiser. The appraiser is an industry specialist in valuing these types of investment property. Fair value represents 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 values of investment properties are determined using the market data approach by gathering available market evidences.

The Company has no limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, police power and taxation.

Fair value hierarchy disclosures for investment property has been provided in Note 21.

Description of valuation techniques used and key inputs to valuation on investment properties are as follows:

<u>Highest and Best Use</u>
Based on analysis of prevailing land usage in the neighborhood and the property itself, *diversified agro-industrial land development* would represent the highest and best use of the property. *Highest and Best Use* is defined as the most profitable likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the property is adapted and needed or that use of land which may reasonably be expected to produce the greatest net return to land over a given period of time. Alternatively, it is that use,

from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

Market Data Approach
The value of the land was arrived at using the *Market Data Approach.* In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison was premised on the factors of locations, size and shape of the lot, time element and others.

In 2015, the Company recognized loss on fair value change on its investment property amounting to ₱27.4 million.

11. Goodwill and Other Noncurrent Assets

This account consists of:

	2015	2014
Goodwill	**₱5,992,907**	₱5,992,907
Deferred exploration costs and mining rights – net	**71,466,061**	71,059,197
Deposits (see Note 20)	**29,213**	19,217
	71,495,274	71,078,414
	₱77,488,181	₱77,071,321

Goodwill pertains to excess of acquisition cost over fair value of net assets acquired related to the acquisition of PMERI. No impairment loss on goodwill was recognized in 2015, 2014 and 2013.

Mining rights and deferred exploration costs are carried at cost net of allowance for impairment losses. Movements in these accounts are as follows:

	2015	
	Deferred Exploration Costs	**Mining Rights**
Cost:		
Balance at beginning of year	**₱133,779,121**	**₱48,254,908**
Additions	**1,351,864**	**–**
Balance at end of year	**135,130,985**	**48,254,908**
Allowance for impairment:		
Balance at beginning of year	**62,719,924**	**48,254,908**
Provision during the year	**945,000**	**–**
Balance at end of year	**63,664,924**	**48,254,908**
Net book value	**₱71,466,061**	**₱–**

	2014	
	Deferred Exploration Costs	Mining Rights
Cost:		
Balance at beginning of year	₱131,658,208	₱48,254,908
Additions	2,120,913	–
Balance at end of year	133,779,121	48,254,908
Allowance for impairment:		
Balance at beginning of year	46,449,906	48,254,908
Provision	16,270,018	–
Balance at end of year	62,719,924	48,254,908
Net book value	₱71,059,197	₱–

Deferred exploration costs relate to projects that are currently on-going in the mining areas. The recovery of these costs depends upon the success of exploration activities and future developments of the corresponding mining properties or the discovery of minerals producible in commercial quantities (see Note 1).

In 1997, the Parent Company entered into a Mineral Production and Sharing Agreement with the Republic of the Philippines represented by the Secretary of DENR pursuant to the provisions of Republic Act No 7942, otherwise known as the “Philippine Mining Act of 1995”. The Parent Company became a holder of two MPSA in Cebu. The primary purpose of the MPSA is to provide for the exploration, sustainable development and commercial utilization of limestone and associated cement raw materials and other mineral deposits existing within the contract area.

The Company incurred ₱1.3 million in 2015, ₱2.1 million in 2014, and ₱7.3 million exploration costs in 2013, in connection with its drilling activities for cement and other mineral exploration in compliance with its MPSA with the DENR, and engineering design and technical feasibility of its Kalinga Project.

In 2013, the Company recognized full valuation allowance amounting to ₱76.7 million for unrecoverable deferred exploration costs and mining rights incurred by APC Mining in Alubijid, Misamis Oriental due to low prospect for chromite, copper and nickel.

In 2015, 2014 and 2013, the Company recognized additional impairment of deferred exploration costs under APC Energy and PMERI for its coal and geothermal projects amounting to ₱0.9 million, ₱16.3 million and ₱46.8 million, respectively.

12. **Trade and Other Payables**

This account consists of:

	2015	2014
Trade	**₱6,197,107**	₱2,349,667
Accrued expenses:		
Professional fees	**728,972**	788,972
Others	**576,168**	3,341,817
Payable to third party	**13,103,618**	17,558,351
Non trade payables	**8,735,254**	8,735,254
Payable to government agencies	**65,160**	26,983
	₱29,406,279	₱32,801,044

The terms and conditions of the above payables are as follows:

- Trade payables are noninterest-bearing and are normally settled on a 30-day term.
- Accrued expenses and other payables mainly pertain to payable to utility and other service providers which are normally settled within the next financial year.
- Payable to third party mostly pertain to payables that are due and demandable.
- Non trade payables are noninterest-bearing and payable on demand.
- Payable to government agencies mainly pertain to statutory liabilities such as output VAT, withholding taxes and premiums on SSS, Philhealth and Pag-ibig fund which are normally settled within the next financial year.

13. **Equity**

a. Details of authorized and issued capital stock as at December 31, 2015 and 2014 follow:

	Number of Shares	Amounts
Authorized:		
Preferred stock - ₱1 par value	6,000,000,000	₱6,000,000,000
Common stock - ₱1 par value	14,000,000,000	14,000,000,000

	2015	2014
Issued - Common shares	**₱5,998,149,059**	₱2,498,149,059
Subscribed - Common shares (net of subscriptions receivable amounting to ₱1,123,737,849 as at December 31, 2015 and 2014)	**389,923,089**	3,889,923,089
	₱6,388,072,148	₱6,388,072,148

b. The preferred shares may be issued from time to time by the Parent Company's BOD, which is authorized to adopt resolutions authorizing the issuance thereof in one or more series for such number of shares and relative rights and preferences, as it may deem beneficial to the

Parent Company. As at March 31 2016, the Parent Company's BOD has not authorized any issuance of preferred shares.

c. In 2007, APC and Belle Corporation (Belle) agreed that advances of APC from Belle amounting to ₱3,675 million will be offset against subscriptions receivable from Belle representing 3,500 million shares subscribed at ₱1.40 a share and the excess over par will be recognized as additional paid in capital (APIC). Twenty-five percent (25%) of the total subscription price was already paid by Belle during subscription. As at December 31, 2014, the related advances amounting ₱2,625 million was presented as a reduction from the subscriptions receivable and the excess over par amounting to ₱1,050 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.

   In February 2015, APC and Belle finalized the agreement and the related advances and subscription receivable have been settled. Consequently, the corresponding shares have been issued.

d. The following summarizes the information on the Parent's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Type of Issuance	Authorized Shares	Issue/ Offer Price
January 7, 1994	Initial public offering	80,000,000,000	₱0.01
July 9, 1996	Additional public offering	100,000,000,000	0.01
July 12, 1996	Stock option	5,300,000,000	0.01

   The total number of shareholders is 601 and 604 as at December 31, 2015 and 2014, respectively.

e. On June 18, 2013, BOD approved the amendment of the seventh article of the Corporation's Articles of Incorporation by reducing the par value from one peso (₱1.00) to thirty-five centavos (₱0.35), to read as follows:

   "The capital stock of the Corporation is seven billion (₱7,000,000,000) pesos, Philippine Currency, divided into fourteen billion (14,000,000,000) common shares and six billion (6,000,000,000) preferred shares both with par value of thirty-five centavos (₱0.35) per share."

   The reduction in par value will be undertaken to substantially reduce the Company's capital deficit pending administrative activities.

14. General and Administrative Expenses

This account consists of:

	2015	2014	2013
Salaries and employee benefits	**₱4,936,937**	₱4,986,445	₱7,861,423
Professional fees and outside services	**7,830,509**	3,595,377	2,070,260
Entertainment, amusement and recreation	**1,656,140**	1,096,675	1,630,115
Taxes and licenses	**828,583**	1,924,581	533,761
Repairs and maintenance	**698,061**	–	–
Rental	**644,940**	610,360	551,365
Processing fee	**601,085**	–	–
Utilities and maintenance	**599,713**	660,537	457,081
Transportation and travel	**521,099**	561,556	559,981
Retirement benefit expense (see Note 15)	**435,900**	635,200	503,700
Meeting expenses	**183,809**	74,097	61,425
Supplies expense	**127,982**	174,538	96,969
Depreciation and amortization (see Notes 9 and 11)	**43,023**	463,296	661,932
Donations and contributions	**20,000**	–	–
Placement fees	–	1,980,368	–
Others	**975,352**	845,547	555,280
	₱20,103,133	₱17,608,577	₱15,543,292

15. Retirement Plan

The Company has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its employees. The plan provides for a lump sum benefit payment upon retirement.

Changes in accrued retirement costs are as follows:

	2015	2014	2013
Balance at beginning of year	**₱1,790,500**	₱6,422,300	₱3,778,700
Retirement costs:			
Current service cost	**340,800**	373,200	347,600
Interest cost	**95,100**	262,000	156,100
Subtotal	**435,900**	635,200	503,700
Remeasurements loss in other comprehensive income	**138,200**	91,200	2,139,900
Benefits paid	**–**	(5,358,200)	–
	₱2,364,600	₱1,790,500	₱6,422,300

The principal assumptions used to determine retirement obligations for the Company's plan are shown below:

	2015	2014	2013
Discount rate	**5.69%**	5.31%	4.08%
Future salary increase rate	**5.00%**	5.00%	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of defined benefit obligation (PVDBO) as at December 31, assuming if all other assumptions were held constant:

	Changes	2015 Increase (Decrease) on PVDBO	2014 Increase (Decrease) on PVDBO
Discount rate	+0.5	(₱136,600)	(₱105,000)
	-0.5	147,800	113,300
Future salary increase rate	+2.0	661,000	501,800
	-2.0	(499,700)	(384,400)

The following are other defined benefit plan information:

	2015	2014
A. Weighted Average Duration of PVDBO	**12.60 years**	18.38 years
B. Maturity Analysis of Undiscounted Retirement Benefit Payments*		
Less than one year	**₱–**	₱–
More than one year up to 5 years	**924,400**	–
More than 5 years up to 10 years	**2,506,300**	3,363,000
More than 10 years up to 15 years	**–**	–
More than 15 years up to 20 years	**11,670,200**	8,096,600
More than 20 years	**11,930,600**	11,561,300
C. Plan Membership Information		
Number of Active Plan Members	**6**	6
Number of Separated Vested Members	**–**	1
Number of Retired Members	**–**	1
Average Attained Age	**41.9 years**	40.9 years
Average Past Service	**6.8 years**	5.8 years
Average Future Service	**18.1 years**	19.1 years

**Assuming retirement at age 60; an employee who has reached age 60 as at December 31, 2015 is assumed to defer his retirement for one year from such date.*

The Company's latest actuarial valuation report is at December 31, 2015.

16. **Other Income (Expense)** - Net

Details of other income (expense) follow:

	2015	2014	2013
Write-off of other assets	**(₱156)**	₱–	(₱15,613,452)
Income from compromise agreement with COMSAT	**–**	12,570,123	–
Reversal of liabilities	**–**	–	4,093,501
Other income (expenses) - net	**15,500**	(2,125,771)	(350,806)
	₱15,344	₱10,444,352	(₱11,870,757)

17. **Income Tax**

The provision for income tax consists of:

	2015	2014	2013
Current income tax:			
Final tax on interest income	**₱470,797**	₱230,922	₱276,913
MCIT	**342**	251,642	98,016
	₱471,139	₱482,564	₱374,929

Following are the deductible temporary differences and carryforward benefits of the excess of MCIT over RCIT and NOLCO for which no deferred tax assets were recognized:

	2015	2014	2013
Provision for impairment of deferred exploration costs and mining rights	**₱111,919,832**	₱110,974,832	₱94,704,814
NOLCO	**26,244,399**	28,856,109	35,462,630
Accrued retirement costs	**2,364,600**	1,790,500	6,422,300
Excess of MCIT over RCIT	**350,000**	350,519	126,861
Others	**714**	714	714
	₱140,879,545	₱141,972,674	₱136,717,319
Unrecognized deferred tax assets	**₱42,508,864**	₱42,837,166	₱41,103,998

Deferred tax assets were not recognized as at December 31, 2015 and 2014 as management believes it is not probable that future taxable profits will be sufficient against which these can be utilized.

The carryforward benefits of NOLCO that may be used by the Company as additional deductions from future taxable income are as follows:

Date Incurred	Expiry Date	Amount
December 31, 2013	December 31, 2016	₱6,044,631
December 31, 2014	December 31, 2017	3,054,749
December 31, 2015	December 31, 2018	17,145,019
		₱26,244,399

MCIT, which may be applied against RCIT liability of the Company, are as follows:

Date Incurred	Expiry Date	Amount
December 31, 2013	December 31, 2016	₱98,016
December 31, 2014	December 31, 2017	251,642
December 31, 2015	December 31, 2018	342
		₱350,000

Expired NOLCO and MCIT amounted to ₱14.5 million and ₱0.01 million, respectively, in 2015, and ₱14.9 million and ₱0.03 million, respectively, in 2014.

The reconciliation of provision for (benefit from) income tax computed at the statutory income tax rate to provision for income tax shown in the statements of comprehensive income follows:

	2015	2014	2013
Provision for (benefit from) income tax at statutory income tax rate	**(₱13,793,658)**	₱36,379,620	(₱21,299,518)
Increase (decrease) in income tax resulting from:			
Loss on fair value change in investment property	**8,231,432**	–	–
Expired NOLCO and MCIT	**4,347,780**	4,506,465	7,676,083
Nondeductible expenses	**2,290,215**	1,042,702	28,797,202
Change in unrecognized deferred tax assets	**(328,302)**	2,088,697	(19,384,167)
Interest income subjected to final tax	**(234,359)**	(57,705)	(138,397)
Dividend income	**(41,969)**	–	–
Gain on sale of AFS and investments	**–**	(43,477,215)	(2,766,862)
Loss on sale of investment in a subsidiary	**–**	–	7,490,588
Effective income tax	**₱471,139**	₱482,564	₱374,929

18. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, key management personnel, including directors and officers of the Company and close members of the family of any such individual and; (d) affiliate, which is a party that, directly or indirectly through one or more intermediaries, control, is controlled by, or is under common control with the Company. Transactions with related parties are normally settled in cash.

Related party transactions pertain to the availment of noninterest-bearing advances from a stockholder and other related parties. The details of advances from related parties are as follows:

Category	Year	Amount/ Volume of Transactions	Advances from	Terms	Conditions
Stockholder					
Belle					
(1) Advances	**2015**	**₱–**	**(₱79,406,947)**	On demand;	Unsecured
	2014	–	(79,406,947)	Noninterest-bearing	
(2) Share in expenses	**2015**	**(142,045)**	**(365,059)**	On demand;	Unsecured
	2014	(223,014)	(223,014)	Noninterest-bearing	
Total					
Advances from related parties	**2015**	**(₱142,045)**	**(₱79,772,006)**		
	2014	(223,014)	(79,629,961)		

Compensation and benefits of key management personnel of the Company for the year ended December 31 consists of the following:

	2015	2014	2013
Salaries and short-term employee benefits	**₱3,360,000**	₱3,958,046	₱4,808,046
Retirement costs	**198,800**	216,000	285,400
	₱3,558,800	₱4,174,046	₱5,093,446

19. Basic/Diluted Earnings (Loss) Per Common Share

The calculation of earnings (loss) per share for the years ended December 31 follows:

	2015	2014	2013
Income (loss) attributable to equity holders of the Parent Company (a)	**(₱45,967,704)**	₱122,888,619	(₱63,178,200)
Weighted average number of common shares	**7,511,809,997**	7,511,809,997	7,511,809,997
Treasury shares	**(7,606,000)**	(7,606,000)	(7,606,000)
Divided by weighted average common shares (b)	**7,504,203,997**	7,504,203,997	7,504,203,997
Basic/Diluted Earnings (loss) per share	**(₱0.006126)**	₱0.016376	(₱0.008419)

There were no dilutive potential common shares for purposes of calculation of earnings (loss) per share in 2015, 2014 and 2013.

20. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise advances from related parties. The main purpose of these financial liabilities is to finance the Company's operations. The Company has cash and cash equivalents, trade and other receivables, deposits and trade and other payables that arise directly from its operations. The Company also holds AFS financial assets.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and equity price risk. The BOD and management review and approve policies of managing each of the risks and they are summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss.

Exposure to credit risk is monitored on an ongoing basis, credit checks are performed on all clients requesting credit over certain amounts. Credit granted is subject to regular review, to ensure it remains consistent with the customers' current credit worthiness and appropriate to the anticipated volume of business. The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. The Company's holding of cash and cash equivalents exposes the Company to credit risk, if the counterparty is unwilling or unable to fulfill its obligations and the Company consequently suffers financial loss. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating. The credit terms are short, with deposits and advance payments requirement before rendering the service, thus, mitigating the possibility of non-collection. In cases of non-collection, defaults of debtors are not tolerated and additional penalties are imposed by the Company.

There are no significant concentrations of credit risk within the Company. Since the Company trades only with recognized third parties, there is no requirement for collateral. The carrying values of the Company's financial assets represent the maximum exposure to credit risk as at the reporting date.

The aging analyses of financial assets that are past due but not impaired as at December 31 are as follows:

	2015					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		1-60 Days	>60 Days	Total	Impaired	Total
Cash and cash equivalents*	₱133,796,558	₱–	₱–	₱133,796,558	₱–	₱133,796,558
Trade and other receivables:						
Trade	–	–	81,682	81,682	–	81,682
Advances to officers and employees	79,889	–	–	79,889	–	79,889
Others	488,671	–	–	488,671	–	488,671
Deposits	29,213	–	–	29,213	–	29,213
AFS financial assets	4,154,681	–	–	4,154,681	–	4,154,681
	₱138,549,012	₱–	₱81,682	₱138,630,694	₱–	₱138,630,694

	2014					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		1-60 Days	>60 Days	Total	Impaired	Total
Cash and cash equivalents*	₱157,409,958	₱–	₱–	₱157,409,958	₱–	₱157,409,958
Trade and other receivables:						
Trade	–	–	71,749	71,749	–	71,749
Advances to officers and employees	43,177	–	–	43,177	–	43,177
Others	504,480	–	–	504,480	–	504,480
Deposits	19,217	–	–	19,217	–	19,217
AFS financial assets	13,629,591	–	–	13,629,591	–	13,629,591
	₱171,606,423	₱–	₱71,749	₱171,678,172	₱–	₱171,678,172

**Excluding cash on hand amounting to ₱4,563 and ₱1,774 as at December 31, 2015 and 2014, respectively.*

The table below shows the credit quality of the Company's financial assets which are neither past due nor impaired as at December 31:

	2015				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past Due but not Impaired	Impaired	Total
Cash and cash equivalents*	₱133,796,558	₱–	₱–	₱–	₱133,796,558
Trade and other receivables:			–	–	
Trade	–	–	81,682	–	81,682
Advances to officers and employees	–	79,889	–	–	79,889
Others	488,671	–	–	–	488,671
Deposits	–	29,213	–	–	29,213
AFS financial assets	–	4,154,681	–	–	4,154,681
	₱134,285,229	₱4,263,783	₱81,682	₱–	₱138,630,694

	2014				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past Due but not Impaired	Impaired	Total
Cash and cash equivalents*	₱157,409,958	₱–	₱–	₱–	₱157,409,958
Trade and other receivables:				–	
Trade	–	–	71,749	–	71,749
Advances to officers and employees	–	43,177	–	–	43,177
Others	504,480	–	–	–	504,480
Deposits	–	19,217	–	–	19,217
AFS financial assets	–	13,629,591	–	–	13,629,591
	₱157,914,438	₱13,691,985	₱71,749	₱–	₱171,678,172

**Excluding cash on hand amounting to ₱4,563 and ₱1,774 as at December 31, 2015 and 2014, respectively.*

The credit rating of the Company's financial assets are categorized based on the Company's collection experience with the counterparties.

a. High Grade - this includes deposits or placements to counterparties with good credit rating or bank standing. For trade and other receivables, settlements are obtained from counterparty following the terms of the contracts without much collection effort.

b. Standard Grade - this includes deposits or placements to counterparties that are not classified as "high grade." For trade and other receivables, some reminder follow-ups are performed to obtain settlement from the counterparty.

c. Sub-standard Grade - for trade and other receivables, constant reminder follow-ups are performed to collect accounts from counterparty.

<u>Liquidity Risk</u>
Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. The Company's objective is to maintain continuity of funding. The Company's policy is to maximize the use of suppliers' credit for all its major purchases and limit major capital expenditures at a reasonable level.

The Company monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a weekly basis to arrive at the projected cash position to cover its obligations.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at December 31.

	2015					
	On Demand	**1–30 Days**	**31–60 Days**	**60–365 Days**	**Over 1 Year**	**Total**
Trade and other payables*	**₱16,257,398**	**₱–**	**₱13,083,721**	**₱–**	**₱–**	**₱29,341,119**
Advances from related parties	**79,772,006**	**–**	**–**	**–**	**–**	**79,772,006**
Subscriptions payable	**–**	**–**	**–**	**–**	**161,959**	**161,959**
	₱96,029,404	**₱–**	**₱13,083,721**	**₱–**	**₱161,959**	**₱109,275,084**

	2014					
	On Demand	1–30 Days	31–60 Days	60–365 Days	Over 1 Year	Total
Trade and other payables*	₱15,215,710	₱–	₱17,558,351	₱–	₱–	₱32,774,061
Advances from related parties	79,629,961	–	–	–	–	79,629,961
Subscriptions payable	–	–	–	–	161,959	161,959
	₱94,845,671	₱–	₱17,558,351	₱–	₱161,959	₱112,565,981

** Excluding statutory liabilities.*

The table below shows the maturity profile of the Company’s financial assets held for liquidity purposes based on contractual undiscounted cash flows as at December 31.

	2015				
	On Demand	**1–30 Days**	**31–60 Days**	**60–365 Days**	**Total**
Cash and cash equivalents*	**₱5,817,006**	**₱127,984,115**	**₱–**	**₱–**	**₱133,801,121**
Trade and other receivables:					
Trade	**–**	**–**	**–**	**81,682**	**81,682**
Advances to officers and employees	**–**	**79,889**	**–**	**–**	**79,889**
Others	**488,671**	**–**	**–**	**–**	**488,671**
AFS financial assets	**4,154,681**	**–**	**–**	**–**	**4,154,681**
	₱10,460,358	**₱128,064,004**	**₱–**	**₱81,682**	**₱138,606,044**

	2014				
	On Demand	1–30 Days	31–60 Days	60–365 Days	Total
Cash and cash equivalents*	₱6,299,487	₱151,112,245	₱–	₱–	₱157,411,732
Trade and other receivables:					
Trade	–	–	–	71,749	71,749
Advances to officers and employees	–	43,177	–	–	43,177
Others	504,480	–	–	–	504,480
AFS financial assets	13,629,591	–	–	–	13,629,591
	₱20,433,558	₱151,155,422	₱–	₱71,749	₱171,660,729

**Excluding cash on hand amounting to ₱4,563 and ₱1,774 as at December 31, 2015 and 2014, respectively.*

Equity Price Risk

The Company’s investments in equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company’s senior management on a regular basis. The Company’s BOD reviews and approves all equity investment decisions.

The Company’s exposure to quoted securities amounted to ₱4.2 million and ₱13.6 million as at December 31, 2015 and 2014, respectively (see Note 7).

The effect on the consolidated income or equity, depending on whether or not decline is significant or prolonged (as a result of a change in fair value of quoted equity instruments held as AFS financial assets as at December 31, 2015 and 2014) due to reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in Equity Price*	Effect on Income before Income Tax	Effect on Equity
2015	**70%**	**2,848,832**	**1,994,182**
	(70%)	**(2,848,832)**	**(1,994,182)**
2014	23%	10,507,521	7,355,265
	(23%)	(10,507,521)	(7,355,265)

**Based on PSE market index*

Capital Management
The main objective of the Company is to maintain a strong and healthy financial position.

Presently, the cash requirements of the Company are financed mainly from internally generated sources. Major projects will be financed by debt and/or equity funds from strategic partnerships with investors (both foreign and local) who are willing to put a stake in the projects. Through a combination of debt and equity financing, the Company should be able to maintain a strong and solid capital structure.

The capital structure of the Company consists of capital stock and additional paid in capital amounting to ₱6.4 billion and ₱1.6 billion as at December 31, 2015 and 2014, respectively.

There were no changes in the objectives, policies or procedures during the years ended December 31, 2015 and 2014.

21. Financial Assets and Liabilities

A comparison by category of the carrying values and estimated fair values of the Company's financial instruments that are carried in the consolidated statements of financial position as at December 31, 2015 and 2014 are as follows:

Cash and Cash Equivalents, Trade and Other Receivables, Deposits, Trade and Other Payables, and Advances from Related Parties
Due to the short-term nature of the transactions, the carrying values approximate the fair values at reporting dates.

AFS Financial Assets
The fair values of quoted equity securities were determined by reference to market bid quotes as of reporting dates.

Subscriptions Payable
Due to non-availability of definite payment terms, there is no reliable source of fair value as of reporting dates.

The following tables provide the fair value measurement hierarchy of the Company's assets and liabilities as at December 31, 2015 and 2014:

	2015		
	Total	**Level 1**	**Level 3**
Assets measured at fair value:			
Investment properties (Note 10)	**₱129,548,000**	**₱–**	**₱129,548,000**
AFS financial assets (Note 7)	**4,154,681**	**4,154,681**	**–**
Asset for which fair values are disclosed -			
Loans and receivables - Deposits*	**29,213**	**–**	**29,213**
Total financial assets	**₱133,731,894**	**₱4,154,681**	**₱129,577,213**

**Included in "Other noncurrent assets" account*

	2014		
	Total	Level 1	Level 3
Assets measured at fair value:			
Investment properties (Note 10)	₱156,986,106	₱–	₱156,986,106
AFS financial assets (Note 7)	13,629,591	13,629,591	–
Asset for which fair values are disclosed -			
Loans and receivables - Deposits*	19,217	–	19,217
Total financial assets	₱170,634,914	₱13,629,591	₱157,005,323

**Included in "Other noncurrent assets" account*

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements during the period ended December 31, 2015 and 2014.

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
APC Group, Inc.
8th Floor, PhilCom Building
8755 Paseo de Roxas, Makati City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of APC Group, Inc. and Subsidiaries as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, included in this Form 17-A, and have issued our report thereon dated March 23, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Sherwin V. Yason
Partner
CPA Certificate No. 104921
SEC Accreditation No. 1514-A (Group A),
October 6, 2015, valid until October 5, 2018
Tax Identification No. 217-740-478
BIR Accreditation No. 08-001998-112-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5321713, January 4, 2016, Makati City

March 23, 2016

APC GROUP, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AS AT DECEMBER 31, 2015

I.	Supplemental schedules required by Annex 68-E	
	A. Financial assets	Attached
	B. Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)	Attached
	C. Amounts of receivables and payable from/to related parties which are eliminated during consolidation process of financial statements	Attached
	D. Intangible assets - other asset	Attached
	E. Long-term debt	Not applicable
	F. Indebtedness to related parties (Long-term loans from related parties)	Not applicable
	G. Guarantees of securities of other issuers	Not applicable
	H. Capital stock	Attached
II.	Schedule of all the effective standards and interpretations	Attached
III.	Reconciliation of retained earnings available for dividend declaration	Not Applicable
IV.	Map of the relationships of the Company within the Group	Attached

APC GROUP, INC. AND SUBSIDIARIES

I. SUPPLEMENTAL SCHEDULES REQUIRED BY ANNEX 68-E
AS AT DECEMBER 31, 2015

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and rates	Amount shown in the statements of financial position	Value based on market quotation at end of reporting period	Income received and accrued
Cash in Banks	–	**₱5,812,443**	**₱–**	**₱10,920**
Peso Placements				
Banco De Oro	**–**	**₱127,984,115**	**₱–**	**₱2,339,600**
AFS Financial Assets				
Premium Leisure Corp. (formerly "Sinophil Corporation")	6,359,000	₱4,069,760	₱4,069,760	₱–
Others	12,500	84,921	–	–
	6,371,500	**₱4,154,681**	**₱4,069,760**	**–**
Deposits	**–**	**₱29,213**	**₱–**	**₱–**

Schedule B. Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)
As at December 31, 2015

			Deductions				
Account	January 1, 2015	Additions	Amount Collected	Amount Written Off	Current	Non Current	December 31, 2015
Advances to officers and employees	₱43,177	₱964,197	(₱930,055)	₱–	₱77,319	₱–	₱77,319

Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
As at December 31, 2015

APC Mining Corporation

			Deductions				
Account	January 1, 2015	Additions	Amount Collected	Amount Written Off	Current	Non Current	December 31, 2015
Advances to related parties	₱76,478,123	₱–	₱–	₱–	₱–	₱76,478,123	₱76,478,123
Receivables from related parties	2,037,355	28,997	–	–	2,066,352	–	2,066,352
Total	**₱78,515,478**	**₱28,997**	**₱–**	₱–	**₱2,066,352**	**₱76,478,123**	**₱78,544,475**

APC Cement Corporation

			Deductions				
Account	January 1, 2015	Additions	Amount Collected	Amount Written Off	Current	Non Current	December 31, 2015
Advances to related parties	₱3,771,346	₱–	₱–	₱–	₱–	₱3,771,346	₱3,771,346
Receivables from related parties	1,333,738	166,504	–	–	1,500,242	–	1,500,242
Total	**₱5,105,084**	**₱166,504**	**₱–**	**₱–**	**₱1,500,242**	**₱3,771,346**	**₱5,271,588**

Aragorn Coal Resources, Inc.

			Deductions				
Account	January 1, 2015	Additions	Amount Collected	Amount Written Off	Current	Non Current	December 31, 2015
Advances to related parties	₱5,184,157	₱–	₱–	₱–	₱–	₱5,184,157	₱5,184,157
Receivables from related parties	894,279	51,949,124	50,448,872	–	2,394,531	–	2,394,531
Total	**₱6,078,436**	**₱51,502,694**	**₱50,448,872**	**₱–**	₱2,394,531	**₱5,184,157**	**₱7,578,688**

Aragorn Power and Energy Corporation

Account	January 1, 2015	Additions	Deductions: Amount Collected	Deductions: Amount Written Off	Current	Non Current	December 31, 2015
Advances to related parties	₱5,138,404	₱–	₱–	₱–	₱–	₱5,138,404	₱5,138,404
Receivables from related parties	6,578,060	8,462,654	(6,459,303)	–	8,581,411	₱–	8,581,411
Total	**₱11,716,464**	**₱8,462,654**	**(₱6,459,303)**	**₱–**	**₱8,581,411**	**₱5,138,404**	**₱13,719,815**

Schedule D. Intangible Asset - Other Asset

Description	Beginning balance	Additions at cost	Charge to cost and expenses	Charged to other accounts	Other charges additions (deduction)	Ending balance
Software cost	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**

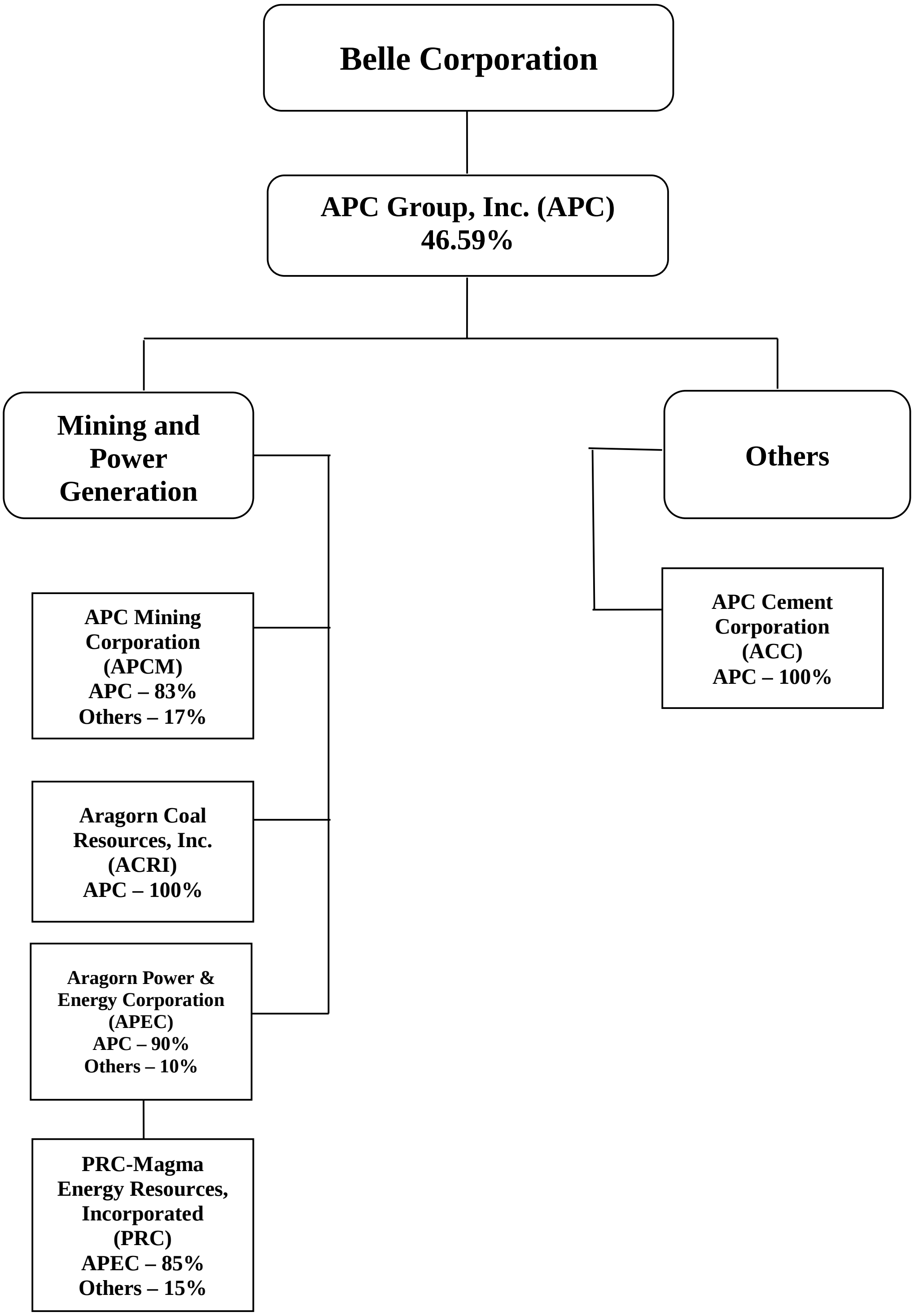
Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statements of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers, and employees	Others
Common	14,000,000,000	7,511,809,997*	NA	3,665,722,334	2,452,706	3,843,634,957
Preferred	6,000,000,000	–	NA	–	–	–

**inclusive of Treasury shares – 7,606,000*

APC GROUP, INC. AND SUBSIDIARIES

IV. MAP OF THE RELATIONSHIP OF THE COMPANY WITHIN THE GROUP



APC GROUP, INC. AND SUBSIDIARIES SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS EFFECTIVE AS AT DECEMBER 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

** Standards and interpretations which will become effective subsequent to December 31, 2015.*

Note: Standards and interpretations tagged as "Not applicable" are those standards which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2015.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposals*	Not Early Adopted		
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Disclosures - Servicing Contracts*	Not Early Adopted		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*	Not Early Adopted		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments *	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not Early Adopted		
	Amendments to PFRS 9: Hedge accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*	Not Early Adopted		
	Amendments to PFRS 9 (2014 version)*	Not Early Adopted		

** Standards and interpretations which will become effective subsequent to December 31, 2015.*

Note: Standards and interpretations tagged as "Not applicable" are those standards which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2015.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
	Amendments to PFRS 10 and PAS 28: Applying the Consolidation Exception*	Not Early Adopted		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*	Not Early Adopted		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts*	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Disclosure Initiative*	Not Early Adopted		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓

** Standards and interpretations which will become effective subsequent to December 31, 2015.*

Note: Standards and interpretations tagged as "Not applicable" are those standards which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2015.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation / Amortization			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not Early Adopted		
	Amendment to PAS 16 and PAS 41: Bearer Plants*	Not Early Adopted		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate*	Not Early Adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		

** Standards and interpretations which will become effective subsequent to December 31, 2015.*

Note: Standards and interpretations tagged as "Not applicable" are those standards which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2015.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	Not Early Adopted		
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
	Amendments to PFRS 10 and PAS 28: Applying the Consolidation Exception*	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'*	Not Early Adopted		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		

** Standards and interpretations which will become effective subsequent to December 31, 2015.*

Note: Standards and interpretations tagged as "Not applicable" are those standards which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2015.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation / Amortization			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not Early Adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 16 and PAS 41: Bearer Plants*	Not Early Adopted		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment			✓

** Standards and interpretations which will become effective subsequent to December 31, 2015.*

Note: Standards and interpretations tagged as "Not applicable" are those standards which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2015.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*	Not Early Adopted		
	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓

** Standards and interpretations which will become effective subsequent to December 31, 2015.*

Note: Standards and interpretations tagged as "Not applicable" are those standards which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2015.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

** Standards and interpretations which will become effective subsequent to December 31, 2015.*

Note: Standards and interpretations tagged as "Not applicable" are those standards which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2015.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2015**

2. Exact Name of Registrant as Specified in its Charter **APC GROUP, INC.**

3. **8th Floor PhilCom Building 8755 Paseo de Roxas, Makati City** **1226**
   Address of Principal Office Postal Code

4. SEC Identification Number: **AS093-8127** 5 (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number: **002-834-075**

7. **(632)845-0614**
   Issuer's Telephone number, including area code

8. **N/A**
   Former name or former address, if changed from the last report

Table of Contents

A. BOARD MATTERS

1. Board of Directors

Number of Directors per Articles of Incorporation	**7***

Actual number of Directors for the year	**7***

* On 14 December 2012, .the SEC approved the amendment of Article VI of the Articles of Incorporation reducing the number of directors from 11 to 7.

a. Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual /Special Meeting)	No. of years served as director
Willy N. Ocier	ED		Sabino E. Acut	1998	June 11, 2015	Annual Meeting	17
Jackson T. Ongsip*	ED		Frederic C. DyBuncio	Aug. 13, 2015	Aug. 13, 2015	Special Meeting	0
Bernardo D. Lim	NED		David Kho	2000	June 11, 2015	Annual Meeting	15
Edmundo L. Tan	NED		Paul Mar C. Arias	2000	June 11, 2015	Annual Meeting	15
Virginia A. Yap	NED		Sabino E. Acut	June 6, 2012	June 11, 2015	Annual Meeting	3
Tomas D. Santos	ID		Maritoni Z. Liwanag (no relation to the nominee)	June 6, 2012	June 11, 2015	Annual Meeting	3
Laurito E. Serrano	ID		Martin Israel L. Pison (no relation to the nominee)	June 18, 2013	June 11, 2015	Annual Meeting	2

*Elected on August 13, 2015 to replace Mr. Frederic C. Dybuncio

(a) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

APC has been monitoring compliance with SEC Memorandum Circular No. 2 Series of 2002 as amended by SEC Memorandum Circular No. 6 Series of 2009, as well as other relevant SEC circulars and rules on good corporate governance. On 15 February 2011, APC submitted its Revised Corporate Governance Manual in compliance with SEC directive of 26 January 2011. It was further revised to include changes required pursuant to SEC Memorandum Circular No. 9 Series of 2014 and was filed on 31 July 2014. All directors, officers, and employees complied with all the leading practices and principles of good governance as embodied in the Company's Manual of Corporate Governance. The Company complied with the appropriate performance self-rating assessment and performance evaluation system to determine and measure compliance with the Manual of Corporate Governance.

The Company is unaware of any non-compliance with or deviation from its Manual of Corporate Governance by any of its directors, officers and employees during the previous year. The Company will continue to monitor compliance with the SEC Rules of Corporate Governance, and shall remain committed in ensuring the adoption of other systems and practices good corporate governance to enhance its value to its shareholders.

In the Organizational Meeting of the duty elected Board of Directors held immediately after the Stockholders' Meeting on June 22, 2015 the members of the Executive Committee, Nomination Committee, Compensation and Remuneration Committee, Audit Committee and Risk Management Committee were elected. In compliance with SEC Memorandum Circular No. 12 date August 18, 2009, the Company submitted its Corporate Governance Scorecard on December 5, 2011.

How often does the Board review and approve the vision and mission? As needed

b. Directorship in Other Companies

(i) Directorship in the Company's Group[1]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Willy N. Ocier	Belle Corporation	Executive
	Aragorn Power and Energy Corporation	Executive, Chairman
	APC Energy Resources, Inc.	Executive, Chairman
	APC Mining Corporation	Executive, Chairman
	APC Cement Corporation	Executive, Chairman
	PRC Magma Energy Resources, Inc.	Executive, Chairman
Jackson T. Ongsip	Aragorn Power and Energy Corporation	Executive
	APC Energy Resources, Inc.	Executive
	APC Mining Corporation	Executive
	APC Cement Corporation	Executive
	PRC Magma Energy Resources, Inc.	Executive
Virginia A. Yap	Belle Corporation	Non-Executive
Edmundo L. Tan	Aragorn Power and Energy Corporation	Non-Executive
	PRC-Magma Energy Resources, Inc.	Non-Executive
Tomas D. Santos		
Laurito E. Serrano		
Bernardo D. Lim		

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Willy N. Ocier	Belle Bay Plaza Corporation	Non-Executive Director (Chairman)

[1] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	Metropolitan Leisure & Tourism Corp	Executive Director (Chairman)
	Parallax Resources, Inc.	Non-Executive Director (Chairman)
	SLW Development Corporation	Non-Executive Director (Chairman)
	PremiumLeisure and Amusement, Inc.	Non-Executive Director (Chairman)
	Highland Gardens Corporation	Executive Director (Chairman)
	Woodland Development Corporation	Executive Director
	Belle Bay City Corporation	Non-Executive Director (Chairman)
	Pacific Online Systems Corporation	Executive Director (Chairman)
	Highlands Prime, Inc.	Non-Executive Director (Vice-Chair)
	Premium Leisure Corp	Executive Director (Chairman)
	Sinophil Leisure and Resorts Corp.	Non-Executive Director (Chairman)
	Foundation Capital Resources, Inc.	Non-Executive Director (Chairman)
	Tagaytay Highlands Intl Golf Club, Inc.	Non-Executive Director (Vice-Chair)
	The Country Club Tagaytay Highlands	Non-Executive Director (Chairman)
	Tagaytay Midlands Golf Club, Inc.	Non-Executive Director (Chairman)
	The Spa and Lodge, Inc.	Non-Executive Director (Chairman)
	Leisure & Resorts World Corp.	Non-Executive Director
	Vantage Equities, Inc.	Non-Executive Director
Edmundo L. Tan	Concrete Aggregates Corporation	Non-Executive
Laurito E. Serrano	Atlas Consolidated Mining and Development Corporation	Non-Executive
	Travellers International Hotel Group Inc.	Non-Executive

(iii) Relationship within the Company and its Group.

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Willy N. Ocier	Belle Corporation	Co-Vice Chairman
Virginia A. Yap	Belle Corporation	Director

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	NO. The Company has not set a limit on the number of board seats in other companies that an individual director or CEO may hold simultaneously.	
Non-Executive Director		
CEO		

c. Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Willy N. Ocier	310,001	1,897,000	0.03%
Jackson T. Ongsip	1	0	0
Bernardo D. Lim	1,000	0	0

Edmundo L. Tan	1	234,700	0
Virginia A. Yap	10,001	0	0
Tomas D.Santos	1	0	0
Laurito E. Serrano	1	0	0
TOTAL	**321,006**	**2,131,700**	**0.03%**

NOTE: In compliance with the Securities Regulation Code (Chapter VI – Protection of Shareholders, under Section 23 – Transactions of Directors, Officers and Principal Stockholders), the Company's Directors and Officers shall file a statement with the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) within ten (10) days after any change in ownership of securities.

2. Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ■ No ☐

Identify the Chair and CEO:

Chairman of the Board	Willy N. Ocier
CEO/President	Jackson T. Ongsip

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role Accountabilities	▪ Preside at all meetings of the Board of Directors and stockholders and ensure that all meetings are held in accordance with the By-Laws	▪ Supervise and control all of the business and affairs of the Company
Deliverables	▪ Identify areas for improvement of the members of the Board, such as training/continuing education programs or any other form of assistance that the directors may need in the performance of their duties Evaluate and enhance the support services given to the Board, such as the quality and timeliness of information provided to them, the frequency and conduct of regular, special or committee meetings and their accessibility to management and the Corporate secretary	▪ Ensure that the goals and objectives of the Company which were agreed upon during the Annual Strategic Planning are met. ▪ Stress further on our core values of leadership, integrity, hard work, innovation, sustainability and accountability across all business units. ▪ Update and align our Corporate Governance Manual towards best practice. ▪ Implementation of matters approved by the Board of Directors and shareholders.

1) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Company's Amended By-Laws state that:

1) In the absence or disability of the President, the Executive Vice-President shall perform the duties and exercise the powers of the President.

2) In the absence or disability of both the President and Executive Vice-President, the Vice-President (or in the event that there be more than one Vice-President, the Vice-Presidents in the order designated at the time of the election) shall perform the duties and exercise the powers of the President.

Succession plan for top key management positions will be monitored and addressed by the Company's Nomination Committee as part of its committee programs to improve effective governance for the coming year. The Committee shall adhere to the "Fit and Proper Rule" standards to determine whether an individual is fit and proper to hold key management positions within the Company, which shall include, but not be limited to, standards on integrity, experience, education, training and competence.

3. Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

YES. Under the Company's Revised Manual on Corporate Governance, the Nomination Committee is tasked to ensure that the Board has an appropriate balance of required industry knowledge, expertise and skills needed to govern the Company towards achieving its intended goals and objectives.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

YES. All candidates nominated to become a member of the Board shall be assessed and evaluated by the Nomination Committee in accordance with the qualifications provided for in the Corporation Code, the Securities Regulation Code, and other relevant laws. The Nomination Committee shall also consider the following factors, among others, in determining the fitness of a nominee to the Board:

a) college education or equivalent academic degree;
b) practical understanding of the business of the Company;
c) membership in good standing in relevant industry, business, or professional organizations; and,
d) previous business experience.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role **Accountabilities**	▪ Oversee the management of the Company and be responsible for the Company's finances, goals and policies ▪ Foster the long-term success of the Company and sustain its competitiveness and profitability	▪ Monitor compliance with policies and achievement against objectives through regular reports to the Board by management ▪ Constructively challenge and contribute to the development of strategy	▪ Monitor compliance with policies and achievement against objectives through regular reports to the Board by management ▪ Constructively challenge and contribute to the development of strategy
Deliverables	▪ Periodically review the Company's vision, mission, strategies, plans, and annual budget and continuously monitor	▪ Ensure annual performance appraisal of individual directors, the board as a whole, board committees and the President, and	▪ Implement the action plans made based on the results of the self-assessment conducted following the guideline set forth by SEC

	Executive	Non-Executive	Independent Director
	the implementation of such policies and strategies ▪ Institutionalize the risk management assessment process and continuously monitor key risk areas and performance indicators with due diligence ▪ Institute good corporate governance practices and ensure effective communication with all employees for acknowledgment and strict compliance ▪ Define policies and plans regarding corporate social responsibility (CSR), including formulating an action plan for publicizing and promoting awareness of CSR among all officers and employees	periodically review the criteria used in assessing such performance ▪ Formulate succession plans for top key management positions and review such plan on a regular basis ▪ Identify areas for improvement of the members of the Board, such as training/continuing education programs or any other form of assistance that directors may need in the performance of their duties ▪ Meet at least once a year without the presence of executive directors and senior management	Memorandum Circular No. 4 ▪ Review and assess the effectiveness of the Company's risk management system in the mitigation of financial and non-financial risks ▪ Review the Company's continual process of good corporate governance and update the Company's Manual on Corporate Governance ▪ Meet at least once a year without the presence of executive directors and senior management

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company defines independence as "independence from management, substantial shareholdings and material relations, whether it be business or otherwise, which could reasonably be perceived to impede the performance of independent judgment."

In addition, in accordance with SEC Securities Regulation Code (SRC) Rule 38, an independent director is any person who:

a) Is not a director or officer of the company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
b) Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;
c) Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
d) Is not acting as a nominee or representative of any director or substantial shareholder of the company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
e) Has not been employed in any executive capacity by the company, any of its related companies and/or by any of its substantial shareholders within the last five (5) years;
f) Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the company, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or
g) Has not engaged and does not engage in any transaction with the company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial

shareholder, other than transactions which are conducted at arm's length and are immaterial.

The nomination, pre-screening and election of independent directors were made in compliance with the Company's definition and the requirements of the Code of Corporate Governance and SRC Rule 38. The Nomination Committee has determined that the nominees for independent directors possess all of the qualifications and none of the disqualifications for independent directors.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company follows the rules regarding term limits for Independent Directors as provided under SEC Memorandum Circular No. 9, Series of 2011.

4. Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Frederic C. DyBuncio	Director/President & CEO	August 13, 2015	Resigned due to personal reasons

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors (ii) Non-Executive Directors	Members of the Board of Directors are nominated by the Nomination Committee and elected at the annual meeting of the stockholders to serve for a term of one (1) year until their successors are duly elected and qualified. The Nomination Committee reviews and evaluates all candidates nominated to Officer positions in the Company that, under the Company's By-Laws, require Board approval prior to effectivity of such Officer appointments or promotions.	The Company's Amended By-Laws mandate that each director shall possess all of the following qualifications: (a) a holder of at least one (1) share of stock of the Company; (b) at least a holder of a Bachelor's Degree, or to substitute for such formal education, must have adequate competency and understanding of business; (c) of legal age; and (d) shall have proven to possess integrity and probity. In addition, under the Company's Revised Manual on Corporate Governance, the Nomination Committee also considers the following factors in determining the fitness of a nominee to the Board: (a) college education or equivalent academic degree; (b) practical understanding of the business of the Company; (c) membership in good standing in

Procedure	Process Adopted	Criteria
		relevant industry, business, or professional organizations; and, (d) previous business experience.
(iii) Independent Directors		In addition to the foregoing qualifications, a director nominated and elected as independent shall likewise meet the following requirements: (i) He is not a director or officer of the Company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing. (ii) He does not own more than two percent (2%) of the shares of the Company and/or its related companies or any of its substantial shareholders. (iii) He is not a relative to any director, officer or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister. (iv) He is not acting as a nominee or representative of any director or substantial shareholder of the Company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement. (v) He has not been employed in any executive capacity by the Company, any of its related companies, and/or any of its substantial shareholders within the last five (5) years. (vi) He is not retained as professional adviser by the Company, and/or any of its related companies and/or any of its substantial shareholders within the last five (5) years. (vii) He is not retained, either personally or through his firm or any similar entity, as professional adviser, by the Company, any of its related

Procedure	Process Adopted	Criteria
		companies and/or any of its substantial shareholders, either personally or through his firm. (viii) He has not engaged and does not engage in any transaction with the Company and /or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.
b. Re-appointment		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	Same process and criteria as Selection/Appointment	
c. Permanent Disqualification		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	The Nomination Committee shortlists, assesses and evaluates all candidates nominated to become a member of the Board in accordance with the qualification and disqualification criteria set out in the Revised Manual on Corporate Governance.	Under the Revised Manual on Corporate Governance, the following shall be grounds for the permanent disqualification of a director: (i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them; (ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a)

Procedure	Process Adopted	Criteria
		acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in the sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities. (iii) The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking, or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member participant of the organization; (iv) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts; (v) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted,

Procedure	Process Adopted	Criteria
		counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order; (vi) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation; (vii) Any person judicially declared to be insolvent; (viii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in subparagraphs (i) to (v) above; (ix) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation code committed within five (5) years prior to the date of his election or appointment.
d. Temporary Disqualification		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	The Nomination Committee shortlists, assesses and evaluates all candidates nominated to become a member of the Board in accordance with the qualification and disqualification criteria set out in the Revised Manual on Corporate Governance. A temporary disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.	The Board, as stated in the Revised Manual on Corporate Governance, provides for the temporary disqualification or suspension of a director for the following reasons: (i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists. (ii) Absence in more than fifty (50) percent of all regular and special meeting of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election. (iii) Dismissal or termination for cause as director of any

Procedure	Process Adopted	Criteria
		corporation covered by the SEC's Code of Corporate Governance. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination. (iv) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. (v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.
e. Removal		
(i) Executive Directors	The same process and criteria are used in the permanent disqualification of Executive Directors, Non-executive Directors and Independent Directors, respectively, for their removal.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	The same process and criteria are used in the appointment of Executive Directors, Non-executive Directors and Independent Directors, respectively, for their re-instatement.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	The same process and criteria are used in the temporary disqualification of Executive Directors, Non-executive Directors and Independent Directors, respectively, for their suspension.	
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting

Name of Director	Votes in Favor	% to Total Voting Shares		Votes Against	Abstain
Willy N. Ocier	5,035,049,618	67.10%		0	0
Frederic C. DyBuncio	5,035,049,618	67.10%		0	0
Bernardo D. Lim	5,035,049,618	67.10%		0	0
Edmundo L. Tan	5,035,049,618	67.10%		0	0
Virginia A. Yap	5,035,049,618	67.10%		0	0
Tomas D. Santos	5,035,049,618	67.10%		0	0
Laurito E. Serrano	5,035,049,618	67.10%		0	0

5. Orientation and Education Program

i. Disclose details of the company's orientation program for new directors, if any.

Under Section 2.2.5 of the Revised Manual on Corporate Governance, all newly-elected members of the Board of Directors shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute, provided that they have not previously attended such seminar. Thereafter, all members of the Board of Directors and key officers of the Company shall attend a program on corporate governance at least once a year, as required by SEC.

ii. State any in-house training and external courses attended by Directors and Senior Management for the past three (3) years:

    None

iii. Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
WILLY N. OCIER	Aug. 5, 2015	Corporate Governance Training Program	The Institute of Corporate Directors
JACKSON T. ONGSIP	Aug. 5, 2015	Corporate Governance Training Program	The Institute of Corporate Directors
BERNARDO D. LIM	Sept. 8, 2015	Corporate Governance	Center for Global Best Practices
EDMUNDO L. TAN	Aug 28, 2015	Corporate Governance	ROAM
VIRGINIA A. YAP	Aug. 5, 2015	Corporate Governance Training Program	The Institute of Corporate Directors
LAURITO E. SERRANO	April 21, 2015	Corporate Governance	ROAM
TOMAS D. SANTOS	Sept. 8, 2015	Corporate Governance	Center for Global Best Practices

B. CODE OF BUSINESS CONDUCT & ETHICS

1. Policies

Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	Uphold the interest of the Company by not engaging in any competitive business. Protect the interest of the Company by not allowing himself nor his relatives to engage in any business with the Company.	Uphold the interest of the Company by not engaging in any competitive business. Protect the interest of the Company by not allowing himself nor his relatives to engage in any business with the Company.	Uphold the interest of the Company by not engaging in any competitive business. Protect the interest of the Company by not allowing himself nor his relatives to engage in any business with the Company.
(b) Conduct of Business and Fair Dealings	Protect the interest of the Company by conducting business affairs fairly, honestly and according to law.	Protect the interest of the Company by conducting business affairs fairly, honestly and according to law.	Protect the interest of the Company by conducting business affairs fairly, honestly and according to law.

(c) Receipt of gifts from third parties	Uphold the interest of the Company by not granting nor receiving favors especially in matters dealing with hiring, purchasing, awarding of contracts or similar activities.	Uphold the interest of the Company by not granting nor receiving favors especially in matters dealing with hiring, purchasing, awarding of contracts or similar activities.	Uphold the interest of the Company by not granting nor receiving favors especially in matters dealing with hiring, purchasing, awarding of contracts or similar activities.
(d) Compliance with Laws & Regulations	Protect the interest of the Company by conducting business affairs fairly, honestly and according to law.	Protect the interest of the Company by conducting business affairs fairly, honestly and according to law.	Protect the interest of the Company by conducting business affairs fairly, honestly and according to law.
(e) Respect for Trade Secrets/Use of Non-public Information	Protect zealously and cautiously confidential information on APC business plans, strategies, systems, and products while employed in the Company in the Company or even after separation from it.	Protect zealously and cautiously confidential information on APC business plans, strategies, systems, and products while employed in the Company in the Company or even after separation from it.	Protect zealously and cautiously confidential information on APC business plans, strategies, systems, and products while employed in the Company in the Company or even after separation from it.
(f) Use of Company Funds, Assets and Information	Use wisely and judiciously Company funds, property, equipment, supplies and time for the purpose set by the Company.	Use wisely and judiciously Company funds, property, equipment, supplies and time for the purpose set by the Company.	Use wisely and judiciously Company funds, property, equipment, supplies and time for the purpose set by the Company.
(g) Employment & Labor Laws & Policies	N/A	1. Employee are classified according to status. * Probationary- Those hired for a permanent position and are undergoing a trial period of no more than six (6) month to determine their suitability. *Regular- Those issued a permanent appointment after having satisfactorily complete the probationary period and fulfilled all the requirement for regular employment. 2. An employee is further classified according to rank and class: *Class A- Assistant Manager -President *Class B- Managerial / Technical - Professional Group	1. Employee are classified according to status. * Probationary- Those hired for a permanent position and are undergoing a trial period of no more than six (6) month to determine their suitability. *Regular- Those issued a permanent appointment after having satisfactorily complete the probationary period and fulfilled all the requirement for regular employment. 2. An employee is further classified according to rank and class: *Class A- Assistant Manager - President *Class B- Managerial / Technical - Professional Group *Class C- Office / Technical Staff

		*Class C- Office / Technical Staff	
(h) Disciplinary action	The permanent and temporary disqualifications of a director is provided for in Sections 2.4.4 .1 and 2.4.4.2 of the Manual on Corporate Governance submitted on February 15, 2011. The director may be removed by from the board by a vote of the stockholders holding at least two-thirds of the outstanding capital stock outstanding capital stock in a regular or special meeting called for such purpose.	**Breach of trust & Confidence, Dishonesty** *Manipulating Company funds /first offense / Dismissal *Misappropriation, malversation, withholding of funds /first offense / Dismissal	**Breach of trust & Confidence, Dishonesty** *Manipulating Company funds /first offense / Dismissal *Misappropriation, malversation, withholding of funds /first offense / Dismissal *Theft / robbery of Company property & co- employee's personal / first offense / Dismissal *Giving false testimony during investigation /first offense / Dismissal or forced resignation *Falsifying official documents including daily time records, employment application forms, etc. / first offense / Suspension to dismissal * Failure to inform higher authority or superior of any inducement, instruction or order from superior or other high ranking officer to commit any violation of rules or policies. / first offense/ 5 days suspension / second offense 15 suspension / third offense / Dismissal *Failure to inform high ranking authority or superior of the wrongdoing of another staff or officer /first offense / 2 days suspension / second offense/ 3 days suspension / third offense / 5 days suspension/ fourth offense / longer suspension to dismissal **Violation of Operating Procedure** *willful non-observance of standard operating procedures in the handling of work assignment for purposes of personal gain, profit, advantage of another person. / first offense/ Dismissal *Failure to observe a standard operating procedure tantamount to negligence. / first offense / Suspension to dismissal depending on the gravity of the offense

			Negligence of work *****Negligence or inefficiency including delayed completion of work assignments, failure to meet deadline, improper discharge of instructions, inaccurate report. / first offense / Suspension to dismissal * Gross negligence resulting in damage or loss the Company. / first offense /Suspension to dismissal *Losing Company record that cause prejudice to the Company. / first offense / written reprimand to dismissal *Willful slowing down or limiting work output. / first offense / 10 days suspension / second offense /Dismissal *Unfitness for work due to excessive drinking of alcoholic drinks. / first offense/ 10 days suspension / second offense / Dismissal * Attending to personal matters at excessive periods during work hours, exceeding break periods, playing games, collecting debts, soliciting contributions or bets, cell texting. / first offense / written reprimand / second offense / 3 days suspension / third offense / 6 days suspension / fourth offense/ 10 days suspension /fifth offense 15 days suspension * Selling, soliciting, peddling, collecting contribution or soliciting order for any merchandise or distribution of unauthorized materials within the Company premises. / first offense / written reprimand / second offense / 3 days suspension /third offense 6 days suspension / fourth offense/ 10 days suspension / fifth offense /15 days suspension *Leaving work assignment or working place during working hours without prior notice, loitering, prolonging rest period or wandering about inside Company premises.

			*Frequently receiving visitors during office hours for personal business or excessive use of telephone for personal calls. *sleeping while on duty. **Improper Conduct and Behavior** *Acts of threat, intimidation, coercion, harassment, or using profane language on co-employees orally or in writing. *Quarreling with co-employees, exchanging of strong and violent word or challenging to fights. *Fighting inside the Company premises *Committing acts of threats, coercion, harassment, etc. on superior or officer or clients. *Disrespectful, discourteous, insulting, unbecoming, slanderous/ libelous language towards superior officer or client. *Committing physical force or violence or inflicting bodily harm to superior or officer or to clients. /first offense / Dismissal *Making or spreading malicious, derogatory or false statement about any employee or officer rumor – mongering. / first offense / 15 days suspension / second offense/ longer suspension to dismissal *Engaging in horseplay, running scuffling or throwing things within the Company premises. / first offense / 5 days suspension / second offense / 15 days suspension /third offense/ longer suspension to dismissal *Vandalism in any form or intentional destruction of Company property. / first offense / suspension to dismissal *Any act of disrespect, insult, or any unbecoming language or behavior towards clients or the general public. / first offense / suspension to dismissal **Against High Moral Standards** *Conviction of a crime involving

			moral turpitude. / first offense / Dismissal *Acts of lasciviousness. / first offense /suspension to dismissal *Illicit relations in the proportion of scandal. / first offense / Suspension to dismissal **Insubordination/ disobedience** *Failure to carry out lawful verbal or written orders/ instruction of a superior or officer. / first offense/ Suspension to dismissal **Acts Against Company's Interest** *Soliciting or receiving fees, commissions or kickback from client, suppliers, collections, etc. in exchange for considering or patronizing their products or services or for service rendered in connection with any Company transaction./ first offense/ Dismissal *Revelation of confidential matter s, date or other information relative to Company transactions or communications or secrets of trade, including restricted information about the Company or client's account. *Making or spreading malicious, derogatory or false statements regarding the good name of the Company or its subsidiaries. **Tardiness** ***First offense / first offense Verbal warning *Two tardiness during the weeks. /second offense / Verbal Reprimand *Three tardiness in a given week or five tardiness in any two consecutive weeks. /third offense / Written reprimand *Tardiness during a four-week period totaling two hours regardless of the number of times tardy. /fourth offense /Suspension for 2 days without

			pay *Tardiness during a four-week period totaling three hours regardless of the number of time tardy. / fifth offense / Suspension for 7 days without pay *Suspension for a total of 21 workdays within a six- month period may be grounds for dismissal.
(i) Whistle Blower	N/A	Consistent with APC GROUP, Inc.'s commitment to professional ethics and traditional values, the Company expects its directors, officers, employees and contract workers to observe high standards of business and personal ethics in the conduct of their duties and responsibilities at all times inside and outside the Company. Everyone is expected to help and work towards creating an environment where concerns can be raised for possible violations of our Code of Discipline, policies and laws so they can be resolved sooner than later.	Consistent with APC GROUP, Inc.'s commitment to professional ethics and traditional values, the Company expects its directors, officers, employees and contract workers to observe high standards of business and personal ethics in the conduct of their duties and responsibilities at all times inside and outside the Company. Everyone is expected to help and work towards creating an environment where concerns can be raised for possible violations of our Code of Discipline, policies and laws so they can be resolved sooner than later.
(j) Conflict Resolution	The Company has a conflict resolution policy to provide a quick effective and consistent method of presenting concerns to management and have those concerns resolved internally.	The Company has a conflict resolution policy to provide a quick effective and consistent method of presenting concerns to management and have those concerns resolved internally.	The Company has a conflict resolution policy to provide a quick effective and consistent method of presenting concerns to management and have those concerns resolved internally.

2. Dissemination of Code

Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes

3. Compliance with Code

Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Directors, officers and employees of the Company commit to comply with both the letter and spirit of the Code to preserve the goodwill and reputation of the Company. The Human Resources Department and the Governance and Corporate Affairs Department are responsible for monitoring compliance with the Code.

4. Related Party Transactions

a. Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company (2) Joint Ventures (3) Subsidiaries (4) Entities Under Common Control (5) Substantial Stockholders (6) Officers including spouse/children/siblings/parents (7) Directors including spouse/children/siblings/parents	The Company practices full disclosure of details of related-party transactions. The nature, extent and all other material details of transactions with related parties are disclosed in the Company's financial statements and quarterly and annual reports to the SEC and PSE. The Company conducts all related party transactions on an arm's length basis. In addition, a periodic assessment is made on the following: ▪ Collectability of receivables from related parties and the necessity to provide allowance for doubtful accounts for such receivables ▪ Market and financial risks faced by related parties ▪ Guarantees issued to or received from related parties ▪ Financial and economic soundness of related party transactions (e.g., receivables and payables, cash placements and loans, investments in shares of stock, management/service fees, etc.) Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Audit Committee. A contract of the corporation with one or more of its officers/Directors is: A. Voidable at the option of the corporation unless - • The presence of the director is not needed for a quorum (in a Board Meeting, AND • His vote is not necessary, AND • The contract is fair and reasonable, AND • The contract with the officer has been previously authorized by the Board A. Where the first 2 conditions are absent, the stockholders must ratify it – • By a vote of 2/3 of outstanding stock in a stockholders meeting • Full disclosure of the adverse interest of the officer involved in the contract must be made • The contract must be fair and reasonable
(8) Interlocking director relationship of Board of Directors	1.1 Contracts with another corporation with interlocking directors is valid provided: 1.1.1 There is no fraud 1.1.2 It is fair and reasonable 1.2 Where the interest of the director is substantial (exceeds 20%) in one and nominal (20% or less) in another, the rules on

	dealing of directors in the immediately preceding item appliers with respect to the corporation where the common director has nominal share 1.2.1 If director interest is minimal in both or if substantial in both, the contract is valid. 1.2.2 If minimal in one and substantial in the other, apply the rules on dealings of directors with the corporation.

b. Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s Name of Officer/s Name of Significant Shareholders	Probable conflicts of interest would include: ▪ When the director/officer/significant shareholder would use his/her position for personal financial gain or to benefit a company in which the director/officer/significant shareholder has a financial interest ▪ When outside financial or other interests may inappropriately influence the way in which the director/officer/significant shareholder carries out his/her responsibilities ▪ When the director's/officer's/significant shareholder's outside interests otherwise may cause harm to the Company's reputation and its stakeholders ▪ When there is an outside relationship that may deter the director/officer/significant shareholder from devoting an appropriate amount of time, energy, creativity, or other personal resources to his/her responsibilities The Company has no instance of conflict of interest to which directors, officers or significant shareholders may be involved.

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company Group	The Company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the Company. All business decisions and actions must be based on the best interests of the Company and not motivated by personal considerations or relationships which may interfere with the exercise of independent judgment. All directors, officers and employees are required to promptly disclose any financial or

	personal interest in any transaction involving the Company to ensure that potential conflicts of interest are brought to the attention of management. All directors, officers and employees shall act with utmost integrity and shall not engage in unfair dealing practices. The Company prohibits any conflict of interest, unfair competition, breach of trust, insider trading, or any other act inimical to the Company's interest. In addition, the Company practices full disclosure of details of related party transactions. The nature, extent and all other material details of transactions with related parties are disclosed in the Company's financial statements and quarterly and annual reports to the SEC and PSE. The financial statements and reports are also available in the Company website and readily accessible to the public. Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Audit Committee and the Risk Management Committee.

5. Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[3] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None		

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
None		

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None		

6. Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	There were no conflicts between the corporation and

[3] Family relationship up to the fourth civil degree either by consanguinity or affinity.

Corporation & Third Parties	its stockholders, the corporation and third parties, and the corporation and regulatory authorities, for the last three years.
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

1. Schedule of meetings

Are Board of Directors' meetings scheduled before or at the beginning of the year?

Refer to Articles of Incorporation Section 7 on Regular Meeting which states "Regular meetings of the Board of Directors shall be held every fourth Thursday of each month or at such date, time and place as the Chairman, or in his absence, the President shall from time to time determine. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting which would otherwise be held on that day shall be held at the same hour on the next succeeding business day of legal holiday. Notice of regular meetings need not be given."

2. Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	WILLY N. OCIER	June 11, 2015	9	9	100%
Member	FREDERIC C. DYBUNCIO*	June 11, 2015	9	7	78%
Member	BERNARDO D. LIM	June 11, 2015	9	9	100%
Member	EDMUNDO C. TAN	June 11, 2015	9	9	100%
Member	JACKSON T. ONGSIP**	August 13, 2015	9	2	22%
Member	VIRGINIA A. YAP	June 11, 2015	9	9	100%
Independent	TOMAS D. SANTOS	June 11, 2015	9	9	100%
Independent	LAURITO E. SERRANO	June 11, 2015	9	9	100%

*Ceased to be director effective 13 August 2015.
** Elected as director on 13 August 2015 to replace Mr. Frederic C. DyBuncio

3. Separate Meeting of Non-Executive Directors

Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

No

Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

No. Refer to Section 4 of the Articles of Incorporation on Quorum and Manner of Acting states "Except as otherwise provided by statute, by the Articles of Incorporation or by these By-Laws, a majority of the number of directors specified in the Articles of Incorporation shall constitute a quorum for the transaction of business at any meeting, and the act of a majority of the directors present at any meeting at which there is a quorum shall be valid as a corporate act. In the absence of a quorum, a majority of the directors present may adjourn any meeting from time to time until a quorum be had. Notice of any adjourned meeting need not be given."

4. Access to Information

a. How many days in advance are board papers[4] for board of directors meetings provided to the board?

[4] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The Board shall be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties and responsibilities.

b. Do board members have independent access to Management and the Corporate Secretary?

YES. Board members have independent access to management and the Corporate Secretary as per the Company’s Revised Manual on Corporate Governance (2.2.4).

c. State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Under the Company’s Revised Manual on Corporate Governance, the Corporate Secretary has the following duties and responsibilities:

1) Be responsible for the safekeeping and preservation of the integrity of minutes of the meeting of the Board and its committees, as well as other official records of the Company.
2) Work fairly and objectively with the Board, management and stockholders.
3) Have appropriate administrative and interpersonal skills.
4) If he is not at the same time the Company’s legal counsel, to be aware of the laws, rules, and regulations necessary in the performance of his duties and responsibilities.
5) Have a working knowledge of the operations of the Company.
6) Inform that members of the Board, or of the committees of the Board, as the case may be, in accordance with the By-Laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
7) Attend all Board meetings except when justifiable causes, such as illness, death in the immediate family and serious accidents prevent him from doing so.
8) Ensure that all Board and Committee procedures, rules and regulations are strictly followed by members.
9) If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in the SEC’s Code of Corporate Governance.

d. Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes

e. Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes ■ No □

Committee	Details of the procedures
Executive	To enable the Board to properly fulfill their duties and responsibilities, they are provided with complete and timely information about the matters in the agenda of the meetings. Directors are given independent access to management and the Corporate Secretary and they can freely communicate with them through email or telephone.
Audit	
Nomination	
Remuneration	
Risk Management	

5. External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
To enable the Board to properly fulfill their duties and responsibilities, they are provided with complete and timely information about the matters in the agenda of the meetings. Directors are given independent access to management and the Corporate Secretary, as well as to independent professional advice when the need arises.	

6. Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
NONE. There were no changes introduced by the Board of Directors on existing policies that may have an effect on the business of the Company.		

D. REMUNERATION MATTERS

1. Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	The Compensation and Remuneration Committee determines the amount of remuneration which shall be in a level sufficient to attract directors, executives and other key senior personnel needed to run the Company successfully. Executive compensation is composed of salaries, bonuses and other annual compensation, plus fixed per diem for every board meeting attended.	
(2) Variable remuneration		
(3) Per diem allowance		
(4) Bonus		
(5) Stock Options and other financial instruments		
(6) Others (specify)		

2. Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Each director is entitled to a transportation allowance of P5,000 per board meeting attended to cover transportation expenses.	None	NA
Non-Executive Directors	Each director is entitled to a transportation allowance of P5,000 per board meeting attended to cover transportation expenses.	None	NA

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
None	NA

3. Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year: (2015)

Remuneration Item	Executive Directors 2	Non-Executive Directors (other than independent directors)3	Independent Directors 2
(a) Fixed Remuneration	3,318,000	N/A	N/A
(b) Variable Remuneration	N/A	N/A	N/A
(c) Per diem Allowance	30,000	45,000	30,000
(d) Bonuses	N/A	N/A	N/A
(e) Stock Options and/or other financial instruments	N/A	N/A	N/A
(f) Others (Specify)	N/A	N/A	N/A
Total	3,348,000	45,000	30,000

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	N/A	N/A	N/A
2) Credit granted	N/A	N/A	N/A
3) Pension Plan/s Contributions	N/A	N/A	N/A
(d) Pension Plans, Obligations incurred	N/A	N/A	N/A
(e) Life Insurance Premium	30,804	N/A	N/A
(f) Hospitalization Plan	11,591	N/A	N/A
(g) Car Plan	N/A	N/A	N/A
(h) Others (Specify) Dues and Subscription	109,539	58,800	N/A
Total	151,934	58,800	N/A

4. Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
NONE. There are no option grants outstanding held by directors and officers as of December 31, 2015.				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
NONE. There are no amendments and/or discontinuation of any incentive programs in 2015.		

5. Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year: (2015)

Name of Officer/Position	Total Remuneration
Jackson T. Ongsip/ CFO (until August 13, 2015)	1,300,000
Ian Jason R. Aguirre/CFO (current)	

**Became an executive director effective August 13, 2015*

E. BOARD COMMITTEES

1. Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	2	1	0	None. Refer to Manual on Corporate Governance submitted on February 15, 2011. And Article V of the	The executive committee may act, by majority vote of all its members, on such specific matters within the	The executive committee may act, by majority vote of all its members, on such specific matters within the competence of the board, as may be	The executive committee may act, by majority vote of all its members, on such specific matters within the competence of

				Company's By-laws	competence of the board, as may be delegated to it in the by-laws or on a majority vote of the board except with respect to: 1. Where stockholders approval is also needed 2. Fill vacancies in the board 3.Amend or repeal by-laws or adopt new by-laws 4. Amend or repeal resolutions of the Board where the resolution by express terms is not so amendable or repealable by the Committee 5. Distribution of cash dividends.	delegated to it in the by-laws or on a majority vote of the board except with respect to: 1. Where stockholders approval is also needed 2. Fill vacancies in the board 3.Amend or repeal by-laws or adopt new by-laws 4. Amend or repeal resolutions of the Board where the resolution by express terms is not so amendable or repealable by the Committee 5. Distribution of cash dividends.	the board, as may be delegated to it in the by-laws or on a majority vote of the board except with respect to: 1. Where stockholders approval is also needed 2. Fill vacancies in the board 3.Amend or repeal by-laws or adopt new by-laws 4. Amend or repeal resolutions of the Board where the resolution by express terms is not so amendable or repealable by the Committee 5. Distribution of cash dividends.
Audit	0	2	1	Refer to Audit Committee Charter submitted on November 14, 2012	The Committee assists and advices the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's accounting, financial reporting, auditing	Oversight responsibility in 8 major domains: 1. Financial Statements and Reporting 2. Internal Control 3. Internal Audit 4. External audit 5. Compliance 6. Risk Management 7. Reporting Responsibilities 8. Assessment of Committee	Appointment and evaluation of the performance of the external auditor, head of internal audit and Chief reisk officer Seek information it requires from Management and all other employees

					practices, risk management and internal control system and adherence to over-all corporate governance best practices.	Charter, evaluation of committee members, and perform activities as delegated by the board.	Gain access to all records, properties, assets and personnel Review of the scope of work of the auditors Investigate any activities within its scope of responsibilities.
Nomination	0	2	1	None. Refer to Manual on Corporate Governance submitted on February 15, 2011	Review and Evaluation of the qualification of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election and replacement of officers	Review and Evaluation of the qualification of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election and replacement of officers	Review and Evaluation of the qualification of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election and replacement of officers
Remuneration	1	2	0	None. Refer to Manual on Corporate Governance submitted on February 15, 2011	Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's	Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the	Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and

					culture, strategy and the business environment in which it operates.	business environment in which it operates.	the business environment in which it operates.
Risk Management Committee	0	2	1				

2. Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Willy N. Ocier	June 11, 2015	None	None		1 year
Member (ED)	Jackson T. Ongsip	August 13, 2015	None	None		Less than 1 year
Member (NED)	Virginia A. Yap	June 11, 2015	None	None		1 year

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman(ID)	Laurito E. Serrano	June 11, 2015	1	1	100	1 year
Member (NED)	Virginia A. Yap	June 11, 2015	1	1	100	1 year
Member (NED)	Bernardo D. Lim	June 11, 2015	1	1	100	1 year

Disclose the profile or qualifications of the Audit Committee members.

LAURITO E. SERRANO

Mr. Laurito E. Serrano, Filipino, is a Certified Public Accountant with a Masters in Business Administration degree from the Harvard Graduate School of Business. His area of specialization is Financial Advisory and Corporate Finance. Mr. Serrano currently serves as independent director and Chairman of the Audit and Risk Management Committee of Atlas Consolidated Mining Development Corporation. He also serves as a director at Philippine Veterans Bank and a member of its Credit, Corporate Governance, and Audit Committees; an independent director of Travellers International Hotel Group and MJC Investments, Inc.; and a director of MRT Development Corporation, among others. Mr. Serrano is also a former partner of the Corporate Finance Consulting Group of SGV & Co.

VIRGINIA A. YAP

Ms. Yap, Filipino, is also a director of Belle Corporation. Ms. Yap holds key positions in the SM Group of Companies including being Treasurer of SM Development Corporation, and Vice President – Office of the Chairman of the Board of Directors of SM Investments Corporation, SM Land, Inc. (formerly Shoemart, Inc.) and SM Retail Inc.

She is also the Treasurer of the Highlands Prime, Inc. since August 22, 2002, a member of the Board of Directors since January 25, 2010, and a member of Executive, Compensation and Remuneration, and Audit

Committees of Highlands Prime Inc. She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao. She has been connected with the SM Group of Companies for the last twenty-five years.

BERNARDO D. LIM

Mr. Bernardo D. Lim, Filipino, was General Manager for Finance of P.T. Bakrie Sumatra Plantations in Indonesia. He assumed various positions in the firms he joined earlier: Vice President for Finance and Administration of Westinghouse Asia Controls Corporation and Cellophil Resources Corporation; Vice President and Treasurer of Atlantic Gulf & Pacific Company of Manila and AG&P Industrial Corporation; Vice President for Finance of Trans-Philippines Investment Corporation; Treasurer of Fluor Daniel/AG&P, Inc., Technoserve International Corporation, and Wire Rope Corporation of the Philippines. Mr. Lim was also Controller of Philippine Iron Mines.

Mr. Lim holds a Bachelor of Science in Business Administration degree from the University of the Philippines. He is a Certified Public Accountant.

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit Committee has the primary responsibility on the appointment, re-appointment and removal of the external auditors. The Board, through the Audit Committee, recommends to the stockholders a duly accredited external auditor who shall undertake the independent audit and shall provide and perform an objective assurance on the preparation and presentation of financial statements.

The Audit Committee also:

- Performs oversight functions of the Company's external auditors. It ensures that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit function.
- Prior to the commencement of the audit, discusses with the external auditor the nature, scope and expenses of the audit and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- Reviews the reports submitted by the external auditors.
- Evaluates and determines the non-audit work, if any, of the external auditor, and reviews periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with the duties of the external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Edmundo L. Tan	June 11, 2015	1	1	100	1 year
Member (ID)	Tomas D. Santos	June 11, 2015	1	1	100	1 year
Member (NED)	Virginia A. Yap	June 11, 2015	1	1	100	1 year

(d) Compensation and Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the

						Committee
Chairman (ED)	Williy N. Ocier	June 11, 2015	None	None	0	1 year
Member (NED)	Edmundo L. Tan	June 11, 2015	None	None	0	1 year
Member (NED)	Virginia A. Yap	June 11, 2015	None	None	0	1 year

(e) Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Laurito E. Serrano	June 11, 2015	None	None	0	Less than 1 year
Member (NED)	Virginia A. Yap	June 11, 2015	None	None	0	1 year
Member (NED)	Bernardo D. Lim	June 11, 2015	None	None	0	1 year

3. Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	Jackson T. Ongsip	Resignation of Mr. Frederic DyBuncio as Director of the Company
Audit	Laurito E. Serrano	Appointment during the organizational meeting after the annual meeting
Nomination	NA	
Remuneration	NA	
Risk Management	Laurito E. Serrano	Appointment during the organizational meeting after the annual meeting

4. Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	Oversee the management of the Company, which includes, among others: – Financial matters – Legal matters Discussed relevant matters in achieving company's strategic goals are implemented and issues were resolved in Directors' meetings.	No significant issues
Audit	Assisted and advised the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's accounting, financial reporting, auditing practices, risk management and internal control systems and adherence to over-all corporate governance best practice Reviewed significant accounting and reporting issues, and endorsed to the Board for approval the financial statements of the Company Reviewed the external auditors' audit scope and approach and the results of the audit	Same as above
Nomination	Review and evaluation of the qualifications of	Same as above

	directors.	
Remuneration	None	Same as above
Risk Management	None	Same as above

5. Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	▪ Foster the long-term success of the Company and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders through sound strategic policies, guidelines and programs that can sustain the Company's long-term viability and strength ▪ Periodically review the Company's vision, mission, strategies, plans, and annual budget and continuously monitor the implementation of such policies and strategies, including management's overall performance ▪ Institutionalize the risk management assessment process to ensure standardization, effectiveness and efficiency, and continuously monitor key risk areas and performance indicators with due diligence to enable the Company to anticipate and prepare for possible threats to its operational and financial viability ▪ Institute good corporate governance practices and ensure effective communication with all employees for acknowledgment and strict compliance	
Audit	▪ Implement the action plans made based on the results of the self-assessment conducted following the guideline set forth by SEC Memorandum Circular No. 4, which includes, among others: – Develop a succession plan for its members and Chair – Reporting to the Board and issuance of certifications on critical compliance issues – Review and approval of management representation letter before submission to external auditor – Obtaining management's assurance on the state of internal controls – Promotion of risk awareness in the organization – Evaluation of compliance with the Code of Conduct for management Review and approval of fees of external auditor	
Nomination	▪ Review and assess the effectiveness of the Company's risk management system in the mitigation of financial and non-financial risks ▪ Review the Company's continual process of good corporate governance, as well as providing approaches and advices for development, and tasking management to look into the evolving ASEAN Corporate Governance initiative from the regulators and advocacy groups to see what other enhancements can be properly pursued Oversee the effectiveness of the Company's whistleblower policy, so that the whistleblower has the confidence that the Company has the required and appropriate independent procedure to effectively investigate and resolve such possible wrong-doings and non-compliance issues	
Remuneration	▪ Enhance the process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies, and appoint competent, professional, honest and highly-motivated management officers ▪ Ensure annual performance appraisal of individual directors, the board as a whole, board committees and the President, and periodically review the criteria used in assessing such performance ▪ Formulate succession plans for top key management positions and review such plan on a regular basis Identify areas for improvement of the members of the Board, such as training/continuing education programs or any other form of assistance that	

	directors may need in the performance of their duties
Risk Management	▪ Periodically review the compensation method for directors, officers and employees so that they are equitable and appropriately corresponds to the respective assigned duties and responsibilities, current business environment and performance results of the Company Define goals and evaluate the performance of top management to set reasonable compensation

F. RISK MANAGEMENT SYSTEM

1. Statement on Effectiveness of Risk Management System

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Risk Management Committee reviews annually the effectiveness of the Company's risk management system. The Committee reviews the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks, including management's reduction and mitigation plan to sufficiently and swiftly manage major financial and business risk exposures.

For the year ended December 31, 2015, effective and adequate risk management mechanisms are in place, implemented and properly complied in all levels.

(c) Period covered by the review;

The Risk Management Committee reviews annually the effectiveness of the Company's risk management system.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The Risk Management Committee reviews annually the effectiveness of the Company's risk management system. The Committee reviews the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks, including management's reduction and mitigation plan to sufficiently and swiftly manage major financial and business risk exposures.

(e) Where no review was conducted during the year, an explanation why not.

N/A

2. Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Financial Risks ▪ Interest rate risk ▪ Foreign currency risk ▪ Credit risk ▪ Liquidity risk ▪ Equity price risk ▪ Capital management	▪ Manage interest cost by limiting borrowings ▪ Mitigate transactional currency exposure by maintaining costs at consistently low levels, regardless of upward or downward movement in the foreign currency exchange rates ▪ Maintain debt-to-equity ratio at manageable levels	The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives. In order to mitigate risk exposures, the Company continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.
Performance / Completion Risks ▪ Suppliers ▪ Contractors	▪ Purchase only from accredited suppliers ▪ Performance bonds for contractors to ensure contractual arrangements meet the Company's performance standards	
Regulatory Risks ▪ Government regulations ▪ Changes to Philippine laws and regulations	▪ Compliance with licensing and regulatory requirements necessary to operations	
Hazard Risks ▪ Natural disasters	▪ Regular site inspections by Company personnel and consultants/experts ▪ Implement safety measures in the design plans ▪ Include in insurance coverage	
IT Risks ▪ Mission critical business application risk ▪ Internet connection risk ▪ Hacking risk ▪ IT solution acquisition risk	▪ Implement enterprise security solutions to manage external and internal threats ▪ Annual review of technology roadmap to ensure alignment between business and IT	

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Financial Risks ▪ Interest rate risk	▪ Manage interest cost by limiting borrowings	The Company has adopted a risk management policy that establishes a

Risk Exposure	Risk Management Policy	Objective
▪ Foreign currency risk ▪ Credit risk ▪ Liquidity risk ▪ Equity price risk ▪ Capital management	▪ Mitigate transactional currency exposure by maintaining costs at consistently low levels, regardless of upward or downward movement in the foreign currency exchange rates ▪ Maintain debt-to-equity ratio at manageable levels	culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives. In order to mitigate risk exposures, the Company continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.
Performance / Completion Risks ▪ Suppliers ▪ Contractors	▪ Purchase only from accredited suppliers ▪ Performance bonds for contractors to ensure contractual arrangements meet the Company's performance standards	
Regulatory Risks ▪ Government regulations ▪ Changes to Philippine laws and regulations	▪ Compliance with licensing and regulatory requirements necessary to operations	
Hazard Risks ▪ Natural disasters	▪ Regular site inspections by Company personnel and consultants/experts ▪ Implement safety measures in the design plans ▪ Include in insurance coverage	
IT Risks ▪ Mission critical business application risk ▪ Internet connection risk ▪ Hacking risk ▪ IT solution acquisition risk	▪ Implement enterprise security solutions to manage external and internal threats ▪ Annual review of technology roadmap to ensure alignment between business and IT	

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
Principal risks of the exercise of controlling shareholders' voting power are as follows: 1) Majority shareholders may dominate major Company decisions 2) Lack of transparency on the actions and decisions of majority shareholders 3) Abusive and inequitable conduct on the part of majority shareholders 4) Rights of minority shareholders may not be upheld and protected

The Company's Revised Manual on Corporate Governance expressly provides for the protection of its stockholders' rights and minority interests. The Board of Directors is committed to respect the rights of minority stockholders

3. Control System Set Up

(f) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Economic and political conditions **Changes to the Philippine laws and regulations**	The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives. In order to mitigate risk exposures, the Company continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls. In addition, the Risk Management Committee is tasked to perform and carry out the following responsibilities related to Risk Management: 1) Review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks. 2) Ensure that management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring. 3) Advise the Board, in consultation with management, on the overall risk management program of the Company as it relates to its risk appetite and strategic direction. 4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice. 5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee or auditors believe should be discussed privately. 6) Review the details of the Company's related party transactions.	

(g) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Economic and political conditions **Competition** **Changes in local and international interest rate**	The Group has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Group aligns its risk appetite with its long-term strategic	

Changes in the value of the peso **Contractors and suppliers** **Government regulations** **Changes to the Philippine laws and regulations**	objectives. In order to mitigate risk exposures, the Group continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls. In addition, the Risk Management Committee is tasked to perform and carry out the following responsibilities related to Risk Management: 1. Review the adequacy and effectiveness of the Group's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks. 2. Ensure that management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring. 3. Advise the Board, in consultation with management, on the overall risk management program of the Group as it relates to its risk appetite and strategic direction. 4. May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice. 5. Meet separately with the Chief Risk Officer to discuss any matters that the Committee or auditors believe should be discussed privately. 6. Review the details of the Group's related party transactions.

(h) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Risk Management Committee	The Committee is tasked to perform and carry out the following responsibilities related to Risk Management: 1) Review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks. 2) Ensure that Management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring. 3) Advise the Board, in consultation with Management, on the overall risk management program of the Company as it relates to its risk appetite and strategic direction. 4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice. 5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee or auditors believe should be discussed privately. 6) Review the details of the Company's related party transactions.	

G. INTERNAL AUDIT AND CONTROL

1. Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

The Company defines internal control as the system established by the Board of Directors and management for the accomplishment of the Company's objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules. The internal control system is the framework under which internal controls are developed and implemented to manage and control a particular risk or business activity, or a combination of risks or business activities, to which the Company is exposed.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Board of Directors, through the Audit Committee, has reviewed the effectiveness of the Company's internal control system, including the information technology security controls. As of December 31, 2015, effective and adequate internal control mechanisms are in place, implemented and properly complied with.

(c) Period covered by the review;

The Audit Committee reviews annually the effectiveness of the Company's internal control system, including information technology security and controls.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

The Audit Committee reviews annually the effectiveness of the Company's internal control system, including information technology security and controls. To facilitate their review, the Committee understands and evaluates the scope of the internal and external auditors' review of internal controls over financial reporting, and obtains regular reports on significant findings and recommendations, together with management's responses, to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.

The scope and the particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risks; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

(e) Where no review was conducted during the year, an explanation why not.

N/A

2. Internal Audit

a. Role, Scope and Internal Audit Function.

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
To provide an independent, objective assurance and consulting activity designed to add value and improve the	To determine whether the Company's network of risk management, control and corporate governance processes, as designed and	In-house	Rhea Marie R. Abueg	The Internal Audit Head, in the discharge of her duties, shall be accountable to Audit Committee and the Senior

Company's operations	represented by management, is adequate and functioning in a manner to ensure: • Risk are appropriately identified and managed. • Interaction with the various corporate governance groups occurs as needed. • Significant financial, managerial and operating information are accurate, reliable and timely. • Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations. • Resources are acquired economically, used efficiently and adequately protected. • Programs, plans and objectives are achieved. • Quality and continuous improvement are fostered in the control processes of the Company. • Significant legislative or regulatory issues impacting the Company are recognized and addressed appropriately.			Management to: a. Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work. b. Report significant issues related to the processes for controlling the activities of the organization and its subsidiaries, including potential improvements to those processes and provide information concerning such issues through resolution. c. Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources. d. Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal ethics, environmental, external audit)

b. Appointment and/or removal of the Internal Auditor

Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

YES. Under the Company's Revised Manual on Corporate Governance, the Audit Committee is tasked to organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagements and removal.

c. Reporting Relationship with the Audit Committee

Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

As stated in the Revised Manual on Corporate Governance, the Internal Audit Head reports directly to the Audit Committee. In the performance of the internal audit function, the group is authorized to:

1) Have unrestricted access to all functions, records, property and personnel.
2) Have full and free access to communicate with the Audit Committee.
3) Allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish audit objectives.
4) Obtain the necessary assistance of personnel in units of the Company where they perform audits, as well as other specialized services from with or outside the Company.

d. Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
N/A	

NONE. There were no resignations/reassignment of internal audit staff during the period.

e. Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	Internal audit engagements are conducted in accordance with the audit plan and timetable approved by the Audit Committee.
Issues[5]	Issues and findings noted during the audit were given appropriate attention by management and recommendations were implemented accordingly. Significant findings and recommendations, together with management's responses, are reported to the Audit Committee to enable the Committee to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.
Findings[6]	
Examination Trends	

[5] "Issues" are compliance matters that arise from adopting different interpretations.

[6] "Findings" are those with concrete basis under the company's policies and rules.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

f. Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Internal controls over financial reporting	Implemented
Segregation of duties	Implemented
Authorization of transactions	Implemented
Retention of records	Implemented
Supervision or monitoring of operations	Implemented
Physical safeguards	Implemented
IT general and application controls	Implemented

g. Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

<table>
<tr><th>Auditors
(Internal and External)</th><th>Financial Analysts</th><th>Investment Banks</th><th>Rating Agencies</th></tr>
<tr><td>External auditor should be rotated or change every five years or earlier, or the signing partner of the external auditing firm assigned to the corporation should be change with the same frequency.

The internal auditor directly report to the audit committee.</td><td colspan="2">The Company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the Company.

All directors, officers and employees shall act with utmost integrity and shall not engage in unfair dealing practices. The Company prohibits any conflict of interest, unfair competition, breach of trust, insider trading, or any other act inimical to the Company's interest.</td><td>N/A</td></tr>
</table>

State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

1. Jackson T. Ongsip (CEO and President)

2. Willy N. Ocier (Chairman)

h. Role of Stakeholders

Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	N/A	
Supplier/contractor selection practice	The Company observes propriety and acts with fairness and transparency in dealing with business partners (i.e., contractors, suppliers, creditors and other entities that engage in business with the Company). The Company adheres to its principles of healthy competition, equal opportunity and fair treatment of business partners.	
Environmentally friendly value-chain	The Company ensures the environmental friendliness of its operations, and contributes to the overall sustainability of the physical environment where the Company operates. The Company is committed to the protection of the environment and complies with all applicable environmental laws and regulations.	
Community interaction	The Company respects relevant laws and/or regulations in the community where the Company operates. Compliance with those laws and regulations is strictly monitored to prevent any damage to the quality of life of society, surrounding communities and the environment.	
Anti-corruption programmers and procedures	The Company's whistle blower policy was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any stakeholder may submit an incident report on suspected or actual violations of the Code of Ethics and Discipline or any other applicable law or regulation. Upon receipt of an incident report, management is tasked to conduct an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. Anyone who in good faith reports a violation of the Code or policies or law shall not be retaliated upon or suffer harassment or adverse employment consequence.	
Safeguarding creditors' rights	The Company observes propriety and acts with fairness and transparency in dealing with business partners (i.e., contractors, suppliers, creditors and other entities that engage in business with the Company). The Company adheres to its principles of healthy competition, equal opportunity and fair treatment of business	

	partners. The Company strictly respects agreements with creditors, manages loans according to lending objectives, ensures timely repayment of loans and interests, thoroughly honors loan conditions as agreed and competently operates the business to assure creditors about the Company's healthy financial standing and loan repayment capabilities.	

Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

None.

Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

The company grants health care benefits which includes hospitalization, medical and dental care, and group term life insurance cover which pays a benefit in case of death or permanent disability.

(b) Show data relating to health, safety and welfare of its employees.

	No. of Employees Covered	**Total coverage**	**Name of Insurer**
Healthcare Insurance	5	900,000	Valucare
Life Insurance	5	2,500,000	Generali Philippines

(c) State the company's training and development programmers for its employees. Show the data.

The Company grants an annual budget for each employee to attend training and development programs.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The company does not have a reward compensation policy beyond what is mandated by law.

What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviors? Explain how employees are protected from retaliation.

Consistent with APC GROUP, Inc.'s commitment to professional ethics and traditional values, the Company expects its directors, officers, employees and contract workers to observe high standards of business and personal ethics in the conduct of their duties and responsibilities at all times inside and outside the Company.
Everyone is expected to help and work towards creating an environment where concerns can be raised for possible violations of our Code of Discipline, policies and laws so they can be resolved sooner than later.
It is the responsibility of all directors, officers, employees and contract workers to comply with and to report violations of the Code of Discipline, policies, or laws. Violations or suspected violations of Company policies can be escalated to any of the following:
1. The Head of Human Resources
2. The Compliance Officer
3. The Head of Internal Audit

Anyone who in good faith reports a violation of the Code or polices, or law shall not be retaliated upon or suffer harassment of adverse employment consequences. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

i. Disclosure and Transparency

1. Ownership Structure

a.) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Belle Corporation	3,500,000,000	46.59%	
PCD Nominee Corp.	2,174,221,165	28.94%	The beneficial owners of the shares registered under the name of PCDN are Philippine Central Depository (PCD) participants who hold shares in their own behalf or in behalf of their clients.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
WILLY N. OCIER	310,001	1,897,000	0.03%
JACKSON T. ONGSIP	1	0	0
IAN JASON R. AGUIRRE	0	0	0
TOTAL	**310,001**	1,897,000	**0.03%**

b. Does the Annual Report disclose the following:

Key risks	YES
Corporate objectives	YES
Financial performance indicators	YES
Non-financial performance indicators	YES
Dividend policy	YES
Details of whistle-blowing policy	YES
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	YES
Training and/or continuing education programme attended by each director/commissioner	YES
Number of board of directors/commissioners meetings held during the year	NO
Attendance details of each director/commissioner in respect of meetings held	NO
Details of remuneration of the CEO and each member of the board of directors/commissioners	YES

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

Items not disclosed above were not included in the annual report but have been separately submitted to the SEC.

c. External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV & Co.	**360,000**	

d. Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

The Company fully complies with the reporting and disclosure requirements of all relevant laws as well as regulations issued by the SEC and PSE. Annual reports, financial statements and other disclosures are readily available to the public. These reports and the accompanying press releases may be viewed and downloaded from the PSE or the Company website. The Company website is regularly updated to ensure prompt disclosures.

e. Date of release of audited financial report: 27 March 2015.

f. Company Website: www.apcaragorn.net

Does the company have a website disclosing up-to-date information about the following?

Business operations	**Yes**
Financial statements/reports (current and prior years)	**Yes**
Materials provided in briefings to analysts and media	**Yes**
Shareholding structure	**Yes**
Group corporate structure	**Yes**
Downloadable annual report	**Yes**
Notice of AGM and/or EGM	**Yes**
Company's constitution (company's by-laws, memorandum and articles of association)	**Yes**

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

N/A

g. Disclosure of RPT

RPT	Relationship	Nature	Value
ADVANCES FROM RELATED PARTIES			
Belle Corporation	Parent	Advances from Parent	79,629,961

To ensure that the Company conducts all related party transactions on an arm's length basis, it practices full disclosure of details of related-party transactions. The nature, extent and all other material details of transactions with related parties are disclosed in the Company's financial statements and quarterly and annual reports to the SEC and PSE. The financial statements and reports are also available in the website and readily accessible to the public.

Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Audit Committee.

H. RIGHTS OF STOCKHOLDERS

1. Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority of the stock issued and outstanding

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Board Approval and Stockholders meeting
Description	Initially, a particular corporate act (requiring stockholders approval) has to be approved by the majority of the members of the Board. Then, the corresponding board resolution is ratified by the stockholders through either a simple majority or 2/3 of the outstanding capital stock, depending on the nature of the corporate act involved.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
Voting Right ▪ Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code of the Philippines. ▪ Cumulative voting shall be used in the election of directors.	
Power of Inspection ▪ The Company shall allow all stockholders to inspect books and records of the Company including minutes of Board meetings and stock registries in accordance with the Corporation Code, and during normal business hours. Annual reports, including financial statements, shall be provided to stockholders, without cost or restrictions.	
Right to Information ▪ The Board shall ensure that all material information about the Company which could adversely affect its viability or the interests of the shareholders shall be publicly and timely disclosed through established procedures of the stock exchange and SEC. Upon request, the Company shall provide the stockholders with periodic reports and information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers and the aggregate compensation of directors and officers.	
Right to Dividends Subject to the discretion of the Board, all stockholders shall have	

the right to receive dividends.	
Appraisal Right ▪ The stockholders shall have appraisal right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code, under any of the following circumstances: a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code. c. In case of merger or consolidation.	

Dividends

Declaration Date	Record Date	Payment Date
Dividends shall be declared only from the surplus profit and shall be payable at such time and in such manner and in such amounts amount as the Board of Directors shall determine. No dividends shall be declared which would impair the capital of the Corporation. The Company has not declared any dividends on common stock since the time it was incorporated. The Company is not in a position to declare cash dividends because of its huge deficit.	N/A	N/A

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Notice of the Annual Stockholders' Meeting was given to all stockholders at least 15 business days before the meeting to provide stockholders with enough time to examine the information. The Notice enclosed essential and adequate facts on all items on the agenda for consideration and approval of the stockholders. As provided for in the Company's Revised Manual on Corporate Governance, minority stockholders have the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.	• Notice of the Annual Stockholders' Meeting • SEC Form 20-IS
To facilitate stockholders who cannot attend the meeting, they are encouraged to fill out, date, sign and send a proxy. For	• Notice of the Annual Stockholders' Meeting

corporate stockholders, the proxies should be accompanied by a Secretary's Certificate on the appointment of the corporation's authorized signatory.	• SEC Form D20-IS
To ensure that all stockholders' concerns are properly addressed, the Chairman of the Board, Board Directors, the President, Board Committee Chairmen and Members, Senior Management, Corporate Secretary and the Independent Auditors are always present during the Annual Stockholders' Meeting. The meeting agenda provides an opportunity for stockholders to freely express their views and raise their concerns at the meeting.	• Notice of the Annual Stockholders' Meeting • SEC Form D20-IS

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
    a. Amendments to the company's constitution
    The vote or assent of the stockholders representing at least 2/3 of outstanding capital stock is needed to pass the amendment.
    b. Authorization of additional shares
    The vote of 2/3 of the stockholders representing at least 2/3 of outstanding capital stock is needed to pass the amendment.
    c. Transfer of all or substantially all assets, which in effect results in the sale of the company
    The vote of 2/3 of the stockholders representing at least 2/3 of outstanding capital stock is needed to pass the amendment.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? No. The Company sends notices as least fifteen (15) days before the actual annual meeting.

    a. Date of sending out notices: May 21, 2015
    b. Date of the Annual/Special Stockholders' Meeting: June 11, 2015

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

    To ensure that all stockholders' concerns are properly addressed, the Chairman of the Board, Board Directors, the President, Board Committee Chairmen and Members, Senior Management, Corporate Secretary and the Independent Auditors are always present during the Annual Stockholders' Meeting. The meeting agenda provides an opportunity for stockholders to freely express their views and raise their concerns at the meeting.

    There were no questions raised by the stockholders during the Annual Stockholders' Meeting last June 11, 2015.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
1. Approval of the minutes of the previous Meeting	100%	None	None
2. Approval of Year 2014 Operations and Financial Reports	100%	None	None
3. Ratification of All Acts and Proceedings of the Board of Directors, Executive Committee and Management	100%	None	None
4. Appointment of External Auditors	100%	None	None

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

    The results of the vote are immediately available during the meeting. The results of the votes taken on all resolutions were disclosed to the PSE before the close of the business day on June 11, 2015. The SEC was notified of the results of the elections of directors and appointment of officers on June 16, 2015.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
NONE. There were no modifications made in the Annual Stockholders' Meeting regulations during the recent year.	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Willy N. Ocier Frederic C. DyBuncio Bernardo D. Lim Edmundo L. Tan Virginia A. Yap Tomas D. Santos Laurito E. Serrano	June 11, 2015	By votes cast	0.01%	67.09%	67.10%
Special	N/A					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes. Common shares-Full Voting Rights

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	Article II Section 6 of the Revised Manual on Corporate Governance states that proxies of any stockholder entitled to vote at the meeting would be recognized, provided that the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney, and provided further that the proxy is filed with the Secretary of Corporation at least four (4) days before the meeting.

	Company's Policies
Notary	Notarization of proxy forms is not required to encourage stockholders to apply their right to vote through the proxy forms.
Submission of Proxy	All proxies should be received by the Corporation at least four (4) days before the meeting.
Several Proxies	If the stockholder intends to designate several proxies, the number of shares of stock to be represented by each proxy shall be specifically indicated in the proxy form. If some of the proxy forms do not indicate the number of shares, the total shareholding of the stockholder shall be tallied and the balance thereof, if any, shall be allotted to the holder of the proxy form without the number of shares. If all are in blank, the stocks shall be distributed equally among the proxies.
Validity of Proxy Proxies executed abroad Invalidated Proxy Validation of Proxy Violation of Proxy	Proxies of any stockholder entitled to vote at the meeting would be recognized, provided that the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney, and provided further that the proxy is filed with the Secretary of Corporation at least four (4) days before the meeting. Proxy is valid for five (5) years) from date of its execution. Two inspectors shall be appointed by the Board of Directors before or at each meeting of the stockholders of the corporation, at which an election of directors shall take place. The inspectors shall receive and take charge of all proxies and ballots and shall decide all questions touching upon the qualifications of voters, the validity of proxies, and the acceptance and rejection of votes.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Except as otherwise provided by law, written or printed notice of all annual and special meeting by stockholders, starting the place and time of the meeting and, if necessary, the general nature of the business to be considered, shall be transmitted by personal delivery, mail, telegraph, facsimile or cable to each stockholder of record entitled to vote thereat at his address last known to the Secretary of the Corporation, at least ten (10) days before the date of the meeting, if an annual meeting, or at least (5) days before the date of the meeting, if a special meeting. Except where expressly required by law, no publication of any notice of a meeting of the stockholders shall be required. If any stockholder shall in person or by attorney-in-fact authorized in writing or by telegraph, cable or facsimile, waive	• Board meeting to set record date • Notify PSE of the record date of the stockholders' meeting • Notify SEC re Board Meeting • Record date of Stockholders' meeting • Sent to PSE the list of stockholders entitled to attend and vote at the meeting. • Submit to the SEC the Preliminary Information Statement together with the notice. • Sent out the Definitive Information Statement (SEC Form 20-IS) together with the Notice, agenda, or other reports to the stockholders. • Submit Nominations/Minutes of the

notice of any meeting, whether before or after the holding of such meeting, notice need not be given to him. Notice of any adjourned meeting of the stockholders shall not be given, except when expressly required by law. No failure or irregularity of notices of any regular meeting shall invalidate.	Nomination Committee. • Notify PSE on the date of the annual stockholders meeting. • Last day of receipt of proxy. • Annual Stockholders' Meeting.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	603
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	May 21, 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	May 21, 2015
State whether CD format or hard copies were distributed	CD Format
If yes, indicate whether requesting stockholders were provided hard copies	Yes

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	N/A
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2. Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Voting Right ▪ Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code of the Philippines. ▪ Cumulative voting shall be used in the election of directors. ▪ A director shall not be removed without cause if it will deny minority shareholders representation in	▪ During the Annual Stockholders' Meeting held last June 11, 2015, members of the Company's Board of Directors were nominated and elected to serve for the year 2015-2016 and until their successors are duly elected and qualified.

the Board.	
Power of Inspection ▪ The Company shall allow all stockholders to inspect books and records of the Company including minutes of Board meetings and stock registries in accordance with the Corporation Code, and during normal business hours. ▪ Annual reports, including financial statements, shall be provided to stockholders, without cost or restrictions.	▪ The Company fully complies with the reporting and disclosure requirements of all relevant laws as well as regulations issued by the SEC and the PSE. ▪ Annual reports, financial statements and other disclosures are readily available to the public. These reports may be viewed and downloaded from the PSE or the Company website. The Company website is regularly updated to ensure prompt disclosures. ▪ The Company undertakes to provide printed copies of the Information Statement and Annual Report upon written request of any stockholder entitled to vote at the Annual Stockholders' Meeting without charge.
Right to Information ▪ The Board shall ensure that all material information about the Company which could adversely affect its viability or the interests of the shareholders shall be publicly and timely disclosed through established procedures of the stock exchange and SEC. ▪ Upon request, the Company shall provide the stockholders with periodic reports and information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers and the aggregate compensation of directors and officers. ▪ The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. ▪ The minority shareholders shall have access to all information relating matters for which the management is accountable and to those relating to matters for which the management should include in such information. If not included the minority shareholders can propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".	▪ The Company fully complies with the reporting and disclosure requirements of all relevant laws as well as regulations issued by the SEC and the PSE. ▪ Annual reports, financial statements and other disclosures are readily available to the public. These reports may be viewed and downloaded from the PSE or the Company website. The Company website is regularly updated to ensure prompt disclosures. ▪ Information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers and the aggregate compensation of directors and officers are disclosed in the Company's SEC Form 17-A.
Right to Dividends ▪ Subject to the discretion of the Board, all stockholders shall have the right to receive dividends.	N/A
Appraisal Right ▪ The stockholders shall have appraisal right to dissent and demand payment of the fair value of their shares in the manner provided under Section	▪ The matters voted upon in the Annual Stockholders' Meeting held last June 11, 2015 are not among the instances whereby the right of appraisal, defined to

82 of the Corporation Code, under any of the following circumstances: a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code. c. In case of merger or consolidation.	be the right of any stockholder to dissent and demand payment of the fair value of his shares, may be exercised.

(b) Do minority stockholders have a right to nominate candidates for board of directors?

YES. Minority stockholders have a right to nominate candidates for the board of directors as provided for in the Revised Manual on Corporate Governance.

I. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

Financial statements and results of operations are disclosed quarterly. Before submission to the PSE and SEC, these reports are presented to the Audit Committee and the Board of Directors for their review and approval. The Corporate Information Officer approves all disclosures that will be made available to the public.

Annual reports, financial statements and other disclosures may be viewed and downloaded from the PSE or the Company website. The Company website is regularly updated to ensure prompt disclosures.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	▪ To assist investors in making investment decisions with regards to their shareholdings in the Company ▪ To guide analysts in formulating their forecasts and recommendations with regard to the valuation and prospects of the Company ▪ To provide the regulators, the media and the general public with the most current information about the Company, which will have a material impact on the company's overall growth and profitability ▪ To handle enquiries and manage relations with investors, analysts, shareholders and the general public
(2) Principles	▪ Transparency and accountability to all existing and potential investors ▪ Fairness and level playing field for all stakeholders
(3) Modes of Communications	▪ Annual reports, financial statements and other disclosures may be viewed and downloaded from the

	PSE. ▪ The Company conducts briefings and meetings with investors, analysts and the press to keep them updated on the Company's various projects and financial and operational results.
(4) Investors Relations Officer	Mr. Jackson T. Ongsip President and Chief Executive Officer Email: jackson.ongsip@sminvestments.com Telephone no.: 845-0614 Fax no.: 845-0259

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

Before any extraordinary transaction is finalized, the Company performs due diligence, benchmarking and cost-benefit analysis procedures to ensure that the transaction is in line with the long-term sustainability of the business and within the core competency of the Group. In addition, Board, stockholder and regulatory approvals are obtained first before such transaction is finalized.

The independent party to be appointed may vary depending on the type of the transaction (e.g., investment banks, external auditors, third party appraisers and legal and tax consultants).

J. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Kalinga Geothermal Scholarship Program for School year 2015 (167) Scholars	Balatoc, Bangad, Dalupa-Ableg, Dananao, Dangtalan, Guina-Ang, Tinglayan, Tulgao and Uma Ancestral Domain

K. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	An independent party oversees the appraisal process which is conducted annually during one of the meetings of the Board of Directors. Appraisal forms are distributed to the directors to evaluate the performance of (1) individual directors, (2) the board as a whole, (3) board committees, and (4) the CEO/President. The independent party then collates and summarizes the appraisal forms and a summary report is presented to the Board.	1. Independence 2. Leadership 3. Expertise 4. Corporate Governance
Board Committees	Same as above	1. Independence 2. Leadership 3. Expertise 4. Corporate Governance
Individual Directors	Same as above	1. Independence 2. Leadership

		3. Expertise 4. Corporate Governance
CEO/President	Same as above	1. Leadership 2. Integrity **3.** Diligence

L. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
First Violation	The subject person shall be warned, reprimanded or suspended depending on the severity of the violation. Any first violation that results in any notable financial loss for the Company shall be at least reprimanded or suspended.
Second Violation	A second violation may require suspension depending on the gravity of violation.
Third Violation	The maximum penalty of removal from office may be imposed. When removed, the subject directors, officers, or staff of the Company or its subsidiaries and affiliates, shall not be granted additional benefits except those required by law.

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

SECRETARY'S CERTIFICATE

I, **RICHARD ANTHONY D. ALCAZAR**, of legal age, Filipino and with office address at 2303A PSE Centre, East Tower, Exchange Road, Ortigas Center, Pasig City, after being duly sworn, hereby depose and state:

1. I am the Assistant Corporate Secretary of **APC GROUP, INC.** (the "Corporation"), a corporation duly organized and existing under Philippine laws and with office address at the 8th Floor, PhilCom Building, 8755 Paseo de Roxas, Makati City, Metro Manila.

2. In compliance with SEC Memorandum Circular No. 12, Series of 2014, the excerpts of the Board Resolutions and Minutes of Meetings producing the changes and updates in the Annual Corporate Governance Report for the calendar year 2014, are as follows:

2.1 Minutes of the Nomination Committee Meeting of 29 April 2015:

"NOMINATION OF INDEPENDENT DIRECTORS

The Chairman explained that the meeting was called, in compliance with the requirements of the Code of Corporate Governance, Section 38 of the Securities Regulations Code, as amended, and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors (SEC Memorandum Circular No. 16, Series of 2002), to consider and evaluate the nominations received from certain shareholders of the Company in favor of possible candidates for election as independent director of the Company during the annual meeting of shareholders scheduled on 11 June 2015. Copies of the nomination letters from shareholders were, accordingly, circulated to the members of the Committee.

The following shareholders gave their nominations for independent directors:

Nominating Shareholder
Nominee

MARTIN ISRAEL L. PISON LAURITO E. SERRANO MARITONI Z. LIWANAG TOMAS D. SANTOS

Acting on the nomination of Mr. Laurito E. Serrano, the Committee also took cognizance of his established reputation for probity, integrity, and competence, and agreed, upon motion duly made and seconded, to endorse his nomination to be elected as director.

Acting on the nomination of Mr. Tomas D. Santos, the Committee likewise, noting his unquestionable reputation for probity, integrity, competence, agreed, upon motion duly made and seconded, to endorse his nomination to be re-elected as Director. Mr. Santos did not take part in the voting and during the deliberation of his nomination.

NOMINATION OF OTHER DIRECTORS

The Committee likewise received nominations from several stockholders. The following were nominated for re-election as Directors of the Corporation:

WILLY N. OCIER
BERNARDO D. LIM
FREDERIC C. DYBUNCIO
EDMUNDO L. TAN
VIRGINIA A. YAP

Acting on the nominations, the Committee, likewise noting the nominees' unquestionable reputation for probity, integrity, and competence, agreed, upon motion duly made and seconded, to endorse the nominations of Mr. Willy N. Ocier, Bernardo D. Lim, Edmundo L. Tan, Frederic C. DyBuncio , and Virgina A. Yap, to be re-elected as Directors. Mr. Tan did not take part in the voting and during the deliberation of his nomination.

The nominees have accepted their respective nominations."

2.2 Minutes of the Annual Stockholders Meeting held on 11 June 2015:

"2.0 **PROOF OF NOTICE OF MEETING**

The Chairman of the Meeting called upon Atty. Richard Anthony D. Alcazar, the Assistant Corporate Secretary, to show proof that notices of the meeting had been sent to the stockholders of record as of 21 May 2015. Forthwith, the Assistant Corporate Secretary presented a *Certification* from Cavatas-MSI Express Services, Inc. showing that the notices of the meeting were sent to the stockholders of record in accordance with the Corporation's By-Laws. Upon the instruction of the Chairman of the Meeting, the *Certification* attesting to the delivery of the notices was appended to the original copy of the Minutes of the Meeting.

3.0 **CERTIFICATION OF QUORUM**

The Assistant Corporate Secretary certified that out of Seven Billion Five Hundred Four Million Two Hundred Three Thousand Nine Hundred Ninety Seven (7,504,203,997) shares of the total outstanding capital stock of the Corporation, there were present in person and by proxy Five Billion Thirty-Five Million Forty Nine Thousand Six

Hundred Eighteen (5,035,049,618)) shares, representing an attendance Sixty-Seven Percent Point Zero Nine Sixty Three (67.0963%) of the total outstanding capital stock of the Corporation. Accordingly, the Assistant Corporate Secretary certified that a quorum existed for the transaction of the business at hand.

7.0 **ELECTION OF DIRECTORS**

The Chairman of the Meeting announced that the next item in the agenda is the election of the members of the Board of Directors for the ensuing year.

The Assistant Corporate Secretary explained that under Section 2, Article IV of the Corporation's By-Laws, the "directors of the Corporation numbering seven (7) shall be elected annually and each director shall hold office for the ensuing year and until his successor shall have been elected and qualified. The Nomination Committee received nominations in favor of the following stockholders as Directors of the Corporation for the ensuing year:

Willy N. Ocier
Frederic C. DyBuncio
Bernardo D. Lim
Tomas D. Santos *(Independent)*
Laurito E. Serrano *(Independent)*
Edmundo L. Tan
Virginia A. Yap

Since there were no other nominations, and there were as many nominees as there were seats to be filled, the Chairman of the Meeting instructed the Asst. Corporate Secretary to cast all votes in favor of the stockholders duly nominated who were therefore deemed elected as Directors of the Corporation for the year 2015-2016 in the order enumerated, until their successors shall have been duly elected and qualified.

8.0 **APPOINTMENT OF EXTERNAL AUDITOR**

Upon motion duly made and seconded, the auditing firm of Sycip Gorres Velayo & Company was retained as the Corporation's external auditor."

2.3 Minutes of the Organizational Meeting of the Board of Directors held on 11 June 2015:

"3.0 **ELECTION OF OFFICERS**

The Chairman stated that the purpose of the meeting is to elect the officers of the Corporation who would serve for the year 2015-2016 and until their successors are duly elected and qualified. It was pointed out that at the just concluded annual stockholders' meeting, the following were elected directors for the year 2015-2016:

Willy N. Ocier
Frederic C. Dybuncio
Bernardo D. Lim
Tomas D. Santos *(Independent Director)*
Edmundo L. Tan
Laurito E. Serrano *(Independent Director)*
Virginia A. Yap

Upon motion duly made and seconded, the following were nominated and elected as officers of the Corporation for the year 2015-2016, and who are to serve until their successors are duly elected and qualified:

Willy N. Ocier	-	Chairman
Frederic C. DyBuncio	-	President & CEO
Jackson T. Ongsip	-	Executive Vice President/ Chief Finance Officer
Edmundo L. Tan	-	Corporate Secretary
Richard Anthony D. Alcazar	-	Asst. Corporate Secretary

4.0 CREATION OF BOARD COMMITTEES

The Board also proceeded to organize the various Committees of the Board. Upon motion duly made and seconded, the following were nominated and appointed as members of the Board Committees for the year 2015-2016 and who are to serve until their successors are duly elected and qualified:

Executive Committee:

Willy N. Ocier - Chairman
Frederic C. DyBuncio
Virginia A. Yap

Compensation and Remuneration Committee:

Willy N. Ocier - Chairman
Edmundo L. Tan
Virginia A. Yap

Audit Committee:

Laurito E. Serrano - Chairman
Virginia A. Yap
Bernardo D. Lim

Nomination Committee:

Edmundo L. Tan - Chairman
Tomas D. Santos
Virginia A. Yap

Risk Management Committee:

Laurito E. Serrano - Chairman
Virginia A. Yap
Bernardo D. Lim

Compliance Officer: Edmundo L. Tan and Riza G. Baliang"

2.4 Minutes of the Special Board Meeting held on 13 August 2015:

"5. **OTHER MATERS**

The Chairman announced to the Body the resignation of Mr. Frederic C. DyBuncio as director and President of the Corporation. However, he accepted the appointment of being the Advisor to the Board of the Corporation. Mr. Jackson T. Ongsip was elected as director to occupy the seat vacated by Mr. DyBuncio. He was likewise elected as President of the Corporation replacing Mr. DyBuncio. On the other hand, Mr. Jason Ian R. Aguirre was appointed as Executive Vice President/CFO/Treasurer of the Corporation."

IN WITNESS WHEREOF, I have hereunto set my hand this 05 January 2016 at Pasig City.

RICHARD ANTHONY D. ALCAZAR
Asst. Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME this JAN 0 5 2016 day of ________ 2018 at Pasig City, affiant exhibiting to me his Comm. Tax Cert. No. 34527901 issued on January 13, 2015 Pasig City and SSS No. 33-3092814-7 as competent evidence of his identity.

GIFANY TEN-TEN L. TONGOHAN
Notary Public for the Cities of Pasig, San Juan,
Taguig and Municipality of Pateros
Appointment No. 24 (2015-2016)
Commission Expires on Dec 31, 2016
2303 A East Tower, PSE Centre, Exchange Road
Ortigas Center, Pasig City, Metro Manila
Roll No. 64436
PTR No. 0468494;05-08-2015; Pasig City
IBP No. 1006831;04/08/2015; RSM
Exempt from MCLE Compliance
MCLE Governing Board Order No. 1-2008(4 July 2008)

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Page No. 12;
Book No. I;
Series of 2016.

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