**COVER SHEET**

A S 9 3 0 0 8 1 2 7

S. E. C. Registration Number

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

(Company's Full Name)

G / F  M Y T O W N  N E W Y O R K  B L D G .

G E N E R A L  E .  J A C I N T O  S T .  C O R N E R

C A P A S  S T .  B R G Y .  G U A D A L U P E  N U E V O

M A K A T I  C I T Y

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

| JACKSON T. ONGSIP | 8662-8888 |
|---|---|
| Contact Person | Company's Telephone Number |

| 1 2 | 3 1 | 20-IS | | |
|---|---|---|---|---|
| Month | Day | FORM TYPE | Month | Day |
| Fiscal Year | | | 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

APC GROUP INC.

**Notice of Annual Stockholders' Meeting**
**July 22, 2021 | 2:00 p.m.**

**TO: ALL STOCKHOLDERS**

Please take notice that the annual meeting of the stockholders of **APC GROUP, INC**. will be held on **July 22, 2021** at 2:00 p.m. Given the current circumstances, the meeting will be conducted virtually, and voting will be conducted *in absentia* through the Company's secure online voting facility.

**AGENDA**

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Meeting of Stockholders held on August 10, 2020
4. Approval of 2020 Operations and Results
5. Ratification of All Acts and Proceedings of the Board of Directors, Board Committees and the Management during their term of office
6. Election of Directors for 2021-2022
7. Appointment of External Auditors
8. Other Matters
9. Adjournment

Attached is the rationale for the above agenda items for reference.

The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange, Inc. on June 15, 2021 as the Record Date for the determination of stockholders entitled to the notice of, participation via remote communication, and voting *in absentia* at such meeting and any adjournment thereof.

The conduct of the meeting will be streamed live, and stockholders may attend the meeting by emailing ***apc.corsec@gmail.com*** and submitting the required documents until July 19, 2021. All information submitted shall be verified and validated by the Corporate Secretary.

Stockholders who wish to cast votes through a proxy may accomplish the proxy form (*which need not be notarized*) and submit the same on or before July 19, 2021. In view of the community quarantine, scanned forms will be accepted. Paper copies shall be sent to the office of the Corporate Secretary at the 23rd Floor, Philippine Stock Exchange Centre, East Tower Exchange Road, Ortigas Center, Pasig City once the community quarantine is lifted.

Stockholders who successfully validated/registered can cast their votes *in absentia* through the Company's secured e-mail for this meeting. In order to participate remotely, they will also be provided with access to the meeting that will be held virtually. The "*Guidelines for Participation via Remote Communication and Voting in Absentia*" as appended to the Definitive Information Statement labeled as Schedule A is posted in the Company's website http://apcaragorn.net/index.php/disclosures/sec-filings/sec-form-20-is-information-statement and PSE Edge.

City of Pasig, June 17, 2021

**RICHARD ANTHONY D. ALCAZAR**
Corporate Secretary

## RATIONALE FOR AGENDA ITEMS

1. **Call to Order.** The Chairman of the Board of Directors, Mr. Willy N. Ocier, will call the meeting to order.

2. **Certification of Notice and Quorum.** The Corporate Secretary, Atty. Richard Anthony D. Alcazar will certify that copies of this Notice were sent to Stockholders of record as of June 15, 2021. The Corporate Secretary will also certify the number of attendees, whether in person or by proxy, for the purpose of determining the existence of quorum to validly transact business.

3. **Approval of the Minutes of the Annual Meeting of Stockholders held on August 10, 2020.** The Minutes of the August 10, 2020 Annual Stockholders' Meeting (ASM) are available on the Company's website: http://apcaragorn.net/index.php/component/jdownloads/send/118-minutes-of-2020-stockholder-s-meeting-s/478-minutes-of-2020-annual-stockholders-meeting-draft?Itemid=0. Copies of the minutes of the annual stockholders' meeting held on August 10, 2020 are available for inspection during office hours at the office of the Corporate Secretary. The results of last year's annual stockholders' meeting were also timely disclosed with the Philippine Stock Exchange, Inc. and the Securities and Exchange Commission (SEC). The minutes, as recommended by the Board of Directors, are subject to stockholders' approval during this year's stockholders' meeting.

4. **Approval of 2020 Operations and Results.** The Company's 2020 performance results have been summarized in the Annual Report, which includes the Audited Financial Statements (AFS) of the Company for the year ended December 31, 2020. The AFS, as audited by the external auditor which expressed an unqualified opinion therefor, have been reviewed and approved by the Audit Committee and the Board of Directors. Stockholders, after identifying themselves, will be given an opportunity to raise questions regarding the operations and report of the Company during the ASM.

5. **Ratification of all Acts of the Board of Directors, Board Committees and the Management during their term of office.** All actions, proceedings and contracts entered into, as well as resolutions made, including approvals of significant related party transactions, of the Board of Directors, the Board Committees and the Management from the last ASM held on August 10, 2020 until July 22, 2021 will be presented to the shareholders for their confirmation, approval and ratification. The Company's performance in 2020, as detailed in the Annual Report, is attributed to the strategic directions and key policies set by the Board of Directors which were effectively executed and complied with by Management in conformance with good corporate governance and ethical best practices. The ratification of the acts undertaken by the Board of Directors, Board Committees, and Management is subject to stockholders' approval during this year's stockholders' meeting.

6. **Election of Directors for 2021-2022.** The Directors of the Company, including Independent Directors, have been pre-qualified by the Company's Corporate Governance Committee for election as directors for 2021-2022. Their proven competence, expertise and qualifications based on current regulatory standards, will help sustain the Company's solid performance for the benefit of all its shareholders. The profiles of the Board of Directors are contained in the Definitive Information Statement for reference of the stockholders and are likewise posted on the Company's website. Directors for 2021-2022 will be elected during this year's stockholders' meeting. If elected, they shall serve as such from July 22, 2021 until their successors shall have been duly qualified and elected.

7. **Appointment of External Auditor.** As pre-screened and recommended by the Audit Committee, the Board has endorsed for stockholder approval the appointment of Reyes Tacandong & Co. as the Company's external auditor for 2021. Reyes Tacandong & Co. is one of the top auditing firms in the country and is duly accredited by the SEC. The appointment of Reyes Tacandong & Co. as external auditor of the Company for 2021 is subject to stockholders' approval during this year's stockholders' meeting. The Stockholders will also be requested to delegate to the Board the authority to approve the appropriate audit fee for 2021.

8. **Other Matters.** The Chairman will open the floor for comments and questions by the stockholders. Stockholders may raise other matters or issues that may be properly taken up at the meeting.

9. **Adjournment.** After all business has been considered and resolved, the Chairman shall declare the meeting adjourned.

**PROXY FORM**

The undersigned stockholder of APC Group Inc. (the "Company"), registered in the name of Philippine Central Depository Nominee Corporation, if applicable*, hereby appoints ______________________________ (as sub-proxy,*) or in his absence, the Chairman of the meeting, as attorney and proxy, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on July 22, 2021 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of Minutes of Previous Meeting held on August 10, 2020

   ___ Yes ___ No ___ Abstain

2. Approval of 2020 Operations and Results

   ___ Yes ___ No ___ Abstain

3. Ratification of all Acts of the Board of Directors, Board Committees and the Management during their term of office

   ___ Yes ___ No ___ Abstain

4. Election of Directors for 2021 to 2022

   ___ 4.1 Vote for all nominees listed below:
      a. Willy N. Ocier
      b. Jackson T. Ongsip
      c. Virginia A. Yap
      d. Bernardo D. Lim
      e. Edmundo L. Tan
      f. Rafael M. Alunan III (Independent)
      g. Jerry C. Tiu (Independent)

   ___ 4.2 Withhold authority for all nominees above

   ___ 4.3 Withhold authority to vote for the nominees listed below:

   ______________ ______________
   ______________ ______________
   ______________ ______________

5. Appointment of External Auditor

   ___ Yes ___ No ___ Abstain

6. At their discretion, the proxies named above are authorized to vote upon such other matters as may be properly come before the meeting

   ___ Yes ___ No ___ Abstain

______________________________
Printed Name of Stockholder/Broker/PCD Participant

______________________________
Signature of Stockholder or Name and Signature of Authorized Signatory of Corporate Stockholder/ Broker/PCD Participant

______________________________
Date

*This Proxy must be submitted together with the following:*

*For Individual Stockholders*
*If a representative will sign on behalf of stockholder, this proxy must be submitted together with a duly executed Special of General Power of Attorney showing the authority of the representative to sign on behalf of the individual stockholder.*

*For Corporate Stockholders*
*A duly executed Secretary's Certificate showing the authority of the representative to sign on behalf of the stockholder corporation. Enclosed is a sample Secretary's Certificate for your reference.*

*For PCD Participants/Brokers*
*A duly executed Secretary's Certificate showing the authority of the representative to sign on behalf of the PCD Participant/Broker, as well as the duly accomplished proxy or certificate of shareholdings issued by the PDTC. Enclosed is a sample Secretary's Certificate for your reference.*

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY AT LEAST THREE (3) BUSINESS DAYS BEFORE THE DATE SET FOR THE ANNUAL MEETING AS PROVIDED IN THE BY-LAWS.

THIS PROXY IS NOT REQUIRED TO BE NOTARIZED, AND WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

THIS PROXY FORM SHALL BE VALID FOR FIVE (5) YEARS FROM DATE HEREOF.

** For PCD Participants/Brokers*

**SPECIAL POWER OF ATTORNEY**

Know all men by these presents:

I, ____________________________________________ , ___________________ citizen, of legal age and a resident of _________________________________________________________________________________, do hereby name, constitute, and appoint ________________________________, ___________________ citizenship, of legal age and a resident of _____________________________________________________________________________, to be my true and lawful attorney-in-fact for myself and in my name, place and stead, to do and perform the following acts and things, namely:

1. To attend the 2021 Annual Stockholders' Meeting of APC Group, Inc., or at any adjournments thereof, of which I am a shareholder, and then and there to exercise my voice and vote and whatsoever privileges, rights, and prerogatives may correspond to me by reason of my shares therein; and

2. To delegate in whole or in part any or all of the powers and authorities herein covered, by means of an instrument in writing in favor of any third person or persons whom the attorney-in-fact may select.

Acknowledgement

Republic of the Philippines )
______________________ )

Before me, a Notary Public for and in the City of _______________, this __ day of ____________ 2021 personally appeared _________________________ who presented to me his/her (Gov't. issued ID No.) issued on __________ at _______________ and who was identified by me through his/her competent evidence of identity to be the same person described in the foregoing instrument, who acknowledged before me that his/her signature on the instrument was voluntarily affixed by him/her for the purposes stated therein, and who declared to me that he/she has executed the instrument as his/her free and voluntary act and deed.

This instrument refers to the Special Power of Attorney consisting of (__) pages, including this page, and signed by the persons executing this instrument and sealed with the notarial seal.

WITNESS MY HAND AND SEAL on the date and place first above written.

Doc. No. ______;
Page No. ______;
Book No. ______;
Series of ______.

**SECRETARY'S CERTIFICATE**

I, ______________________________________, ____________________ citizen, of legal age and with office address at ______________________________________________________________________, do hereby certify that:

1. I am the duly appointed Corporate Secretary of________________________ (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at __________________________________________.

2. Based on the records, during the lawfully convened meeting of the Board of Directors of the Corporation held on _____________________________, the following resolutions were passed and approved:

> "RESOLVED, That _______________________________________________________, ____________________________________________ be authorized and appointed, as he is hereby authorized and appointed, as the Corporation's Proxy (the "Proxy") to attend all meetings of the stockholders of APC Group, Inc. (APC) whether the meeting is regular or special, or at any meeting postponed or adjourned therefrom, with full authority to vote the shares of stock of the Corporation held in APC and to act upon all matters and resolution that may come before or presented during meetings, or any adjournments thereof, in the name, place and stead of the Corporation.
>
> "RESOLVED, FINALLY, That APC be furnished with a certified copy of this resolution and APC may rely on the continuing validity of this resolution until receipt of written notice of its revocation."

3. The foregoing resolutions have not been modified, amended or revoked in accordance with the records of the Corporation presently in my custody.

IN WITNESS WHEREOF, I have signed this instrument in ________________________________ on __________________________.

___________________________
Printed Name and Signature of the
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME on __________________ in _________________. Affiant exhibited to me his Competent Evidence of Identity by way of _____________________ issued on _______________ at ________________.

Doc. No. ______;
Page No. ______;
Book No. ______;
Series of ______.

## Nominees for Election as Members of the Board of Directors For 2021-2022

| | EXPERIENCE / EDUCATION |
|---|---|
| **WILLY N. OCIER**<br> | Mr. Ocier, 64, is the Chairman of the Company. He is also an Executive Director and the Chairman of Belle Corporation and Premium Leisure Corp., Chairman and Director of PremiumLeisure and Amusement, Inc. and the Vice Chairman of Tagaytay Highlands International Golf Club, Inc. and Highlands Prime, Inc. He is the Chairman and Director of Tagaytay Midlands Golf Club, Inc., The Country Club at the Tagaytay Highlands, Inc., The Spa and Lodge, Inc. Mr. Ocier is also the Chairman, President, and Chief Executive Officer of Philippine Global Communications, Inc., Chairman and President of Pacific Online Systems Corporation, and Chairman of Total Gaming and Technologies, Inc. He is a Director of Leisure and Resorts World Corporation. He also sits as a Director to the following unaffiliated corporations, IVantage Equities, Philequity Management, Inc., Abacore Capital Holdings, Inc. and Toyota Corporation Batangas. He was formerly President and Chief Operating Officer of Eastern Securities Development Corporation. Mr. Ocier graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics. In recognition of Mr. Ocier's corporate leadership and role in providing employment opportunities to Filipinos, the University of Batangas conferred him a degree in Doctor of Humanities, honoris causa. |
| **JACKSON T. ONGSIP**<br> | Mr. Ongsip, 47, is the President, Chief Executive Officer and Chief Risk Officer of the Company. He is also the Vice President for Finance and Chief Financial Officer (CFO) of Premium Leisure Corp., Vice President for Portfolio Investments of SM Investments Corporation, Executive Vice President and CFO of Belle Corporation. Mr. Ongsip is also a Certified Public Accountant with an extensive audit and finance background accumulated from 5 years in external audit with SyCip, Gorres, Velayo & Co., 11 years with Globe Telecom and 8 years now with the SM Group. He graduated from the University of Santo Tomas with a Bachelor of Science in Accountancy. |
| **VIRGINIA A. YAP**<br> | Ms. Yap, 69, is a Director of APC Group, Inc. Ms. Yap holds key positions in SM Investments Corporation as a Senior Vice President – Office of the Chairman Emeritus and Securities Department. She is also a Director of Belle Corporation.<br><br>She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao. |
| **EDMUNDO L. TAN**<br> | Atty. Tan, 75, is a Director of APC Group, Inc. from 2000 up to the present and as Corporate Secretary from 2000 until 2016. 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 was elected as director of Sagittarius Mines, Inc. in March 2016. On 12 December 2019 he was elected Director of Concrete Aggregates Corporation. 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.<br><br>He was a founder and was elected President of Philippine Dispute Resolution Center, Inc. (PDRCI) in July 2017.<br><br>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 |

| | EXPERIENCE / EDUCATION |
|---|---|
| | 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**  | Mr. Lim, 73, is a Director of the Company since 2001. He was the General Manager for Finance of P.T. Bakrie Sumatra Plantations in Indonesia before he joined APC Group. 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; Vice President and Director of Philippine Global Communications. 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. He was also Executive Vice President and Chief Financial Officer of APC Group, Inc. before he retired on March 31, 2014. Mr. Lim holds a Bachelor of Science in Business Administration degree from the University of the Philippines. He is a Certified Public Accountant. |
| **RAFAEL M. ALUNAN III**  | Mr. Alunan, 72, sits on various Boards of Directors: as Vice-Chair, Pepsi Cola Products (Philippines), Inc. and chairs the Audit Committee (PCPPI); Metro Global Holdings Corp. and chairs the Risk and Corporate Governance Committees; as Chairman, Philippine Council for Foreign Relations (PCFR) and Harvard Kennedy School Alumni Association of the Philippines Inc. (HKSAAPI); as President, Philippine Taekwondo Foundation;<br><br>He also sits on the board of the Spirit of EDSA Foundation; founded One Philippines Party List; and serves as Senior Adviser to United Harvest Corp., Kaltimex Energy Phils, and United Defense Manufacturing Corp.<br><br>Mr. Alunan is an Eminent Fellow of the Development Academy of the Philippines (DAP); and Fellow of the Institute of Corporate Directors (ICD) and Institute for Solidarity in Asia (ISA). He co-authored the book entitled "Silver Linings"; and produced the documentary entitled "Tagaligtas"; and is a member of the Maritime League; the Fraternal Order of Eagles of the Philippines; and Zeta Phi Omega fraternity.<br><br>He holds the rank of Colonel in the Armed Forces of the Philippines, and commanded the 131st Infantry Division (Standby Reserve) and the 9th Infantry Division (Ready Reserve) of the Philippine Army. He is an adopted member of Philippine Military Academy Marangal Class of 1974, PC-Special Action Force, Special Forces Regiment (Airborne) and First Scout Ranger Regiment.<br><br>Mr. Alunan obtained his double degree in Business Administration and History-Political Science from De La Salle University; attended Ateneo de Manila University's Master in Business Administration-Senior Executive Program; earned a Master's degree in Public Administration and a certificate in Executive Education from Harvard Kennedy School of Government; and graduated from the Philippine Army's Command and General Staff College Operations Course.<br><br>Mr. Alunan served in the Cabinets of Presidents Corazon C. Aquino and Fidel V. Ramos as Secretary of Tourism and Secretary of the Interior and Local Government, respectively. |

| | |
|---|---|
| **JERRY C. TIU**<br> | Jerry C. Tiu, Filipino, 64, is a Director and the President of Tagaytay Highlands Community Condominium Association, Inc., Tagaytay Midlands Community Homeowners' Association, Inc., and Greenlands Community Homeowners' Association, Inc. He is also the President of the following companies: Tagaytay Highlands International Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., Tagaytay Midlands Golf Club, Inc., and The Spa & Lodge at Tagaytay Highlands, Inc. He is a former Director of the Manila Polo Club and Pacific Online Systems Corporation.<br><br>Mr. Tiu holds a Bachelor of Science degree in Commerce (Major in Marketing) from the University of British Columbia. |

**SECURITIES AND EXCHANGE COMMISSION**
**SEC FORM 20-IS**

**Information Statement Pursuant to Section 20 of the Securities Regulation Code**

1. Check the appropriate box:

    ___ Preliminary Information Statement

    _x_ Definitive Information Statement

2. Name of Registrant as specified in its charter: **APC GROUP, INC.**

3. Province, country or other jurisdiction of incorporation: **Philippines**

4. SEC Identification Number: **AS93008127**

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

6. Address of principal office
    **G/F MyTown New York Bldg. Gen. E. Jacinto St. corner Capas St.,**
    **Brgy. Guadalupe Nuevo, Makati City, 1212**

7. Registrant's telephone number, including area code: **(632) 8662-8888**

8. Date, time and place of the meeting of security holders:
    **Date: July 22, 2021**
    **Time: 2:00 PM**
    **Venue:** To protect shareholders and other stakeholders from the ongoing COVID 19 Pandemic, the meeting will be conducted via remote communication. The Chairman of the Board shall call and preside the meeting from his residence, and will be livestreamed from/within Metro Manila, as set forth in the Company's By-laws, which was discussed and approved by the Board in its meeting held on May 7, 2021. The details for the stockholders who wish to participate via remote communication and to vote in absentia are posted on the Company's website, http://apcaragorn.net/index.php/investor-relations/programs. The link and credentials for the meeting shall be sent to verified/validated stockholders prior the meeting.

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **June 22, 2021**

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

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| Common Stock | **7,504,203,997 shares (As of May 31, 2021)** |

11. Are any or all of these securities listed on a stock exchange?

    Yes ( x )    No (  )

12. If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    **Philippine Stock Exchange- Common Shares**

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.**

## A. GENERAL INFORMATION

### Item 1. Date, time and place of meeting of security holders.

**(a)** Date: **July 22, 2021**
Time: **2:00 PM**
Place: To protect shareholders and other stakeholders from the ongoing COVID 19 Pandemic, the meeting will be conducted via remote communication. The Chairman of the Board shall call and preside the meeting from his residence, and will be livestreamed from/within Metro Manila, as set forth in the Company's By-laws, which was discussed and approved by the Board in its meeting held on May 7, 2021. The details for the stockholders who wish to participate via remote communication and to vote in absentia are posted on the Company's website, http://apcaragorn.net/index.php/investor-relations/programs. The link and credentials for the meeting shall be sent to verified/validated stockholders prior the meeting.

(b) The approximate date on which the Information Statement is first to be sent or given to security holders is on **June 22, 2021**.

**(c)** The complete mailing address of the principal office of **APC Group, Inc.** ("the Company") is: **G/F MyTown New York Bldg. Gen. E. Jacinto St. corner Capas St., Brgy. Guadalupe Nuevo, Makati City**

### Item 2. Dissenters' Right of Appraisal

The matters to be voted upon in the Annual Stockholders' Meeting on July 22, 2021 are not among the instances enumerated in Sections 41 and 80 of the Revised Corporation Code ("Revised Code") whereby the right of any stockholder to dissent and demand payment of the fair value of his shares may be exercised. The instances where the right of appraisal may be exercised are as follows:

1. 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 to any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other dispositions of all or substantially all of the corporate property and assets as provided in the Revised Code;
3. In case of the investment of the corporate funds in another corporation or business or for any purpose other than its primary purpose; and
4. In case of merger or consolidation.

In case the right of appraisal will be exercised, Section 82 of the Revised Corporation Code provides for the appropriate procedure, *viz*:

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares: Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the Company shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment: and Provided, further, that upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

(a) No person who has been a director or officer or a nominee for election as director of the Company or associate of such persons, has a substantial interest, direct or indirect, in any matter to be acted upon other than the election of directors for the year 2021-2022.

(b) The Company is not aware of any director or security holder who intends to oppose any action to be taken by the Registrant during the stockholders' meeting.

## B. CONTROL AND COMPENSATION INFORMATION

**Item 4. Voting Securities and Principal Holders Thereof**

(a) As of May 31, 2021, the Registrant has **7,504,203,997** common shares outstanding and each share is entitled to one vote. As of **May 31, 2021**, out of the outstanding capital stock of the Company, **537,373,564** common shares or **7.16%** is owned by foreigners.

The record date with respect to the determination of the stockholders entitled to notice of and vote at the Annual Stockholders' Meeting is June 15, 2021**.**

(b) With respect to the election of directors of seven (7) directors, each stockholder may vote such number of shares for as many as seven (7) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by seven (7) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by seven (7).

(c) Security ownership of certain record and beneficial owners and management.

1. Security Ownership of Certain Record and Beneficial Owners

The persons or groups identified in the table below are known to the Company as directly or indirectly the record or beneficial owners of more than five percent (5%) of the Company's voting securities as of May 31, 2021:

| Title of Class | Name and Address of Record Owner and Relationship with Issuer | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | % Held |
|---|---|---|---|---|---|
| Common | Belle Corporation (Belle) *<br><br>5/F Tower A, Two E-Com Center Palm Coast Ave., Mall of Asia Complex, CPB-1A Pasay City | Belle Corporation (affiliate shareholder) | Filipino | 3,500,000,000 | 46.64 |
| Common | PCD Nominee Corp. (Filipino) **<br><br>G/F Makati Stock Exchange, 6767 Ayala Avenue, Makati City | *(please see footnote)* | Filipino | 2,326,518,165 | 31.00 |

*Belle Corporation is an affiliate of APC Group Inc. The shares held by Belle Corporation, being a corporate shareholder, shall be voted or disposed of, by the persons who shall be duly authorized by Belle for the purpose. The natural person/s that has/have the power to vote on the shares of Belle shall be determined upon the submission of its proxy form to the Company, which is not later than three (3) business days before the date of the meeting.

**PCD Nominee Corporation ("PCDNC") is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). 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, Inc. are to be voted.

2. Security Ownership of Management

The following table shows the shareholdings beneficially held by the directors and officers of the Company as of May 31, 2021:

| Title of Class | Name of Beneficial Owner | Amount and nature of beneficial ownership | | Citizenship | Percent |
|---|---|---|---|---|---|
| Common | Willy N. Ocier | 2,207,001 | Direct/ Indirect | Filipino | 0.03% |
| Common | Edmundo L. Tan | 234,701 | Direct/ Indirect | Filipino | 0% |
| Common | Virginia A. Yap | 10,001 | Direct | Filipino | 0% |
| Common | Bernardo D. Lim | 1,000 | Direct | Filipino | 0% |
| Common | Jackson T. Ongsip | 1 | Direct | Filipino | 0% |
| Common | Tomas D. Santos | 1 | Direct | Filipino | 0% |
| Common | Laurito E. Serrano[1] | 1 | Direct | Filipino | 0% |
| Common | Rafael M. Alunan III[2] | 1 | Direct | Filipino | 0% |
| n/a | Ian Jason R. Aguirre | - | n/a | Filipino | 0% |
| n/a | Richard Anthony D. Alcazar | - | n/a | Filipino | 0% |
| | **Total** | **2,452,707** | | | |

[1] until August 10, 2020
[2] elected on August 10, 2020

3. Voting Trust Holders of 5% or More

The Company is not aware of any party which holds any voting trust or any similar agreement for 5% or more of APC Group Inc.'s voting securities.

4. Changes in Control

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

## Item 5. Directors and Executive Officers of the Registrant

The names and ages of all incumbent Directors, elected on August 10, 2020 during the Annual Stockholders' Meeting and who are to serve a term of one (1) year until their successor shall have been elected and qualified, and the Executive Officers are:

| Name | Age/yrs | Date First Elected | Position | Nationality |
|---|---|---|---|---|
| Willy N. Ocier | 64 | Year 1999 | Chairman | Filipino |
| Jackson T. Ongsip | 47 | August 13, 2015 | Director/President/CEO | Filipino |
| Edmundo L. Tan | 75 | Year 2000 | Director | Filipino |
| Bernardo D. Lim | 73 | Year 2001 | Director | Filipino |
| Virginia A. Yap | 69 | June 6, 2012 | Director | Filipino |
| Tomas D. Santos | 68 | June 6, 2012 | Independent Director | Filipino |
| Rafael M. Alunan III | 72 | August 10, 2020 | Independent Director (Lead) | Filipino |
| Ian Jason R. Aguirre | 46 | August 13, 2015 | EVP-CFO/Compliance Officer/CRO/Treasurer | Filipino |
| Richard Anthony D. Alcazar | 50 | May 31, 2017 | Corporate Secretary | Filipino |
| Anna Josefina G. Esteban | 53 | September 27, 2018 | Chief Audit Executive | Filipino |

The Company's Board of Directors is 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 Company amended its Amended By-Laws by adding Section 13 of Article IV providing rules and regulation for the nomination and election of independent directors and which amendment was approved by the SEC on November 28, 2006.

The composition of the Board of Directors and the incumbent executive officers of the Company are as follows:

**Willy N. Ocier**
Chairman of the Board
Non-Executive Director
Date of First Election: Year 1999
Chairman, Executive Committee
Chairman, Compensation and Remuneration Committee

Mr. Ocier, 64, is the Chairman of the Company. He is also an Executive Director and the Chairman of Belle Corporation and Premium Leisure Corp., Chairman and Director of PremiumLeisure and Amusement, Inc. and the Vice Chairman of Tagaytay Highlands International Golf Club, Inc. and Highlands Prime, Inc. He is the Chairman and Director of Tagaytay Midlands Golf Club, Inc., The Country Club at the Tagaytay Highlands, Inc., The Spa and Lodge, Inc. Mr. Ocier is also the Chairman, President, and Chief Executive Officer of Philippine Global Communications, Inc., Chairman and President of Pacific Online Systems Corporation, and Chairman of Total Gaming and Technologies, Inc. He is a Director of Leisure and Resorts World Corporation. He also sits as a Director to the following unaffiliated corporations, IVantage Equities, Philequity Management, Inc., Abacore Capital Holdings, Inc. and Toyota Corporation Batangas. He was formerly President and Chief Operating Officer of Eastern Securities Development Corporation. Mr. Ocier graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics. In recognition of Mr. Ocier's corporate leadership and role in providing employment opportunities to Filipinos, the University of Batangas conferred him a degree in Doctor of Humanities, honoris causa.

**Jackson T. Ongsip**
President and Chief Executive Officer
Executive Director
Date of First Election: August 2015
Member, Executive Committee
Chief Risk Officer

Mr. Ongsip, 47, is the President and Chief Executive Officer of the Company. He is also the Vice President for Finance and Chief Financial Officer (CFO) of Premium Leisure Corp., Vice President for Portfolio Investments of SM Investments Corporation, Executive Vice President and CFO of Belle Corporation. Mr. Ongsip is also a Certified Public Accountant with an extensive audit and finance background accumulated from 5 years in external audit with SyCip, Gorres, Velayo & Co., 11 years with Globe Telecom and 8 years now with the SM Group. He graduated from the University of Santo Tomas with a Bachelor of Science in Accountancy.

**Edmundo L. Tan**
Non-Executive Director
Date of First Election: Year 2000
Member, Compensation and Remuneration Committee

Atty. Tan, 75, is a Director of APC Group, Inc. from 2000 up to the present and as Corporate Secretary from 2000 until 2016. 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 was elected as director of Sagittarius Mines, Inc. in March 2016. On 12 December 2019 he was elected Director of Concrete Aggregates Corporation. 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.

He was a founder and was elected President of Philippine Dispute Resolution Center, Inc. (PDRCI) in July 2017.

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**
Non-Executive Director
Date of First Election: Year 2001
Chairman, Risk Oversight Committee
Member, Audit Committee
Member, Corporate Governance Committee
Member, Related Party Transactions Committee

Mr. Lim, 73, is a Director of the Company since 2001. He was the General Manager for Finance of P.T. Bakrie Sumatra Plantations in Indonesia before he joined APC Group. 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; Vice President and Director of Philippine Global Communications. 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. He was also Executive Vice President and Chief Financial Officer of APC Group, Inc. before he retired on March 31, 2014. Mr. Lim holds a

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

**Virginia A. Yap**
Non-Executive Director
Date of First Election: June 2012
Member, Executive Committee
Member, Compensation and Remuneration Committee

Ms. Yap, 69, is a Director of APC Group, Inc. Ms. Yap holds key positions in SM Investments Corporation as a Senior Vice President – Office of the Chairman Emeritus and Securities Department. She is also a Director of Belle Corporation.

She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao.

**Tomas D. Santos**
Independent Director
Non-Executive Director
Date of First Election: June 2012
Chairman, Corporate Governance Committee
Chairman, Related Party Transactions Committee
Member, Risk Oversight Committee
Member, Audit Committee

Mr. Santos, 67, is an independent director of the Company from 6 June 2012 up to the present. He 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.

**Rafael M. Alunan III**
Lead Independent Director
Non-Executive Director
Date of First Election: August 2020
Chairman, Audit Committee
Member, Risk Oversight Committee
Member, Corporate Governance Committee
Member, Related Party Transactions Committee

Mr. Alunan, 72, sits on various Boards of Directors: as Vice-Chair, Pepsi Cola Products (Philippines), Inc. and chairs the Audit Committee (PCPPI); Metro Global Holdings Corp. and chairs the Risk and Corporate Governance Committees; as Chairman, Philippine Council for Foreign Relations (PCFR) and Harvard Kennedy School Alumni Association of the Philippines Inc. (HKSAAPI); as President, Philippine Taekwondo Foundation;

He also sits on the board of the Spirit of EDSA Foundation; founded One Philippines Party List; and serves as Senior Adviser to United Harvest Corp., Kaltimex Energy Phils, and United Defense Manufacturing Corp.

Mr. Alunan is an Eminent Fellow of the Development Academy of the Philippines (DAP); and Fellow of the Institute of Corporate Directors (ICD) and Institute for Solidarity in Asia (ISA). He co-authored the book entitled “Silver Linings”; and produced the documentary entitled “Tagaligtas”; and is a member of the Maritime League; the Fraternal Order of Eagles of the Philippines; and Zeta Phi Omega fraternity.

He holds the rank of Colonel in the Armed Forces of the Philippines, and commanded the 131st Infantry Division (Standby Reserve) and the 9th Infantry Division (Ready Reserve) of the Philippine Army. He is an adopted member of Philippine Military Academy Marangal Class of 1974, PC-Special Action Force, Special Forces Regiment (Airborne) and First Scout Ranger Regiment.

Mr. Alunan obtained his double degree in Business Administration and History-Political Science from De La Salle University; attended Ateneo de Manila University's Master in Business Administration-Senior Executive Program; earned a Master's degree in Public Administration and a certificate in Executive Education from Harvard Kennedy School of Government; and graduated from the Philippine Army's Command and General Staff College Operations Course.

Mr. Alunan served in the Cabinets of Presidents Corazon C. Aquino and Fidel V. Ramos as Secretary of Tourism and Secretary of the Interior and Local Government, respectively.

**Ian Jason R. Aguirre**
Executive Vice President
Chief Finance Officer and Chief Compliance Officer

Mr. Ian Jason R. Aguirre, 46, was appointed as the Executive Vice President, Chief Financial Officer, and Compliance Officer 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.

**Richard Anthony D. Alcazar**
Corporate Secretary

Atty. Richard Anthony D. Alcazar, 50, is also the Corporate Secretary of Philippine Global Communications, Inc. since June 22, 2010. He was appointed Corporate Secretary of BDO Leasing & Finance Inc. in 2009. He is a partner in Tan Acut Lopez & Pison Law Offices and his practice is primarily devoted to the fields of corporation law and taxation. He was formerly a Director in the Tax Division of Sycip Gorres Velayo & Co. where he worked as a tax practitioner from November 1994 to December 2002.

Atty. Alcazar graduated with a Bachelor of Science degree in Business Economics from the University of the Philippines School of Economics and a Bachelor of Laws degree from the University of the Philippines College of Law. He also holds a Master of Arts degree in International Development from the International University of Japan with Public Finance as field of concentration. He is a member of the Integrated Bar of the Philippines and the Tax Management Association of the Philippines.

**<u>Independent Directors</u>**

Mr. Tomas D. Santos and Mr. Rafael M. Alunan III were elected as Independent Directors during August 10, 2020 Annual Stockholders' Meeting to comply with the requirements set forth in Section 38 of the Securities Regulation Code.

Currently, no independent director has exceeded the cumulative term of nine (9) years per SEC Memorandum Circular No. 4, Series of 2017.

The nomination, pre-screening and election of independent directors were made in compliance with the requirements of the Code of Corporate Governance and the Securities and Exchange

Commission's Guidelines on the Nomination and Election of Independent Directors which have been adopted and made part of the Company's By-Laws.

The Corporate Governance Committee constituted by the Company's Board of Directors, indorsed the nomination by Maritoni Z. Liwanag and Martin Israel L. Pison in favor of Mr. Rafael M. Alunan III and Mr. Jerry C. Tiu, respectively, for election as Independent Directors. Ms. Liwanag and Mr. Pison are not related to Mr. Alunan and Mr. Tiu, respectively.

The Corporate Governance Committee, composed of Tomas D. Santos, Bernardo D. Lim and Rafael M. Alunan III has determined that the nominees for Independent Director possess all the qualifications and has none of the disqualifications for independent director as set forth in the Company's Manual on Corporate Governance and Rule 38 of the Implementing Rules of the Securities Regulation Code (SRC).

**Directorships in Other Publicly Listed Companies:**

The following are directorships held by Directors and Officers in other reporting companies in the last five years:

| Name of Director | Name of Listed Company | Type of Directorship (Executive, Non-Executive, Independent); Indicate if director is also the Chairman |
|---|---|---|
| Willy N. Ocier | Belle Corporation | Chairman, Executive Director |
| | Premium Leisure Corp. | Chairman, Executive Director |
| | Pacific Online Systems Corporation | Chairman and President, Executive Director |
| | Leisure & Resorts World Corp. | Non-Executive Director |
| | Vantage Equities, Inc. | Non-Executive Director |
| | AbaCore Capital Holdings, Inc. | Non-Executive Director |
| Virginia A. Yap | Belle Corporation | Non-Executive Director |
| Rafael M. Alunan III | Metro Global Holdings Corp. | Independent Director |
| | Pepsi Cola Products (Philippines), Inc. | Vice Chairman and Independent Director |

**Family Relationships**

None.

**Significant employee**

There is no significant employee.

**Involvement in Certain Legal Proceedings**

As of the date of this information statement, 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 up to date of the Information Statement:

(a) 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.
(b) Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding.
(c) 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,

(d) 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.

**Parent of Registrant and Basis of Control**

Belle Corporation owns 3,500,000,000 shares of the Company's capital stock or 46.64%.

**Certain Relationships and Related Transactions**

No director or executive officers or any member of their immediate family has, during the last two years, had a direct or indirect, material interest in a transaction or proposed transaction to which the Company was a party.

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 related party transactions are described in Note 16 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

**Disagreement with Director**

No director has resigned nor declined to stand for re-election to the Board of Directors because of a disagreement with the Company on any matter relating to the latter's operations, policies or practices since the date of the last Annual Stockholders' Meeting.

## Item 6. Compensation of Directors and Executive Officers

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

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

**Name and Principal Position**

1. Jackson T. Ongsip[1]
   CEO & President
2. Ian Jason Aguirre[1]
   CFO & Executive Vice-President

| Summary of Compensation Table | Year | Amount |
|---|---|---|
| CEO & Most Highly Compensated Executive Officers | 2021 (estimate) | ₱1,944,667 |
| | 2020 (actual) | 1,944,667 |
| | 2019 (actual) | 2,304,000 |
| All Other officers as a group unnamed | 2021 (estimate) | – |
| | 2020 (actual) | – |
| | 2019 (actual) | – |

[1]*CEO and Most Highly Compensated Executive Officers*

Except as provided above, there are no other officers of the Company receiving compensation.

Compensation of Directors

| Directors | Gross Allowances for Board Meetings attended in 2020 (PHP) |
|---|---|
| Willy N. Ocier | 35,000.00 |
| Jackson T. Ongsip | 35,000.00 |
| Bernardo D. Lim | 35,000.00 |
| Edmundo L. Tan | 30,000.00 |
| Virginia A. Yap | 35,000.00 |
| Tomas D. Santos | 20,000.00 |
| Rafael M. Alunan III[a] | 25,000.00 |
| Laurito E. Serrano[b] | 5,000.00 |

[a] elected on August 10, 2020

[b] up to August 10, 2020

Below table shows the attendance of each Board member in the meetings conducted in 2020:

| Attendance in Board of Directors' Meetings in 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Director | | 02/14/20 | 06/25/20 | 08/10/20* | | 11/04/20 | 12/10/20 |
| 1 | Willy N. Ocier | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 2 | Jackson T. Ongsip | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 3 | Bernardo D. Lim | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 4 | Edmundo L. Tan | ✓ | - | ✓ | ✓ | ✓ | ✓ |
| 5 | Virginia A. Yap | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 6 | Laurito E. Serrano** | ✓ | ✓ | N.A. | N.A. | N.A | N.A. |
| 7 | Tomas D. Santos | ✓ | ✓ | ✓ | - | ✓ | ✓ |
| 8 | Rafael M. Alunan III*** | N.A. | N.A. | ✓ | ✓ | ✓ | ✓ |

* Regular and Organizational

** Until August 10, 2020 only

*** Elected on August 10, 2020

**Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

There are no compensatory plans or arrangements with any executive officer/director that resulted in or will result from the resignation, retirement or termination of such executive officer/director or from change-in-control in the Company.

**Warrants and Options Outstanding**

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

**No Action on Compensation Plans**

No action will be taken on the Registrant's Compensation Plans.

**Item 7. Independent Public Accountants**

Reyes Tacandong & Co. will be recommended for appointment as external auditor for 2021 to 2022. The recommendation to appoint a new external auditor is in line with the Company's thrust to promote good governance practices as stated in its Manual on Corporate Governance, that the external auditor or the handling partner shall be changed every five (5) years or earlier. This is also in support of the Company's efforts to rationalize expenditures and promote cost reduction measures.

a. The Company's external auditors for 2020 - 2021 is SyCip Gorres Velayo & Co. (SGV), with Mr. Johnny F. Ang as the partner-in-charge.

b. Representatives of SGV are expected to be present at the Annual Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire.

c. There was no event in the past five (5) years where SGV and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

d. In compliance with SRC Rule 68 3 (b) (iv), the assignment of SGV's engagement partner for the Company shall not exceed five (5) consecutive years.

e. The aggregate fees paid by the Company for professional services rendered by the external auditor for the audit of financial statements for the years ended December 31, 2020 and 2019 are as follows:

| | |
|---|---|
| 2020 | ₱510,000 |
| 2019 | 510,000 |

f. There were no other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements.

g. The Audit Committee, composed of Mr. Rafael M. Alunan III (Chairman), Mr. Tomas D. Santos and Mr. Bernardo D. Lim, recommends to the Board of Directors the appointment of the external auditors. The Board of Directors and the stockholders approve the Audit Committee's recommendation. The Executive Committee approves the audit fees as recommended by the Management.

h. The Audit Committee recommended the appointment of Reyes Tacandong & Co. as the Company's external auditor of fiscal year 2021-2022 and the Board approved and endorses the appointment for stockholders' approval.

**Item 8. Compensation Plans**

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

**C. ISSUANCE AND EXCHANGE OF SECURITIES**

**Item 9. Authorization or Issuance of Securities Other than for Exchange**

No action will be presented for shareholders' approval at this year's annual meeting which involves authorization or issuance of any securities.

**Item 10. Modification or Exchange of Securities**

No action will be presented for shareholders' approval at this year's annual meeting which involves the modification of any class of the Company's securities, or the issuance of one of Company's securities in exchange for outstanding securities of another class.

**Item 11. Financial and Other Matters**

The Audited Financial Statements of the Company and the Management Report, incorporating the Management's Discussion & Analysis, is attached as Annex "B".

Representatives of the external auditor, Sycip Gorres Velayo & Co., are expected to be present at the annual meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from the shareholders. The Company has had no material disagreement with Sycip Gorres Velayo & Co. on any matter of accounting principle or practices or disclosures in the Company's financial statements.

**Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

No action will be presented for shareholders' approval at this year's annual meeting which involves any mergers, consolidation, acquisition and other similar transactions.

**Item 13. Acquisition or Disposition of Property**

No action will be presented for shareholders' approval at this year's annual meeting in respect of any acquisition or disposition of property of the Company.

**Item 14. Restatement of Accounts**

No action will be presented for shareholders' approval at this year's annual meeting which involves the restatement of any of the Company's asset, capital or surplus account.

**D. OTHER MATTERS**

**Item 15. Action with Respect to Reports**

There is no action to be taken with respect to any report of the Company or of its directors, officers or committees, except for the approval of the minutes of the previous annual meeting of the Company.

At the annual meeting on July 22, 2021, shareholders will be asked to approve and ratify the following:

1. Minutes of the Annual Stockholders' Meeting (ASM) held on August 10, 2020 as appended to this Information Statement as "Annex A". The minutes of the said ASM was posted on the Company's website: http://www.apcaragorn.net/index.php/component/jdownloads/send/118-minutes-of-2020-stockholder-s-meeting-s/478-minutes-of-2020-annual-stockholders-meeting-draft?Itemid=0 within 24 hours from adjournment of the meeting. This includes the following:

    a. Voting procedure used and the tabulation for each agenda item during the August 10, 2020 and the engagement of Ms. Cristina C. Naguit as third-party validator of votes during the said meeting;

    b. Opportunities presented to the shareholders to participate by asking questions; questions and responses have been included in the minutes of the meeting;

    c. List of directors and officers who attended the meeting, as well as description of the stockholders who attended, verified by the Company's stock transfer agent and validated by Ms. Cristina C. Naguit.

    The office of the Corporate Secretary has in its full custody the list and names of the stockholders who participated in the August 10, 2020 ASM.

2. All general acts of the Board of Directors, Board Committees and Management during their term of office, which refer to all actions, proceedings and contracts entered into, as well as resolutions made including approvals of significant related party transactions of

the Board, Board Committees and Management from the August 10, 2020 ASM to the date of this meeting.

The matters for stockholders' ratification are acts of the Board, its Committees and Management for the previous year up to the date of the annual meeting which were entered into or made in the ordinary course of business such as but not limited to approval of projects, Treasury matters related to opening of accounts and transactions with banks and appointment of signatories and amendments thereof. The significant acts or transactions of which are covered by appropriate disclosures with the SEC and PSE are as follows:

| Date | Title |
|---|---|
| February 14, 2020 | Notice of 2020 Annual Stockholders' Meeting |
| February 14, 2020 | Amendment to Articles of Incorporation |
| February 24, 2020 | Quasi-Reorganization |
| February 26, 2020 | Approval of Amendments to APC Group, Inc.'s Articles of Incorporation |
| February 26, 2020 | Approval of APC Group, Inc.'s Change in Par Value |
| February 28, 2020 | 2019 Audited Financial Statement |
| March 16, 2020 | Current Report under Section 17 under the Securities Regulation Code amid COVID-19 Pandemic |
| April 29, 2020 | Postponement of Annual Stockholders' Meeting |
| April 29, 2020 | Notice of 2020 Annual Stockholders' Meeting |
| June 25, 2020 | Notice of 2020 Annual Stockholders' Meeting |
| August 10, 2020 | Results of 2020 Annual Stockholders' Meeting |
| August 10, 2020 | Results of Organizational Meeting of the Board of Directors |
| September 3, 2020 | Resignation of Officer |
| December 10, 2020 | Notice of 2021 Annual Stockholders' Meeting |
| December 21, 2020 | Resignation of Officer |
| March 1, 2021 | Audited Financial Statement for the period ended December 31, 2020 |
| April 5, 2021 | Annual Report for the period ended December 31, 2020 |
| April 6, 2021 | Amended Annual Report for the period ended December 31, 2021 |
| April 15, 2021 | Amended Annual Report for the period ended December 31, 2021 |
| May 9, 2021 | Postponement of 2021 Annual Stockholders' Meeting |
| May 9, 2021 | Amended Notice of 2021 Annual Stockholders' Meeting |

3. 2020 Operations and Results are included in the Company's Annual Report to be sent to the stockholders together with this Information Statement. Accordingly, approval of the Annual Report will constitute approval and ratification of the acts of Management stated in the Management Report during the period covered thereby.

Ms. Cristina Castro Naguit, a Certified Public Accountant, shall be present during the July 22, 2021 Annual Stockholders' Meeting for the purpose of validating and tallying the votes cast.

There are no other matters that would require approval of the stockholders.

For the period ended December 31, 2020, there were no self-dealings or related party transactions by any director which require disclosure.

There is likewise no material information on the current stockholders and their voting rights requiring disclosure.

**Item 16. Matters Not Required to be submitted**

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

**Item 17. Other Proposed Actions**

Other than the matters indicated in the Notice and Agenda included in this Information Statement, there are no other actions proposed to be taken at the annual meeting.

**Item 18. Voting Procedures**

**Vote required for approval**

Matters subject to stockholder approval, except in cases where the law provides otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote, a quorum being present in such meeting. Each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him.

Matters presented to stockholders for approval at this year's Annual Stockholders' Meeting require only a majority of the stockholders for approval. For election of directors, the stockholders are entitled to cumulate their votes.

**Methods by which votes will be casted and counted**

The Company's By-laws does not prescribe a specific manner of voting by stockholders. For this year's Annual Stockholders' Meeting, the Board of Directors approved a resolution allowing stockholders to participate in the meeting via remote communication and to vote in absentia.

Stockholders as of Record Date who have successfully registered their intention to participate in the annual meeting via remote communication and to vote in absentia, duly verified and validated by the Company, shall be provided with unique log-in credentials to securely access the voting portal.

Stockholders and proxy holders can then cast their votes on specific matters for approval, including the election of directors. Votes will then be automatically tabulated and counted at the close of voting for each agenda item during the meeting.

The Corporate Secretary is tasked and authorized to validate, count and tabulate votes by stockholders. For this year's annual meeting, Ms. Cristina Naguit, CPA has been engaged and appointed to independently count and validate votes from stockholders.

Pursuant to the Company's By-laws, duly accomplished proxy forms must be submitted to the Corporate Secretary at least three (3) business days prior the meeting. Duly signed proxy forms should therefore be submitted no later than July 19, 2021 at the Office of the Corporate Secretary at the 23rd Floor, Philippine Stock Exchange Centre, East Tower Exchange Road, Ortigas Center, Pasig City for validation. A sample format of the proxy form is here attached and are also available at the Company's website.

The Corporate Secretary will lead the validation of proxies, in coordination with APC's stock and transfer agent, and Ms. Naguit as independent validator and tabulator of votes. Any questions and issues relating to the validity and sufficiency of proxies, both as to form and substance, shall be resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding on the stockholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the meeting.

*The detailed guidelines for participation and voting for this meeting are set forth in the "Guidelines for Participating via Remote Communication and Voting in Absentia" appended as Schedule "A" to this Information Statement.*

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct.

This is signed in the City of Pasay this 18th day of June 2021.

**APC GROUP, INC.**

**JACKSON T. ONGSIP**
**President and Chief Executive Officer**

## MANAGEMENT REPORT

## APC GROUP, INC.
## BUSINESS AND GENERAL INFORMATION

### BACKGROUND

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, Inc (PSE).

The registered office address of the Parent Company is G/F MyTown New York Bldg., General E. Jacinto St. corner Capas St., Brgy. Guadalupe Nuevo, Makati City.

The subsidiaries of the Company are as follows:

| Company | Nature of Business | Date of Incorporation | Percentage of Ownership |
|---|---|---|---|
| Aragorn Power and Energy Corporation (APEC) (1, 3) | Energy | January 6, 2005 | 95.6% |
| PRC-Magma Energy Resources Inc. (PRC - Magma) (1, 2) | Energy | June 10, 2009 | 85% |
| APC Cement Corporation (APC Cement) (1) | Manufacturing | November 15, 1994 | 100% |
| APC Energy Resources, Inc. (APCERI) (1) | Mining | January 31, 2005 | 100% |
| APC Mining Corporation (APC Mining) (1) | Mining | March 17, 2005 | 83% |

(1) *Still in the pre-operating stage*
(2) *A direct subsidiary of APEC*
(3) *On April 10, 2018, the Parent Company subscribed to additional shares of APEC through capital infusion amounting to ₱76.5 million which increased the ownership interest of the Parent Company from 90% to 95.6%. This resulted to change in ownership interests in APEC without loss of control and accounted for as deemed acquisition of NCI. Loss on dilution of NCI amounted to ₱3.4 million, presented as part of "Equity Reserves" in the Consolidated Statement of Financial Position.*

All the subsidiaries were incorporated in the Philippines.

**Subsidiaries and Status of Operations**

The following is the status of operations of the Group:

a. Aragorn Power and Energy Corporation (APEC)

- Kalinga Apayao Geothermal Service Project (Project)

  As of March 1, 2021, APEC is still in the exploration stage. It was established to engage in renewable energy resource exploration, development and utilization.

  In 2008, APEC was granted a Geothermal Service Contract (GSC) by the Republic of the Philippines, through Department of Energy (DOE), for the exploration, development and exploitation of geothermal resources covering a total area of 26,139 hectares located in the Province of Kalinga (the "Kalinga Geothermal Project" or "KGP"). The GSC was granted after a Certificate Precondition 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 Service Contract (GRESC) in March 2010 to avail of the incentives provided under the Renewable Energy (RE) Act of 2008. GRESC has a term of not exceeding 25 years (including the used term under the GSC) and renewable for not more than 25 years. The total period from pre-development stage to the development/commercial stage shall not exceed 50 years.

In November 2010, APEC and its partner Guidance Management Corporation (GMC) forged a partnership with AllFirst Kalinga Ltd. (AKL, formerly Chevron Kalinga Ltd.), a wholly owned subsidiary of AllFirst Geothermal Philippines Holdings, Inc., (formerly Chevron Geothermal Philippines Holdings, Inc.) in developing the geothermal area. The parties signed a Farm-out Agreement (FOA) which gives APEC 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, AKL will be responsible for the exploration, development and operation of the steam field and power activities.

On August 13, 2018, APEC has secured an extension of the GRESC exploration period from DOE until September 23, 2020. On August 14, 2018, pursuant to Executive Order No. 30, the Energy Investment Coordinating Council (EICC), through the DOE, granted KGP a Certificate of Energy Project of National Significance (CEPNS) for Pre-Development Phase. The CEPNS entitles KGP to all the rights and privileges provided for under Executive Order No. 30 series 2017.

On September 18, 2018, AKL has assigned its Farm-out interest, including all associated rights and obligations under the FOA, in favor of its affiliate, Allfirst Kalinga Holdings, Inc. (AKHI).

Through letter dated December 28, 2018, the DOE gave KGP the clearance to undertake a system impact study (SIS) of its proposed 120 MW Kalinga Geothermal Project. The SIS of the KGP is currently on-going.

In 2019, KGP completed securing all the remaining necessary permits from the regulatory agencies (i.e. DENR and NWRB), and maintained and complied with its commitments with each of the representative Council of Elders and Leaders (COEs) under the Memoranda of Agreements (MOAs) supporting the NCIP Certificates of Precondition. KGP has also engaged contractors and suppliers necessary for the construction of access roads, well pads, and well drilling activities.

With the completion of the negotiation for right-of-way, remaining regulatory permits, as well as the engagement of the needed contractors and suppliers, KGP has completed the construction of well pads and access roads, and continues to implement geo-hazard mitigation measures.

On October 12, 2019, the Project commenced drilling of the PAS-02 exploration well and ended drilling operations on April 21, 2020 after reaching a depth of 4,483 ft. (1,366 m MD) and being unable to drill further. Drilling operations encountered many challenges such as technical difficulties with the well amidst the severe impact dealt by the COVID-19 pandemic and the Enhanced Community Quarantine (ECQ) such as limitations to deployment of personnel and delivery of supplies, disruptions to the global supply chain, and reduction in work hours of personnel quarantined onsite to protect their health and safety. Results of the drilling still show promise, with very encouraging commercial temperatures at 568°F (298°C) despite tight permeability.

On October 13, 2020, APEC secured an extension of the GRESC exploration period from DOE until October 12, 2022 with DOE recognizing the significant accomplishments of the project, the difficulties that the project encountered, and the need for further exploration given the results of the drilling PAS-02 with commercial temperature and encouraging chemistry.

The KGP continues to provide scholarship grants and educational assistance to deserving youths from the eight (8) ancestral domains within its contract area. As of school year 2020-2021, the KGP has already extended scholarships to 369 grantees and has produced 280 graduates in various courses. Five (5) scholar graduates in engineering and geology have been hired for the Project.

As of March 1, 2021, APEC has completed sub-phases 1 and 2, covering geochemical and geophysical surveys. APEC is already in the sub-phase 3 stage of the project. In line with this, the consent of nine (9) out of eleven (11) ancestral domains has been secured, covering 85% of the GRESC area. In addition, all of the Community Development (CD) Projects have been fully completed and turned over to the respective community beneficiaries.

The KGP intends to continue exploration activities by re-conducting geology, geochemical, and geophysical surveys (3G) to obtain additional information intended to refine and expand the Conceptual Model to ensure soundness of the outputs and drilling targets prior to resuming drilling operations.

This KGP involves the development of steam fields that can generate around 120 megawatts (MW) of new capacity, providing an additional source of clean, indigenous and reliable baseload power to the Luzon grid. A 120-MW geothermal project will approximately cost more than USD300.0 million.

On January 15, 2020, AllFirst Kalinga Holdings Inc. (AKHI) made a cash call to APEC amounting to USD 2.1 million (Php106.5 million) for 5% share of the USD 42.08 million appraisal drilling budget which includes construction of general facilities, roads, and pads, rig mobilization and demobilization, well drilling, testing, resource feasibility study, other exploration capital (salaries and wages) and corporate social responsibility.

b. APC Energy Resources Inc. (APC Energy)

APC Energy was established to engage in exploration, development and utilization of renewable energy resources. As of March 1, 2021, APC Energy is still in the pre-operating stage.

c. APC Mining Corporation (APC Mining)

APC Mining was organized to engage in mining, processing, manufacturing, buying and selling of all kinds of ores, metals and minerals. As of March 1, 2021, APC Mining is still in the pre-operating stage.

d. APC Cement Corporation (APC Cement)

APC Cement was established to engage in the manufacture of cement. As of March 1, 2021, APC Cement is still in the pre-operating stage.

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

PRC Magma was established 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. As of March 1, 2021, PRC Magma is still in the pre-operating stage.

**Employees**

APC Group Inc. had a total of 5 employees as of December 31, 2020.

## MARKET INFORMATION

The principal market where the registrant's common equity is traded is the **<u>Philippine Stock Exchange, Inc.</u>**

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:

| | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| | High | High | Low | High | Low | Low |
| First Quarter | 0.59 | 0.375 | 0.245 | 0.47 | 0.245 | 0.49 |
| Second Quarter | - | - | 0.255 | 0.36 | 0.255 | 0.49 |
| Third Quarter | - | - | 0.290 | 0.34 | 0.290 | 0.49 |
| Fourth Quarter | - | - | 0.285 | 0.48 | 0.285 | 0.47 |

The price information as of the close of the latest practicable trading date, June 17, 2021, is Php0.39.

## SECURITY HOLDERS

As of May 31, 2021**,** Registrant had 595 shareholders of common equity. 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** |
|---|---|---|
| 1. Belle Corporation | 3,500,000,000 | 46.64 |
| 2. PCD Nominee Corporation- *Filipino/Others* | 2,326,518,165 | 31.00 |
| 3. Dominion Equities, Inc. | 340,000,000 | 4.53 |
| 4. Compact Holdings, Inc. | 281,000,000 | 3.74 |
| 5. Integrated Holdings, Inc. | 180,000,000 | 2.40 |
| 6. Elite Holdings, Inc. | 168,500,000 | 2.25 |
| 7. Parallax Resources, Inc. | 165,722,334 | 2.21 |
| 8. Equinox International Resources Corp. | 100,000,000 | 1.33 |
| Richold Investor Corporation | | |
| 9. Eastern Sec. Dev. Corp. | 80,000,000 | 1.07 |
| 10. Gilt-Edged Properties, Inc. | 68,616,665 | 0.91 |
| 11. Headland Holdings Corporation | 55,500,000 | 0.74 |
| 12. Eastern Sec. Dev. Corp. | 23,869,114 | 0.32 |
| 13. Lim Siew Kim - *Others* | 18,000,000 | 0.24 |
| Tak Chang Investments Co., Ltd. - *Others* | | |
| 14. Coscolluela, William V. | 10,000,000 | 0.13 |
| 15. Reyes, Vicente O. ITF:Peter Paul Phil. Cor | 8,332,000 | 0.11 |
| 16. Dharmala Sec. (Phils), Inc. | 5,050,000 | 0.07 |
| 17. Singson, Evelyn R. ITF: Gilt-Edged Prop. | 3,933,333 | 0.05 |
| 18. Singson, Evelyn R. ITF: Jaime F. Singson | 3,000,000 | 0.04 |
| Corporate Inv. Phils., Inc | | |
| 19. Cu, Oscar S. ITF Anthony Cu | 2,935,000 | 0.04 |
| 20. Cu, Oscar ITF Anthony Cu | 2,910,000 | 0.04 |

## DIVIDENDS

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 Company. There is no legal restriction that limits or would likely limit the Company's ability to pay dividends, aside from its retained earnings available for such.

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 deficit.

## RECENT SALE OF UNREGISTERED OR EXEMPT SECURITIES

There was no recent sale of unregistered or exempt securities.

## FINANCIAL AND OTHER INFORMATION

### Financial Statements

The audited Consolidated Financial Statements and Supplementary Schedules for the year 2020 are filed as part of this Form 20-IS.

### Changes in and Disagreement with Accountants on Accounting and Financial Disclosures

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. The aggregate audit fees paid by the Company for professional services (excluding Value Added Tax) rendered by the external auditor for the audit of the Company's annual financial statements amounted to ₱510,000 in 2020 and 2019, respectively.

2. No other assurance and related services were rendered in 2020 and 2019.

3. No tax services were rendered by the external auditor in 2020 and 2019.

4. There were no other fees paid to the external auditor in 2020 and 2019.

5. The audit committee approved the policies and procedures of the above services. The Board of Directors has established an audit committee to provide oversight of the external audit function and review of the internal audit function of the company.

   The Audit Committee has the responsibility to recommend an external auditor to be selected and appointed by the stockholders during each annual stockholder's meeting.

   It reviews the audit coverage of the External Auditors and deliberates on their audit report prior to endorsement to the Board of Directors and presented to the stockholders for approval.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

**For The Financial Year Ended 2020 compared to Year Ended 2019**

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| *(Amounts in Pesos, except percentages)* | Year on Year | | Horizontal Analysis | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | Dec 31 2020 | Dec 31 2019 | Increase (Decrease) Amount | % | 2020 | 2019 |
| **ASSETS** | | | | | | |
| **Current Assets** | | | | | | |
| Cash and cash equivalents | **21,475,809** | 137,491,340 | (116,015,531) | -84% | 8% | 50% |
| Receivables | **3,702,273** | 1,585,194 | 2,117,079 | 134% | 1% | 1% |
| Other current assets | **15,940** | 2,586 | 13,354 | 516% | 0% | 0% |
| Total current assets | **25,194,022** | 139,079,120 | (113,885,098) | -82% | 9% | 51% |
| **Noncurrent Assets** | | | | | | |
| Property and equipment | **34,712** | 62,234 | (27,522) | -44% | 0% | 0% |
| Investment properties | **12,048,000** | 10,028,870 | 2,019,130 | 20% | 5% | 4% |
| Financial assets at FVOCI | **2,829,755** | 3,624,630 | (794,875) | -22% | 1% | 1% |
| Deferred exploration costs | **218,013,500** | 111,520,001 | 106,493,499 | 95% | 82% | 41% |
| Input value added tax | **9,282,133** | 8,962,888 | 319,245 | 4% | 3% | 3% |
| Other noncurrent assets - net | **23,822** | 23,822 | - | 0% | 0% | 0% |
| Total noncurrent assets | **242,231,922** | 134,222,445 | 108,009,477 | 80% | 91% | 49% |
| **Total Assets** | **267,425,944** | 273,301,565 | (5,875,621) | -2% | 100% | 100% |
| **LIABILITIES AND EQUITY** | | | | | | |
| **Current Liabilities** | | | | | | |
| Trade and other payables | **28,652,844** | 28,627,801 | 25,043 | 0% | 11% | 10% |
| Advances from related parties | **79,978,631** | 79,978,631 | - | 0% | 30% | 29% |
| Total current liabilities | **108,631,475** | 108,606,432 | 25,043 | 0% | 41% | 40% |
| **Noncurrent Liabilities** | | | | | | |
| Accrued retirement costs | **5,966,007** | 3,441,697 | 2,524,310 | 73% | 2% | 1% |
| **Total Liabilities** | **114,597,482** | 112,048,129 | 2,549,353 | 2% | 43% | 41% |
| Capital Stock | **63,880,788** | 6,388,078,749 | (6,324,197,961) | -99% | 24% | 2337% |
| Additional paid-in capital | **144,295,958** | 1,613,942,096 | (1,469,646,138) | -91% | 54% | 591% |
| Cumulative change in fair value of financial assets at FVOCI | **1,981,754** | 2,776,629 | (794,875) | -29% | 1% | 1% |
| Equity reserves | **(3,140,235)** | (3,140,235) | - | 0% | -1% | -1% |
| Remeasurement loss on defined benefit obligation | **(3,986,494)** | (2,237,878) | (1,748,616) | 78% | -1% | -1% |
| Deficit | **(13,903,180)** | (7,801,877,957) | 7,787,974,777 | -100% | -5% | -2855% |
| Treasury shares | **(29,435,220)** | (29,435,220) | - | 0% | -11% | -11% |
| **Equity Attributable to Parent Company** | **159,693,371** | 168,106,184 | (8,412,813) | -5% | 60% | 62% |
| Non-controlling interests | **(6,864,909)** | (6,852,748) | (12,161) | 0% | -3% | -3% |
| **Total Equity** | **152,828,462** | 161,253,436 | (8,424,974) | -5% | 57% | 59% |
| **Total Liabilities and Equity** | **267,425,944** | 273,301,565 | (5,875,621) | -2% | 100% | 100% |

### *Assets*

The Company recorded consolidated assets of ₱267.4 million as at December 31, 2020, lower by 2% from ₱273.3 million in 2019. The main movements in the balance sheet are as follows:

- Cash and cash equivalents decreased by 84% from ₱137.5 million as at December 31, 2019 to ₱21.5 million as at December 31, 2020. This decrease is mainly due to the increase in the Company's contributions to the Kalinga Geothermal Project (recorded under "Deferred Exploration costs") by ₱106.5 million for the year coupled with the payment of the Company's expenses and offset in part by the cash earned as interest and dividend income in 2020.
- Financial assets at FVOCI decreased by 22% as a result of the movement in stock prices of the shares held by the Company as of December 31, 2020.

- Investment property pertain to land owned by the Company located in Ginatillan, Cebu. The increase in this account is due to the increase in value of the properties based on the latest actuarial valuation report.

***Liabilities***

Total liabilities as at December 31, 2020 of the Company amounted to ₱114.6 million, increasing by 2% versus liabilities as at December 31, 2019 by ₱2.6 million mainly due to the increase in the Company's defined benefit obligation based on the latest actuarial valuation obtained by the Company from a third party.

***Equity***

On August 9, 2017, the Parent Company's BOD approved the reduction of the par value of the Parent Company's capital stock from ₱1 par value per share to ₱0.01 par value per share. This was approved by the Parent Company's stockholders on September 27, 2017.

On February 20, 2020, the SEC approved the decrease in the authorized capital stock of the Parent Company from ₱20,000.0 million divided into 14,000.0 million common shares and 6,000.0 million preferred shares with par value of ₱1 per share to ₱200.0 million divided into 14,000.0 million common shares and 6,000.0 million preferred shares both with par value of ₱0.01 per share.

On February 20, 2020, the SEC approved the equity restructuring of the Parent Company to wipe out the deficit as of December 31, 2018 amounting to ₱7,793.8 million against the additional paid in capital of ₱ 7,938.1 million provided that the remaining additional paid in capital of ₱144.3 million cannot be applied for future losses that may be incurred by the Company without prior approval of the SEC.

This resulted in the following as at December 31, 2020:

- decrease in the Company's capital stock from ₱6,388.1 million to ₱63.9 million
- decrease in APIC from ₱1,613.9 million to ₱144.3 million
- decrease in deficit from ₱7,801.9 million to ₱13.9 million

Overall, stockholders' equity decreased by 5% from ₱161.3 million in 2019 to ₱152.8 million in 2020 due to the incurred net loss and other comprehensive losses recognized in 2020 amounting to ₱5.9 million and ₱2.5 million, respectively.

The Company does not foresee any cash flow problems during the next twelve months. The Company has enough cash to meet cash requirements in 2020.

There were no off-balance sheet transactions.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| (Amounts in Pesos, except percentages) | Year on Year | | Horizontal Analysis | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | Dec 31 2020 | Dec 31 2019 | Increase (Decrease) Amount | % | 2020 | 2019 |
| Interest Income | **947,058** | 4,651,666 | (3,704,608) | -80% | 75% | 94% |
| Dividend Income | **319,476** | 319,476 | - | 0% | 25% | 6% |
| **Total Revenue** | **1,266,534** | 4,971,142 | (3,704,608) | -75% | 100% | 100% |
| General and Administrative Expenses | **(9,167,147)** | (10,264,576) | 1,097,429 | -11% | -724% | -206% |
| **Total Costs and Expenses** | **(9,167,147)** | (10,264,576) | 1,097,429 | -11% | -724% | -206% |
| Gain on revaluation of properties | **2,019,130** | - | 2,019,130 | 100% | 159% | 0% |
| **Total Other Income(Loss)** | **2,019,130** | - | 2,019,130 | 100% | 159% | 0% |
| **Net Loss** | **(5,881,483)** | (5,293,434) | (588,049) | 11% | -464% | -106% |
| **Net Loss Attributable to:** | | | | | | |
| Equity holders of the Parent Company | **(5,869,322)** | (5,274,618) | (594,704) | 11% | -463% | -106% |
| Non-controlling interests | **(12,161)** | (18,816) | 6,655 | -35% | -1% | 0% |
| | **(5,881,483)** | (5,293,434) | (588,049) | 11% | -464% | -106% |
| **Other Comprehensive Income (Loss)** | | | | | | |
| Unrealized mark-to-market gain/(loss) on available-for-sale financial assets | **(794,875)** | (1,547,491) | 752,616 | -49% | -63% | -31% |
| Remeasurement loss on defined benefit obligation | **(1,748,616)** | - | (1,748,616) | -100% | -138% | 0% |
| **Total Comprehensive Loss for the period** | **(8,424,974)** | (6,840,925) | (1,584,049) | 23% | -665% | -138% |
| **Total Comprehensive Loss Attributable to:** | | | | | | |
| Equity holders of the Parent Company | **(8,412,813)** | (6,822,109) | (1,590,704) | 23% | -664% | -137% |
| Non-controlling interests | **(12,161)** | (18,816) | 6,655 | -35% | -1% | 0% |
| | **(8,424,974)** | (6,840,925) | (1,584,049) | 23% | -665% | -138% |

APC Group, Inc. reported consolidated net loss of ₱5.9 million for 2020, 11% higher than the ₱5.3 million net loss reported in the previous year.

***Revenue***

The Company recorded revenues of ₱1.27 million for the year ended 2020, 75% lower than the ₱4.9 million revenues recognized in 2019. This decrease is mainly brought about by the lower interest income from cash and money market placements for 2020 given the also lower amount of cash. Dividends received from the Company's financial assets through FVOCI remain the same.

***Costs and Expenses***

The Company recorded ₱9.2 million in costs and expenses for the year, 11% lower than the ₱10.3 million in 2019 due mostly to lower salaries because of a decrease in headcount.

***Other Income (Loss)***

Other income of the Company in 2020 pertains to the ₱2.0 million gain in revaluation of its investment property based on the latest actuarial valuation from a third party.

***Other Comprehensive Income (Loss)***

Other comprehensive income pertains to the unrealized mark to market gains and losses on the Company's financial assets through FVOCI, which decreased in share price as of the end of the year and the remeasurement loss on defined benefit obligation. Other comprehensive loss is at ₱ 2.5 million in 2020, for a total comprehensive loss of ₱8.4 million for the year.

As of December 31, 2020, 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 expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period
- Any significant elements of income or loss from continuing operation
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- The Company does not foresee any liquidity problem over the next twelve (12) months.

## PLAN OF OPERATION

The Company will focus on the following directions in the next 12 months:

1. Continue with the development of its geothermal resources. Pursue the exploration work program for the Kalinga project.
2. Seek other renewable energy development investment opportunities.
3. Look into other revenue opportunities for the Company.

**For The Financial Year Ended 2019 compared to Year Ended 2018**

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| *Amounts in Pesos, except percentages* | Year on Year | | Horizontal Analysis | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | | | Inc (Dec) | | | |
| | **Dec 31, 2019** | **Dec 31, 2018** | **Amount** | **%** | **2019** | **2018** |
| Interest income | 4,651,666 | 3,569,449 | 1,082,217 | 30% | 94% | 93% |
| Dividend income | 319,476 | 279,224 | 40,252 | 14% | 6% | 7% |
| **Total revenues** | **4,971,142** | **3,848,673** | **1,122,469** | **29%** | **100%** | **100%** |
| General and administrative expenses | (10,264,576) | (12,350,727) | 2,086,151 | -17% | -206% | -321% |
| **Total costs and expenses** | **(10,264,576)** | **(12,350,727)** | **2,086,151** | **-17%** | **-206%** | **-321%** |
| Loss on sale of investment property | - | (3,015,807) | 3,015,807 | -100% | 0% | -78% |
| **Total other income / (loss)** | **-** | **(3,015,807)** | **3,015,807** | **-100%** | **0%** | **-78%** |
| **Net Loss** | **(5,293,434)** | **(11,517,861)** | **6,224,427** | **-54%** | **-106%** | **-299%** |
| **Net loss attributable to:** | | | | | | |
| Equity holders of the Parent Company | (5,274,618) | (11,470,031) | 6,195,413 | -54% | -106% | -298% |
| Non-controlling interests | (18,816) | (47,830) | 29,014 | -61% | 0% | -1% |
| | **(5,293,434)** | **(11,517,861)** | **6,224,427** | **-54%** | **-106%** | **-299%** |

APC Group, Inc. reported consolidated net loss of ₱5.3 million for 2019, 54% better than the ₱11.5 million net loss reported in the previous year.

***Revenue***
The Company recorded revenues of ₱5.0 million for the year ended 2019, 19% higher than the ₱3.8 million revenues recognized in 2018. The increase in revenue is due to the Company's higher interest income from money market placements during the period. In addition, dividend income increased by 14% in 2019 due to higher dividends declared and paid from the Company's financial assets at fair value through other comprehensive income (FVOCI).

***Costs and Expenses***
The Company's costs and expenses amounting to ₱10.3 million in 2019 is 17% lower than the ₱12.4 million expenses recorded in 2018 due to the one-time expenses incurred by the Company in 2018 comprising of capital gains taxes from the sale of investment property and additional documentary stamp taxes paid during the year.

***Other Income (Loss)***
In 2018, the Company incurred a loss of ₱3.0 million from the sale of investment properties with a total fair market value of ₱12.3 million.

| *Amounts in Pesos, except percentages* | Year on Year | | Horizontal Analysis | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | | | Inc (Dec) | | | |
| | **Dec 31, 2019** | **Dec 31, 2018** | **Amount** | **%** | **2019** | **2018** |
| **Net Loss** | **(5,293,434)** | **(11,517,861)** | **6,224,427** | **-54%** | **-106%** | **-299%** |
| | | | | | | |
| **Other Comprehensive Income (Loss)** | | | | | | |
| *Item not to be reclassified to profit or loss in subsequent periods:* | | | | | | |
| Change in fair value of financial assets at FVOCI | (1,547,491) | (3,497,450) | 1,949,959 | -56% | -31% | -91% |
| **Total Comprehensive Loss** | **(6,840,925)** | **(15,015,311)** | **8,174,386** | -54% | -138% | -390% |
| | | | | | | |
| **Total comprehensive loss attributable to:** | | | | | | |
| Equity holders of the Parent Company | **(6,822,109)** | (14,967,481) | 8,145,372 | -54% | -137% | -389% |
| Non-controlling interests | (18,816) | (47,830) | 29,014 | -61% | 0% | -1% |
| | **(6,840,925)** | **(15,015,311)** | **8,174,386** | **-54%** | **-138%** | **-390%** |

### *Total Comprehensive Loss*

The Company incurred unrealized loss amounting to ₱1.5 million in 2019 due to the movement in the share price of its financial assets at FVOCI. This resulted to total comprehensive loss of ₱6.8 million for 2019.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| Amounts in Pesos, except percentages | Year on Year | | Horizontal Analysis Inc (Dec) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | Dec 31, 2019 | Dec 31, 2018 | Amount | % | 2019 | 2018 |
| **ASSETS** | | | | | | |
| **Current Assets** | | | | | | |
| Cash and cash equivalents | **137,491,340** | 144,787,138 | (7,295,798) | -5% | 50% | 52% |
| Receivables | **1,585,194** | 300,718 | 1,284,476 | 427% | 1% | 0% |
| Other current assets | **2,585** | 11,515 | (8,930) | -78% | 0% | 0% |
| Total Current Assets | **139,079,119** | 145,099,371 | (6,020,252) | -4% | 51% | 52% |
| **Noncurrent Assets** | | | | | | |
| Property and equipment | **62,234** | 15,620 | 46,614 | 298% | 0% | 0% |
| Investment property | **10,028,870** | 10,028,870 | - | 0% | 4% | 4% |
| Financial assets at FVOCI | **3,624,630** | 5,172,121 | (1,547,491) | -30% | 1% | 2% |
| Deferred exploration costs | **111,520,001** | 110,878,886 | 641,115 | 1% | 41% | 40% |
| Input value added tax (VAT) | **8,962,888** | 8,704,647 | 258,241 | 3% | 3% | 3% |
| Other noncurrent assets | **23,822** | 23,822 | - | 0% | 0% | 0% |
| Total Noncurrent Assets | **134,222,445** | 134,823,966 | (601,521) | 0% | 49% | 48% |
| | **273,301,564** | 279,923,337 | (6,621,773) | -2% | 100% | 100% |
| **LIABILITIES AND EQUITY** | | | | | | |
| **Current Liabilities** | | | | | | |
| Trade and other payables | **28,627,801** | 28,449,031 | 178,770 | 1% | 10% | 10% |
| Advances from a related party | **79,978,631** | 80,047,381 | (68,750) | 0% | 29% | 29% |
| Total Current Liabilities | **108,606,432** | 108,496,412 | 110,020 | 0% | 40% | 39% |
| **Noncurrent Liabilities** | | | | | | |
| Accrued retirement costs | **3,441,697** | 3,170,606 | 271,091 | 9% | 1% | 1% |
| Other noncurrent liabilities | - | 161,959 | (161,959) | -100% | 0% | 0% |
| Total Noncurrent Liabilities | **3,441,697** | 3,332,565 | 109,132 | 3% | 1% | 1% |
| Total Liabilities | **112,048,129** | 111,828,977 | 219,152 | 0% | 41% | 40% |
| **Equity Attributable to Equity Holders of the Parent Company** | | | | | | |
| Capital stock | **6,388,078,749** | 6,388,078,749 | - | 0% | 2337% | 2282% |
| Additional paid-in capital | **1,613,942,096** | 1,613,942,096 | - | 0% | 591% | 577% |
| Cumulative change in FVOCI | **2,776,629** | 4,324,120 | (1,547,491) | -36% | 1% | 2% |
| Remeasurement loss on defined benefit obligation | **(2,237,878)** | (2,237,878) | - | 0% | -1% | -1% |
| Equity reserves | **(3,140,235)** | (3,140,235) | - | 0% | -1% | -1% |
| Deficit | **(7,801,877,957)** | (7,796,603,339) | (5,274,618) | 0% | -2855% | -2785% |
| Treasury shares - 7,606,000 shares | **(29,435,220)** | (29,435,220) | - | 0% | -11% | -11% |
| Total Equity Attr to Equity Holders of the Parent Company | **168,106,184** | 174,928,293 | (6,822,109) | -4% | 62% | 62% |
| **Non-controlling Interests** | **(6,852,749)** | (6,833,933) | (18,816) | 0% | -3% | -2% |
| Total Equity | **161,253,435** | 168,094,360 | (6,840,925) | -4% | 59% | 60% |
| **TOTAL LIABILITIES and EQUITY** | **273,301,564** | 279,923,337 | (6,621,773) | -2% | 100% | 100% |

### *Assets*

The Company recorded consolidated assets of ₱273.3 million as at December 31, 2019, lower by 2% from ₱279.9 million in 2018. The main movements in the balance sheet are as follows:

- Cash and cash equivalents amounted to ₱137.5 million as of December 31, 2019, 5% lower compared to ₱144.8 million as of December 31, 2018. The decrease was mainly attributable to the payment of the Company expenses and payables for the year.
- Financial assets at FVOCI decreased by 30% as a result of the movement in stock prices of the shares held by the Company as of December 31, 2019.
- Deferred exploration costs increased by 1% due to additional expenses for the Kalinga Geothermal Project.

### *Liabilities*

There is no significant movement in the Company’s total liabilities as of December 31, 2019.

***Equity***

Stockholders' equity decreased by 4% from ₱168.1 million in 2018 down to ₱161.3 million in 2019 due to the incurred net loss and change in fair value of financial assets at FVOCI recognized in 2019 amounting to ₱5.3 million and ₱1.5 million, respectively.

The Company does not foresee any cash flow problems during the next twelve months. The Company has enough cash to meet cash requirements in 2020.

There were no off-balance sheet transactions.

As of December 31, 2019, 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, 2019 to May 31, 2020.

**PLAN OF OPERATION**

The Company will focus on the following directions in the next 12 months:

4. Continue with the development of its geothermal resources. Pursue the exploration work program for the Kalinga project.
5. Seek other renewable energy development investment opportunities.

**For the Financial Year Ended 2018 compared to Year Ended 2017**

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| (Amounts in Pesos, except percentages) | Year on Year | | Horizontal Analysis | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | Dec 31 2018 | Dec 31 2017 | Increase (Decrease) Amount | % | 2018 | 2017 |
| Interest Income | **3,569,449** | 3,900,176 | (330,727) | *-8%* | *93%* | *96%* |
| Dividend Income | **279,224** | 178,688 | 100,536 | *56%* | *7%* | *4%* |
| **Total Revenue** | **3,848,673** | 4,078,864 | (230,191) | *-6%* | *100%* | *100%* |
| General and Administrative Expenses | **(12,350,727)** | (20,511,515) | 8,160,788 | *-40%* | *-321%* | *-503%* |
| **Total Costs and Expenses** | **(12,350,727)** | (20,511,515) | 8,160,788 | *-40%* | *-321%* | *-503%* |
| Loss on Sale of Investment Properties | **(3,015,807)** | - | (3,015,807) | *-100%* | *-78%* | *0%* |
| Other Income/Loss | **-** | 17,816 | (17,816) | *-100%* | *0%* | *0%* |
| **Total Other Income(Loss)** | **(3,015,807)** | 17,816 | (3,033,623) | *-17028%* | *-78%* | *0%* |
| **Net Loss** | **(11,517,861)** | (16,414,835) | 4,896,974 | *-30%* | *-299%* | *-402%* |
| **Net Loss Attributable to:** | | | | | | |
| Equity holders of the Parent Company | **(11,470,031)** | (16,324,751) | 4,854,720 | *-30%* | *-298%* | *-400%* |
| Non-controlling interests | **(47,830)** | (90,084) | 42,254 | *-47%* | *-1%* | *-2%* |
| | **(11,517,861)** | (16,414,835) | 4,896,974 | *-30%* | *-299%* | *-402%* |

APC Group, Inc. reported consolidated net loss of ₱11.5 million for 2018, 30% better than the ₱16.4 million net loss reported in the previous year.

***Revenue***

The Company recorded revenues of ₱3.8 million for the year ended 2018, 6% lower than the ₱4.1 million revenues recognized in 2017. This decrease in revenue is due to the Company's lower interest income from money market placements because the cash and cash equivalent decreased by 26% during the period. On the other hand, dividend income increased by 56% in 2018 due to higher dividends declared and paid from the Company's available-for-sale (AFS) investments.

***Costs and Expenses***

The Company's costs and expenses amounting to ₱12.4 million in 2018 is 40% lower than the ₱20.5 million expenses recorded in 2017 due to the one-time expenses incurred by the Company in 2017 comprising of the listing fee and professional fees paid amounting to ₱4.9 million and ₱2.9 million, respectively.

***Other Income (Expenses)***

The Company incurred a loss of ₱3.0 million from the sale of investment properties with a total fair market value of ₱12.3 million.

| (Amounts in Pesos, except percentages) | Year on Year | | Horizontal Analysis | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | Dec 31 2018 | Dec 31 2017 | Increase (Decrease) Amount | % | 2018 | 2017 |
| **Net Loss** | **(11,517,861)** | (16,414,835) | 4,896,974 | -30% | -299% | -402% |
| **Other Comprehensive Income (Loss)** | | | | | | |
| Unrealized mark-to-market gain/(loss) on available-for-sale financial assets | **(3,497,450)** | 1,144,620 | (4,642,070) | -406% | -91% | 28% |
| Remeasurement gain on defined benefit obligation | **-** | 625,727 | (625,727) | -100% | 0% | 15% |
| **Total Comprehensive Loss for the period** | **(15,015,311)** | (14,644,488) | (370,823) | 3% | -390% | -359% |
| **Total Comprehensive Loss Attributable to:** | | | | | | |
| Equity holders of the Parent Company | **(14,967,481)** | (14,554,404) | (413,077) | 3% | -389% | -357% |
| Non-controlling interests | **(47,830)** | (90,084) | 42,254 | -47% | -1% | -2% |
| | **(15,015,311)** | (14,644,488) | (370,823) | 3% | -390% | -359% |

***Comprehensive Loss***

The Company incurred unrealized loss amounting to ₱3.5 million in 2018 due to the movement in the share price of its AFS. This resulted to total comprehensive loss of ₱15.0 million for 2018.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| (Amounts in Pesos, except percentages) | Year on Year | | Horizontal Analysis | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | Dec 31 2018 | Dec 31 2017 | Increase (Decrease) Amount | % | 2018 | 2017 |
| **ASSETS** | | | | | | |
| Cash and cash equivalents | **144,787,138** | 196,586,234 | (51,799,096) | -26% | 52% | 66% |
| Trade and other receivables - net | **300,718** | 941,677 | (640,959) | -68% | 0% | 0% |
| Available-for-sale financial assets | **5,172,121** | 8,669,571 | (3,497,450) | -40% | 2% | 3% |
| Other current assets | **8,716,162** | 8,504,516 | 211,646 | 2% | 3% | 3% |
| Property and equipment | **15,620** | 24,546 | (8,926) | -36% | 0% | 0% |
| Investment properties | **10,028,870** | 22,374,000 | (12,345,130) | -55% | 4% | 8% |
| Other noncurrent assets - net | **110,902,708** | 59,892,558 | 51,010,150 | 85% | 40% | 20% |
| **Total Assets** | **279,923,337** | 296,993,102 | (17,069,765) | -6% | 100% | 100% |
| **LIABILITIES AND EQUITY** | | | | | | |
| Trade and other payables | **28,449,031** | 31,051,650 | (2,602,619) | -8% | 10% | 10% |
| Advances from related parties | **80,047,381** | 80,004,536 | 42,845 | 0% | 29% | 27% |
| Subscriptions payable | **161,959** | 161,959 | - | 0% | 0% | 0% |
| Accrued retirement costs | **3,170,606** | 2,665,286 | 505,320 | 19% | 1% | 1% |
| **Total Liabilities** | **111,828,977** | 113,883,431 | (2,054,454) | -2% | 40% | 38% |
| Capital Stock | **6,388,078,749** | 6,388,078,749 | - | 0% | 2282% | 2151% |
| Additional paid-in capital | **1,613,942,096** | 1,613,942,096 | - | 0% | 577% | 543% |
| Unrealized mark-to-market gain on available-for-sale financial assets | **4,324,120** | 7,821,570 | (3,497,450) | -45% | 2% | 3% |
| Gain on dilution | **226,304** | 226,304 | - | 0% | 0% | 0% |
| Remeasurement loss on defined benefit obligation | **(2,237,878)** | (2,237,878) | - | 0% | -1% | -1% |
| Deficit | **(7,796,603,339)** | (7,785,133,308) | (11,470,031) | 0% | -2785% | -2621% |
| Treasury shares | **(29,435,220)** | (29,435,220) | - | 0% | -11% | -10% |
| Equity Attributable to Non-controlling Interests | **(10,200,472)** | (10,152,642) | (47,830) | 0% | -4% | -3% |
| **Total Equity** | **168,094,360** | 183,109,671 | (15,015,311) | -8% | 60% | 62% |
| **Total Liabilities and Equity** | **279,923,337** | 296,993,102 | (17,069,765) | -6% | 100% | 100% |

***Assets***

The Company recorded consolidated assets of ₱279.9 million as at December 31, 2018, lower by 6% from ₱297.0 million in 2017. The main movements in the balance sheet are as follows:

- Cash and cash equivalents amounted to ₱144.8 million as of December 31, 2018, 26% lower compared to ₱196.6 million as of December 31, 2017. The decrease was mainly attributable to the additional exploration costs of Aragorn Power and Energy Corporation (a subsidiary) (APEC) and the release of the 2nd tranche funds for the Kalinga project community development scholarships for the school year 2017-2018 which are presented as part of Other noncurrent assets account. The decrease was slightly offset by the collection from the sale of investment properties.
- Available-for-sale financial assets decreased by 40% as a result of the movement in stock prices of the shares held by the Company as of December 31, 2018.
- Investment property decreased by 55% or ₱12.3 million due to the sale of parcels of lots in Cebu in 2018.
- Other noncurrent assets increased by 85% due to the additional deferred exploration costs of APEC.

***Liabilities***

The Company's consolidated liabilities decreased slightly by 2% due to the release of the 2nd tranche funds for community development scholarships for the school year 2017-2018.

***Equity***

Stockholders' equity decreased by 8% from ₱183.1 million in 2017 down to ₱168.1 million in 2018 due to comprehensive net loss and unrealized mark-to-market loss on AFS recognized in 2018 amounting to ₱11.5 million and ₱3.5 million, respectively.

The Company does not foresee any cash flow problems during the next twelve months. The Company has enough cash to meet cash requirements in 2019.

There were no off-balance sheet transactions.

As of December 31, 2018, 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, 2018 to December 31, 2017.

**PLAN OF OPERATION**

The Company will focus on the following directions in the next 12 months:

1. Continue with the development of its geothermal resources. Pursue the exploration work program for the Kalinga project.

2. Seek other renewable energy development investment opportunities.

## KEY PERFORMANCE INDICATORS

Management uses the following key performance indicators to evaluate the performance of the Group. 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).** ROA 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).** ROE 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).** AER 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.

| Financial Ratios | YTD 31 December 2020 | YTD 31 December 2019 |
|---|---|---|
| Return on Assets Ratio | (0.02) | (0.02) |
| Return on Equity Ratio | (0.04) | (0.03) |
| Current Ratio | 0.23 | 1.28 |
| Debt to Equity Ratio | 0.75 | 0.69 |
| Asset to Equity Ratio | 1.75 | 1.69 |

*Discussion on the key performance indicators*

**Return on Assets Ratio and Return on Equity Ratio**

The Company's ROA and ROE for 2020 and 2019 are negative due to the reported a net losses for both years. There is no significant movement in these ratios from 2019 to 2020.

**Current Ratio**

Current Ratio decreased from 1.28 in 2019 to 0.23 in 2020 largely due to the decrease in cash used to further the Company's contribution to the Kalinga Project during the year. This resulted to a decrease in cash balance and an increase in Deferred Exploration Costs under noncurrent assets.

**Debt to Equity Ratio**

There is no significant change in the Company's debt to equity ratio as of December 31, 2020 and 2019.

**Assets to Equity Ratio**

There is no significant change in the Company's assets to equity ratio as of December 31, 2020 and 2019.

**Key Variables and other Qualitative and Quantitative Factors**

The Company expects no material commitments for capital expenditures and expected funds in 2020. To the best of the Company's knowledge, aside from what has already been mentioned in the preceding, there are no known trends, events or uncertainties that will have a material impact on revenues; no significant elements of income or loss that did not arise from continuing operations aside from those disclosed in the Notes to the Audited Financial Statements; and no seasonal aspects with material effect on results of operations.

APC Group, Inc. maintains sufficient cash balances to meet minimum operational requirements, as determined by management from time to time. Additional cash requirements are sourced from affiliates. To the best of the Company's knowledge, there are no known trends, events or uncertainties that will have a material impact on its liquidity.

**1st Quarter 2021 Management's Discussion and Analysis**

**Item 1. Financial Statements**

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

| | | March 31, 2021 (Unaudited) | | December 31, 2020 (Audited) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | ₱ | **17,320,708** | ₱ | 21,475,809 |
| Trade and other receivables - net | | **5,158,157** | | 3,702,273 |
| Other current assets | | **15,940** | | 15,940 |
| Total Current Assets | | **22,494,805** | | 25,194,022 |
| **Noncurrent Assets** | | | | |
| Property and equipment | | **29,506** | | 34,712 |
| Investment property | | **12,048,000** | | 12,048,000 |
| Financial assets at fair value through other comprehensive income | | **2,511,805** | | 2,829,755 |
| Deferred exploration costs and other noncurrent assets | | **227,392,907** | | 227,319,455 |
| Total Noncurrent Assets | | **241,982,218** | | 242,231,922 |
| | ₱ | **264,477,023** | ₱ | 267,425,944 |
| **LIABILITIES AND EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Trade and other payables | ₱ | **28,477,122** | ₱ | 28,652,844 |
| Advances from a related party | | **79,978,631** | | 79,978,631 |
| Total Current Liabilities | | **108,455,753** | | 108,631,475 |
| **Noncurrent Liabilities** | | | | |
| Accrued retirement costs | | **5,966,007** | | 5,966,007 |
| Other noncurrent liabilitie | | | | |
| Total Noncurrent Liabilities | | **5,966,007** | | 5,966,007 |
| Total Liabilities | | **114,421,760** | | 114,597,482 |
| **Equity Attributable to Equity Holders of the Parent Company** | | | | |
| Capital stock | | **63,880,787** | | 63,880,788 |
| Additional paid-in capital | | **144,295,958** | | 144,295,958 |
| Unrealized gain on financial assets at fair value through other comprehensive income | | **1,663,804** | | 1,981,754 |
| Remeasurement loss on defined benefit obligation | | **(3,986,494)** | | (3,986,494) |
| Equity reserves | | **(3,140,235)** | | (3,140,235) |
| Deficit | | **(16,315,060)** | | (13,903,180) |
| Treasury shares - 7,606,000 shares | | **(29,435,220)** | | (29,435,220) |
| Total Equity Attributable to Equity Holders of the Parent Company | | **156,963,540** | | **159,693,371** |
| **Equity Attributable to Non-controlling Interests** | | **(6,908,277)** | | (6,864,909) |
| Total Equity | | **150,055,263** | | 152,828,462 |
| | ₱ | **264,477,023** | ₱ | 267,425,944 |

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

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | 1st Quarter (January to Mach) | Year-to-date (January to Mach) | 1st Quarter (January to March) | Year-to-date (January to March) |
| **INCOME** | | | | |
| Interest income | ₱ 44,287 | ₱ 44,287 | ₱ 763,558 | ₱ 763,558 |
| Dividend income | - | - | 319,476 | 319,476 |
| | 44,287 | 44,287 | 1,083,034 | 1,083,034 |
| **EXPENSES** | | | | |
| General and administrative expenses | (2,499,534) | (2,499,534) | (2,908,069) | (2,908,069) |
| **NET LOSS BEFORE AND AFTER INCOME TAX** | (2,455,247) | (2,455,247) | (1,825,035) | (1,825,035) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| Unrealized loss on financial assets at fair value through other comprehensive income | (317,950) | (317,950) | (1,685,135) | (1,685,135) |
| **TOTAL COMPREHENSIVE LOSS** | ₱ (2,773,197) | ₱ (2,773,197) | ₱ (3,510,170) | ₱ (3,510,170) |
| **Net Loss Attributable to:** | | | | |
| Equity holders of the Parent Company | | (2,411,880) | | (1,821,505) |
| Non-controlling interests | | (43,367) | | (3,530) |
| | | ₱ (2,455,247) | | ₱ (1,825,035) |
| **Total Comprehensive Loss Attributable to:** | | | | |
| Equity holders of the Parent Company | | (2,729,830) | | (3,506,640) |
| Non-controlling interests | | (43,367) | | (3,530) |
| | | ₱ (2,773,197) | | ₱ (3,510,170) |
| **Basic/Diluted Loss Per Common Share** | | | | |
| (P-2,455,247/7,504,203,997) March 31, 2021 | | (0.000327) | | |
| (P-1,825,035/7,504,203,997) March 31, 2020 | | | | ₱ (0.000243) |
| **Weighted average number of common shares:** | | | | |
| Total common shares | | 7,511,809,997 | | 7,511,809,997 |
| Less: Treasury shares | | 7,606,000 | | 7,606,000 |
| **Weighted average common shares** | | 7,504,203,997 | | 7,504,203,997 |

**APC GROUP INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2021** (Unaudited) | 2020 (Unaudited) |
| Authorized: | | |
| Preferred stock - P0.1 par value | **6,000,000,000 shares** | 6,000,000,000 shares |
| Common stock - P0.01 par value | **14,000,000,000 shares** | 14,000,000,000 shares |
| Issued | ₱ 59,981,491 | ₱ 59,981,491 |
| Subscribed (net of subscription receivable) | 3,899,297 | 3,899,297 |
| **Capital stock** | **63,880,787** | 63,880,787 |
| **Additional paid-in capital** | **144,295,958** | 144,295,958 |
| **Unrealized gain/loss on financial assets at fair value through other comprehensive income** | | |
| Balance at the beginning of period | 1,981,754 | 2,776,629 |
| Other comprehensive income | (317,950) | (1,685,135) |
| Balance at the end of period | **1,663,804** | 1,091,494 |
| **Remeasurement loss on defined benefit obligation** | **(3,986,494)** | (2,237,878) |
| **Equity Reserves** | **(3,140,235)** | (3,140,235) |
| **Deficit** | | |
| Balance at the beginning of period | (13,903,180) | (7,801,877,958) |
| Adjustment from quasi-reorganization | - | 7,793,844,100 |
| Net loss | (2,411,880) | (1,821,505) |
| Balance at the end of period | **(16,315,060)** | (9,855,363) |
| **Treasury shares - 7,606,000 shares** | **(29,435,220)** | (29,435,220) |
| **Minority interest** | **(6,908,277)** | (6,856,279) |
| | **₱ 150,055,263** | ₱ 157,743,264 |

**APC GROUP INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | | For the Three Months Ended March 31 | | |
|---|---|---|---|---|
| | | **2021 (Unaudited)** | | 2020 (Unaudited) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Loss before income tax | ₱ | **(2,455,247)** | ₱ | (1,825,035) |
| Adjustments for: | | | | |
| Interest income | | **(44,287)** | | (763,558) |
| Dividend income | | **-** | | (319,476) |
| Depreciation and amortization | | **5,206** | | 7,438 |
| Operating loss before working capital changes | | **(2,494,328)** | | (2,900,631) |
| Decrease (increase) in: | | | | |
| Trade and other receivables | | **(1,455,884)** | | (2,170,446) |
| Other current assets | | **-** | | - |
| Decrease in: | | | | |
| Trade and other payables | | **(175,722)** | | (70,009) |
| Advances from a related party | | **-** | | - |
| Cash used in operations | | **(4,125,934)** | | (5,141,086) |
| Interest received | | **44,287** | | 763,558 |
| Dividends received | | **-** | | 319,476 |
| **Net cash used in operating activities** | | **(4,081,647)** | | (4,058,052) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Increase in deferred exploration costs and noncurrent assets | | **(73,454)** | | (177,395) |
| **Net cash used in investing activities** | | **(73,454)** | | (177,395) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(4,155,101)** | | (114,410,682) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | | **21,475,809** | | 137,491,340 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | ₱ | **17,320,708** | ₱ | 23,080,658 |

## Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

### Consolidated Statements of Financial Position

| | Mar 31, 2021 (Unaudited) | Dec 31, 2020 (Audited) | Horizontal Analysis Increase (Decrease) Amount | % | Vertical Analysis 2021 % | 2020 % |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Current Assets** | | | | | | |
| Cash and cash equivalents | **₱ 17,320,708** | ₱ 21,475,809 | (4,155,101) | -19% | 51% | 8% |
| Trade and other receivables - net | **5,158,157** | 3,702,273 | 1,455,884 | 39% | 0% | 1% |
| Other current assets | **15,940** | 15,940 | - | 0% | 3% | 0% |
| Total Current Assets | **22,494,805** | 25,194,022 | (2,699,217) | -11% | 55% | 9% |
| **Noncurrent Assets** | | | | | | |
| Property and equipment | **29,506** | 34,712 | (5,206) | -15% | 0% | 0% |
| Investment property | **12,048,000** | 12,048,000 | - | 0% | 4% | 5% |
| Financial assets at fair value through other comprehensive income | **2,511,805** | 2,829,755 | (317,950) | -11% | 2% | 1% |
| Deferred exploration costs and other noncurrent assets | **227,392,907** | 227,319,455 | 73,452 | 0% | 40% | 85% |
| Total Noncurrent Assets | **241,982,218** | 242,231,922 | (249,704) | 0% | 45% | 91% |
| | **₱ 264,477,023** | ₱ 267,425,944 | (2,948,921) | -1% | 100% | 100% |
| **LIABILITIES AND EQUITY** | | | | | | |
| **Current Liabilities** | | | | | | |
| Trade and other payables | **₱ 28,477,122** | ₱ 28,652,844 | (175,722) | -1% | 10% | 11% |
| Advances from a related party | **79,978,631** | 79,978,631 | - | 0% | 29% | 30% |
| Total Current Liabilities | **108,455,753** | 108,631,475 | (175,722) | 0% | 39% | 41% |
| **Noncurrent Liabilities** | | | | | | |
| Accrued retirement costs | **5,966,007** | 5,966,007 | - | 0% | 1% | 2% |
| Total Noncurrent Liabilities | **5,966,007** | 5,966,007 | - | 0% | 1% | 2% |
| Total Liabilities | **114,421,760** | 114,597,482 | (175,722) | 0% | 40% | 43% |
| **Equity Attributable to Equity Holders of the Parent Company** | | | | | | |
| Capital stock | **63,880,788** | 63,880,788 | - | 0% | 2291% | 24% |
| Additional paid-in capital | **144,295,958** | 144,295,958 | - | 0% | 579% | 54% |
| Unrealized gain on financial assets at fair value through other comprehensive income | **1,663,804** | 1,981,754 | (317,950) | -16% | 2% | 1% |
| Remeasurement loss on defined benefit obligation | **(3,986,494)** | (3,986,494) | - | 0% | -1% | -1% |
| Equity reserves | **(3,140,235)** | (3,140,235) | - | 0% | -1% | -1% |
| Deficit | **(16,315,060)** | (13,903,180) | (2,411,880) | 17% | -2797% | -5% |
| Treasury shares - 7,606,000 shares | **(29,435,220)** | (29,435,220) | - | 0% | -11% | -11% |
| Total Equity Attributable to Equity Holders of the Parent Company | **156,963,541** | 159,693,371 | (2,729,830) | -2% | 63% | 60% |
| **Equity Attributable to Non-controlling Interests** | **(6,908,278)** | (6,864,909) | (43,369) | 1% | -2% | -3% |
| Total Equity | **150,055,263** | 152,828,462 | (2,773,199) | -2% | 60% | 57% |
| **Total Liabilities and Equity** | **₱ 264,477,023** | ₱ 267,425,944 | (2,948,921) | -1% | 100% | 100% |

As of March 31, 2021, consolidated assets of APC Group, Inc. and its subsidiaries (the Company) amounted to ₱264.5 million, lower by ₱2.9 million (1%) compared to the December 31, 2020 balance of ₱267.4 million.

- Cash decreased by ₱4.2 million mainly due to the disbursements for general and administrative expenses for the quarter amounting to ₱2.5 million as well as payment of additional reimbursable expenses related to the Kalinga Project presented as part of the receivables in the consolidated statement of financial position.

- Financial assets at fair value through other comprehensive income decreased by ₱0.3 million due to the decrease in value of the investments in shares of the Company.

The Company's consolidated liabilities amounted to ₱114.4 million. The movement in this account pertains to the payment of the accrued and other payables during the first quarter of the year.

Total equity as of March 31, 2021 and December 31, 2020 amounted to ₱150.1 million and ₱152.8 million, respectively. The decline, amounting to ₱2.5 million, is attributable to the comprehensive loss incurred during the period.

There were no off-balance sheet transactions.

### Consolidated Statements of Comprehensive Income

| | For the Three Months Ended March 31 | | Horizontal Analysis | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2021 (Unaudited)** | 2020 (Unaudited) | Increase (Decrease) Amount | % | 2021 % | 2020 % |
| **INCOME** | | | | | | |
| Interest income | ₱ **44,287** | ₱ 763,558 | (719,271) | -94% | 100% | 71% |
| Dividend income | **-** | 319,476 | (319,476) | -100% | 0% | 29% |
| | **44,287** | 1,083,034 | (1,038,747) | -96% | 100% | 100% |
| **EXPENSES** | | | | | | |
| General and administrative expenses | **(2,499,534)** | (2,908,069) | 408,535 | -14% | -5644% | -269% |
| **NET LOSS BEFORE AND AFTER INCOME TAX** | **(2,455,247)** | (1,825,035) | (630,212) | 35% | -5544% | -169% |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | | | |
| Unrealized loss on financial assets at fair value through other comprehensive income | **(317,950)** | (1,685,135) | 1,367,185 | -81% | -718% | -156% |
| **TOTAL COMPREHENSIVE LOSS** | ₱ **(2,773,197)** | ₱ (3,510,170) | 736,973 | -21% | -6262% | -324% |

The Company ended the first quarter of 2021 with total net loss of ₱2.5 million. This higher net loss versus the net loss of ₱1.8 million for the same period in 2020 is attributable mainly to the decline in interest income from its cash and cash equivalents and dividend income from its investments in FVOCI, offset in part by the decrease in general and administrative expenses of the Company for the period.

Unrealized mark-to-market loss on its investments at FVOCI contributed to bringing the Company's comprehensive loss to ₱2.8 million as of March 31, 2021.

As of March 31, 2021, except for what has been noted 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 expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company for the periods ended December 31, 2020 and March 31, 2021 except those mentioned above.

## 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 Mar 31, 2021 | YTD Dec 31, 2020 | YTD Mar 31, 2020 |
|---|---|---|---|
| Return on Assets Ratio | (0.04) | (0.02) | (0.03) |
| Return on Equity Ratio | (0.07) | (0.04) | (0.05) |
| Current Ratio | 0.21 | 0.23 | 0.25 |
| Debt to Equity Ratio | 0.76 | 0.75 | 0.71 |
| Asset to Equity Ratio | 1.76 | 1.75 | 1.71 |

*Discussion on the key performance indicators*

**Return on Assets Ratio and Return on Equity Ratio**

The Company's ROA and ROE as of March 31, 2021 and 2020 are negative due to the reported net loss for both years. There is no significant change in the ROA and ROE of the Company as of March 31, 2021 and 2020.

**Current Ratio**

Current ratio declined from 0.23 as of December 31, 2020 to 0.21 as of March 31, 2021 due to the decline in the cash balance of the Company as discussed above.

**Debt to Equity Ratio**

There is no significant change in the debt to equity ratio of the Company as of March 31, 2021 and as of December 31, 2020.

**Assets to Equity Ratio**

There is no significant change in the asset to equity ratio of the Company as of March 31, 2021 and as of December 31, 2020.

## PART II OTHER INFORMATION

Other than what has been reported, no event has since occurred.

## ANNEX TO THE MD&A SECTION

## 1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as the "Company"):

| | | Percentage of Ownership | | |
|---|---|---|---|---|
| Subsidiaries | Nature of Business | Direct | Indirect | Total |
| APEC [1] | Energy | 95.6 | – | 95.6[3] |
| PRC - Magma [1, 2] | Energy | – | 85.0 | 85.0 |
| APC Cement [1] | Manufacturing | 100.0 | – | 100.0 |
| APC Energy [1] | Mining | 100.0 | – | 100.0 |
| APC Mining [1] | Mining | 83.0 | – | 83.0 |

*(1) Still in the pre-operating stage*
*(2) A direct subsidiary of APEC*
*(3) On April 10, 2018, the Parent Company subscribed to additional shares of APEC through capital infusion amounting to ₱76.5 million which increased the ownership interest of the Parent Company from 90% to 95.6%. This resulted to change in ownership interests in APEC without loss of control and accounted for as deemed acquisition of NCI. Loss on dilution of NCI amounting to ₱3.4 million was presented as part of "Equity Reserves" in the Consolidated Statement of Financial Position.*

All of the subsidiaries were incorporated in the Philippines.

## 2. RISK EXPOSURES

### Financial Risk Management

The Company's principal financial liabilities comprise trade and other payables and advances from related parties. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include cash and cash equivalents that derive directly from its operations. Other financial instruments consist of financial assets at fair value through other comprehensive income (FVOCI) and advances from a related party.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and equity price risk. The BOD and the 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 is exposed 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.

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.

Liquidity Risk
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 Company's financial assets which are used to meet its short-term liquidity needs, include cash and cash equivalents, receivables and financial assets at FVOCI.

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 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.

There is no material change in the financial risk exposures of the company and its subsidiaries particularly on currency, interest, credit, market and liquidity risks on its March 31, 2021 interim financial statements compared to the December 31, 2020 audited consolidated financial statements of APC Group Inc.

Fair value of Financial Instruments

A comparison by category of the carrying values and estimated fair values of the Company's financial instruments that are carried in the consolidated financial statements as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial assets: | | | | |
| Loans and receivables: | | | | |
| Cash and cash equivalents | 17,320,708 | 17,320,708 | 21,475,809 | 21,475,809 |
| Trade and other Receivables | 5,158,157 | 5,158,157 | 3,702,273 | 3,702,273 |
| Deposits* | 190,398 | 190,398 | 190,398 | 190,398 |
| AFS financial assets | 2,511,805 | 2,511,805 | 2,829,755 | 2,829,755 |
| Total financial assets | **25,181,068** | **25,181,068** | **28,198,235** | **28,198,235** |
| Financial liabilities - | | | | |
| Other financial liabilities: | | | | |
| Trade and other payables** | 27,960,152 | 27,960,152 | 36,531,489 | 36,531,489 |
| Advances from related parties | 79,978,631 | 79,978,631 | 79,978,631 | 79,978,631 |
| Total current financial liabilities | **107,938,783** | **107,938,783** | **116,510,120** | **116,510,120** |

**Excluding cash on hand amounting to ₽10,000 as at March 31, 2021 and December 31, 2020*
*** Included in "Other noncurrent assets" account*
****Excluding statutory liabilities.*

Cash and Cash Equivalents, Trade and Other Receivables, 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.

Deposits
The carrying value of deposits (included as part of "Other noncurrent assets" account in the consolidated statements of financial position) approximates fair value as at March 31, 2021 and December 31, 2020 due to unavailability of information as to the repayment date that would provide a reasonable basis for the fair value measurement.

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

The following tables provide the fair value measurement hierarchy of the Company's assets and liabilities as at March 31, 2021 and December 31, 2020:

| | March 31, 2021 | | |
|---|---|---|---|
| | **Total** | **Level 1** | **Level 3** |
| Assets measured at fair value: | | | |
| Investment properties | ₱ **12,048,000** | ₱ **–** | ₱ **12,048,000** |
| Financial assets at FVOCI | **2,511,805** | **2,511,805** | **–** |
| Total financial assets | ₱ **14,559,805** | ₱ **2,511,805** | ₱ **12,048,000** |

| | December 31, 2020 | | |
|---|---|---|---|
| | Total | Level 1 | Level 3 |
| Assets measured at fair value: | | | |
| Investment properties | ₱ 10,028,870 | ₱ – | ₱ 10,028,870 |
| Financial assets at FVOCI | 1,939,495 | 1,939,495 | – |
| Total financial assets | ₱ 11,968,365 | ₱ 1,939,495 | ₱ 10,028,870 |

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 March 31, 2021 and year ended December 31, 2020.

## 3. OTHER REQUIRED DISCLOSURES

A.) The attached interim financial reports were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial Statements for the period ended December 31, 2020.

B.) Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.

C.) There were no material changes in estimates of amounts reported in prior periods that have material effects in the current interim period.

D.) Except as disclosed in the MD&A, there were no other issuance, repurchase and repayments of debt and equity securities.

E.) There were no material events that occurred subsequent to March 31, 2021 and up to the date of this report that need disclosure herein.

F.) There were no changes in the composition of the Company during the interim period such as business combinations, acquisition or disposals of subsidiaries and long-term investments, restructuring and discontinued operations.

G.) There were no changes in contingent liabilities or contingent assets since December 31, 2020 and as of March 31, 2021.

H.) There exist no material contingencies and other material events or transactions affecting the current interim period.

**FINANCIAL STATEMENTS**

The audited Financial Statements and Supplementary Schedules for the year 2020 are filed as part of 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, 2020 and 2019 | CSFP |
| Consolidated Statements Comprehensive Income for the years ended December 31, 2020, 2019 and 2018 | CSCI |
| Consolidated Statements of Changes in Equity for the years ended December 31, 2020, 2019 and 2018 | CSCE |
| Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018 | CCFS |
| Notes to Consolidated Financial Statements | |

**Supplementary Schedules**

| | |
|---|---|
| Report of Independent Auditors on Supplementary Schedules: | |
| I. Map of the Relationships of the Companies within the Group | Attached |
| II. Supplementary Schedules Required by Paragraph 6D, Part II of SRC Rule 68, as Amended (2011) | |
| A. Financial Assets | Attached |
| B. Amounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related Party) | Attached |
| C. Amount Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements | Attached |
| D. Intangible Assets - Other Assets | Attached |
| E. Long-term Debt | Not Applicable |
| F. Indebtedness to Related Parties | Not Applicable |
| G. Guarantees of Securities of Other Issuers | Not Applicable |
| H. Capital Stock | Attached |
| III. Financial Ratios – Key Performance Indicators | Attached |
| IV. Schedule of all the effective standards and interpretation | Attached |
| V. Reconciliation of Retained Earning Available for Dividend Declaration | Not Applicable |

**Compliance with Corporate Governance Practices**

The Company remains focused on ensuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders. The following are measures being undertaken by the Company to fully comply with the adopted leading practices on good corporate governance.

Despite the restrictions imposed due to the on-going pandemic, the Company was able to comply with the guidelines set by the SEC on disclosures and holding of its Annual Stockholders' Meeting on August 10, 2020 via webinar as a virtual format.

**Board Attendance**

Regular meetings of the Board are scheduled before the beginning of the year and are held at least six (6) times annually. Special meetings may also be called by the Chairman, the President or Corporate Secretary. A director's absence or non-participation in more than fifty percent (50%) of all meetings in a year is a ground for temporary disqualification in the succeeding election. During 2020, each of the Company's directors have complied with the requirements to continue carrying out their functions. Majority of the Board and Committee meetings were held virtually as allowed by the SEC during the quarantine period.

Below table shows the attendance of each board member in the meetings conducted during the year:

| **Attendance in Board of Directors' Meetings in 2020** | | | | | | | |
|---|---|---|---|---|---|---|---|
| Director | | 02/14/20 | 06/25/20 | 08/10/20* | | 11/04/20 | 12/10/20 |
| 1 | Willy N. Ocier | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 2 | Jackson T. Ongsip | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 3 | Bernardo D. Lim | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 4 | Edmundo L. Tan | ✓ | - | ✓ | ✓ | ✓ | ✓ |
| 5 | Virginia A. Yap | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 6 | Laurito E. Serrano** | ✓ | ✓ | N.A. | N.A. | N.A | N.A. |
| 7 | Tomas D. Santos | ✓ | ✓ | ✓ | - | ✓ | ✓ |
| 8 | Rafael M. Alunan III*** | N.A. | N.A. | ✓ | ✓ | ✓ | ✓ |

**Board Performance Evaluation**

The Company conducts annual performance evaluations of the Board, its individual members and Board Committees to ensure optimum Board performance. In this evaluation process, directors identify areas for improvement, some of which are: the timeliness and integrity of information given to them, directors' access to management, the Corporate Secretary and Board Advisors, and other forms of assistance as needed. The Board reviews the results of these evaluations and agrees on clear action plans to address any issues raised.

In line with governance best practices, the board evaluations may be facilitated by a third-party independent assessor every three (3) years reckoned from January 1, 2017 (effectivity date of the 2016

Code of Corporate Governance for Publicly Listed Companies). This evaluation system was established by the Company to measure or determine the level of compliance of the Board and top level management with the Company's Manual on Corporate Governance.

The Board members assessed the Board as a whole based on their balance/diversity, competencies, background and experience. Board efficiency and importance as well as board activities were also given theappropriate ratings.

The six (6) Board Committees were also assessed based on their performance.

Individual performances were also assessed based on independence, participation and diligence.

Likewise, Chairperson and CEO were assessed for their leadership, integrity, diligence and adherence tocorporation governance, while the following key officers were also evaluated for the over-all performance:
1. Chief Finance Officer
2. Chief Risk Officer
3. Chief Compliance Officer
4. Internal Audit Head

The assessments for the 2019 and 2020 performances were conducted on February 14, 2020 and May 7, 2021, respectively.

**Continuing Education Programs**
The Board identifies areas of continuing education on corporate governance topics they require. To keep the Board and key officers well-informed of governance-related developments, regular annual education programs are conducted in coordination with SM Investments Corporation and training providers duly accredited by the SEC. The Company plans to improve its corporate governance through these continuing education programs by applying appropriate and reasonable learnings to have a more effective and efficient policies.

The annual training for 2020 was conducted by the Institute of Corporate Directors in October.

Management also regularly attends roundtable discussions organized by the SEC, Philippine Stock Exchange and other regulators to be kept abreast of the new memorandum circulars, notices and advisories. The Board and Management are apprised of such, and thereafter cascaded to concerned employees for immediate implementation and full compliance.

**Manual on Corporate Governance**
In compliance with the initiative of the SEC, APC submitted its Revised Manual on Corporate Governance (the "Revised Manual") to the SEC. The Revised Manual institutionalizes the principles of good corporate governance in the entire Company. APC believes that corporate governance, the framework of rules, systems and processes governing the performance of the Board and Management of their respective duties and responsibilities, and from which the organization's values and ethics emerge, is of utmost importance to the Company's shareholders and other stakeholders, which include, among others, clients, employees, suppliers, financiers, government and community in which it operates. The Company undertakes every effort possible to create awareness throughout the entire organization.

**Board Committees**
Even prior to the submission of its Manual, the Company already created various Board-level committees. These committees were comprised of:

1. The Executive Committee – to oversee the management of the Company and is responsible for the Company's goals, finances and policies;

2. Audit Committee – to review financial and accounting matters;
3. Compensation and Remuneration Committee – to look into an appropriate remuneration system;
4. Risk Oversight Committee – to review the policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks;
5. Related Party Transactions Committee – to assess material agreements with related parties to ensure that the RPT are conducted at market rates and on an arm's length basis; and
6. Corporate Governance Committee – to assist and advise the Board in performing corporate governance compliance responsibilities in relation with the Company's Revised Manual on Corporate Governance, the Philippine Code of Corporate Governance, and the disclsoure rules of the SEC and the PSE.
    - Nomination Committee – for the selection and evaluation of qualifications of directors and officers.
      On May 9, 2018, the Nomination Committee was merged with the Corporate Governance Committee.

Each of the above is guided by their respective Committee Charters that indicates the purpose, composition, duties and responsibilities. The Board Committee Charters are reviewed annually.

**Risk Oversight Committee**

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.

The Risk Oversight Committee (ROC) evaluates the effectiveness of the Company's risk management system on an annual basis. The Board of Directors, through the ROC, has reviewed the Company's risk management system for 2020 and has found the same effective and adequate.

**The Audit Committee**

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 Board of Directors, through the Audit Committee, has reviewed the effectiveness of the Company's internal control system, including the information technology security controls. Effective and adequate internal control mechanisms are in place, implemented and properly complied with for the year 2020.

**Corporate Objectives**

The Board establishes the corporate objectives, which are:

- To create opportunities for growth through strategic and viable investments and to enhance shareholder value for APC's partners and investors; and
- To promote mutually beneficial relationship with all the stakeholders that is grounded on transparency, integrity and respect and to enhance the quality of life of the communities it serves.
- Participation in activities that develop the quality of life in the communities it serves through scholarship and other programs for ancestral domains.

**Code of Business Conduct and Ethics**

The Company remains committed to align with the best corporate governance practices following the release of the 2016 Code of Corporate Governance for Publicly-Listed Companies. In addition to the Revised Manual, the Company's Code of Business Conduct and Ethics (CBCE) defines good governance, ethics and compliance practices expected throughout the organization. The Revised Manual and CBCE are communicated to directors, officers and employees to ensure familiarity and adherence. These documents are also made public through the Company's website.

**Governance Policies**

Corporate policies on governance were developed, submitted to and approved by the Board to protect the interests and rights of the shareholders and stakeholders and to promote transparency and accountability. Such governance related policies are shown below and may be viewed through the APC Corporate website http://www.apcaragorn.net: These policies and procedures are initially cascaded throughout the organization via email blast, intranet portal and annual corporate governance trainings. The Board, through its various Board Committees, ensures that adequate internal control mechanisms are implemented and properly complied in all levels.

1. Accountability, Integrity and Vigilance (Whistle-Blowing)
2. Alternative Dispute Resolution
3. Board Diversity
4. Conflict of Interest
5. Corporate Disclosures
6. Directors' Board Seats Held in Other Companies
7. Employees' Safety, Health and Welfare
8. Gifts / Hospitality / Entertainment
9. Insider Trading
10. Related Party Transactions
11. Succession Planning and Retirement Age for Directors and Key Officers
12. Tenure of Independent Directors
13. Vendor Accreditation and Selection
14. Material Related Party Transactions

**Alternative Dispute Resolution**

A neutral third party participates to assist in the resolution of issues between the Company and stockholders, third parties and regulatory authorities. The alternative dispute resolution system may include arbitration, mediation, conciliation, early neutral evaluation, mini-trial, or any combination thereof, as the Company and the circumstances sees fit.

Consideration is given to the need to promote candor through confidentiality of the process, the policy of fostering prompt, economical, and amicable resolution of disputes in accordance with the principles of integrity of determination by the parties, and the policy that the decision-making authority in the process rests with the parties. There were no conflicts between the Company and its stockholders, the Company and third parties, and the Company and regulatory authorities, for the last three years.

**Board Diversity**

The Corporate values and promotes a diversity policy in the composition of our Board to reinforce its effectiveness in providing strategic direction, oversight and compliance with laws and regulations.

Diversity in age, gender, ethnicity, experience, field expertise, and personal qualities shall be considered by the Board as it installs a process of selection to ensure a mix of competent directors and key officers. Diversity will foster critical discussion and promote balanced decisions by the Board by utilizing the difference in perspective of its directors.

| APC Board Skill Set Matrix | | | | INDUSTRY EXPERIENCE / EXPERTISE / COMPETENCIES | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NAME and DESIGNATION | AGE | GENDER | EDUCATIONAL BACKGROUND | Accounting / Audit | Anti-Money Laundering | Banking | Corp. Gov. | Economics | Finance | Hospitality / Leisure | IT / Comm | Insurance | Investment | Internal Control | Law | Management | Manufacturing | Mining | Real Estate | Retail | Risk Management | Sales & Mktg. |
| **Willy N. Ocier**<br>Chairman | 64 | M | Bachelor of Arts in Economics | | | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | | | ✓ | | | ✓ | ✓ | ✓ | ✓ |
| **Jackson T. Ongsip**<br>President, CEO & CRO | 47 | M | Bachelor of Science in Accountancy | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | | | ✓ | | | ✓ | | | ✓ | ✓ | ✓ | |
| **Edmundo L. Tan**<br>Director | 74 | M | Bachelor of Arts Degree<br>Bachelor's Degree in Law | | ✓ | ✓ | ✓ | | ✓ | | | ✓ | | | ✓ | ✓ | | ✓ | | | | |
| **Bernardo D. Lim**<br>Non-Executive Director | 73 | M | Bachelor of Science in Business Administration | ✓ | ✓ | | ✓ | ✓ | ✓ | | | ✓ | ✓ | | | ✓ | | ✓ | | | | |
| **Virginia A. Yap**<br>Director | 69 | F | Bachelor of Science Degree<br>Commerce, Accounting Major | ✓ | | | ✓ | ✓ | ✓ | ✓ | | ✓ | | ✓ | | ✓ | | | ✓ | | ✓ | |
| **Tomas D. Santos**<br>Independent Director | 67 | M | Bachelor of Science in Business Administration Degree | | | | ✓ | ✓ | ✓ | | | | ✓ | | | ✓ | | | | | | ✓ |
| **Rafael M. Alunan III**<br>Lead Independent Director | 72 | M | Master in Business Administration-Senior Executive Program and Public Administration | ✓ | | | ✓ | | | ✓ | | | ✓ | | | | | | | ✓ | ✓ | ✓ |

**Directors' disclosures on self-dealing and related party transactions.**
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.

The Company aims to conduct business in accordance with the highest standards of business ethics. To thisend, all business dealings should be compliant with all applicable laws and must not in any way compromisethe good name and reputation of the Company.

All Directors, Officers and Employees shall act with utmost integrity and shall not engage in unfair dealingpractices. The Company prohibits any conflict of interest, unfair competition, breach of trust, insider trading,or any other act inimical to the Company's interest.

All Directors, Officers and Employees are required to disclose in writing to the Management, within forty-eight (48) hours, 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.

Directors shall inhibit themselves from participating in any discussion, deliberation and decision-making concerning any issue or transaction where they may be conflicted.

The Company shall not extend loans to Directors and Officers unless these grants are conducted at arms-length basis and at prevailing market rates.

Directors, Officers and Employees are prohibited from buying or selling (trading) shares of stock of APC Group, Inc. using material non-public information and obtained by reason of position, contact within or other relationship with the Company. They are also prohibited from passing on such information to someone elsewho then buys or sells the Company's shares of stock.

Trading Restriction Period – Directors, Officers and Employees and covered persons mentioned above are prohibited from trading in APC Group, Inc. shares within the period five (5) trading days before and two (2) trading days after the disclosure of quarterly and annual financial results and any other material information.

This is pursuant to Section 13.2 of the PSE Disclosure Rules – "A Director or Principal Officer of an Issuermust not deal in the Issuer's securities during the period within which a material non-public information is obtained and up to two full trading days after the price sensitive information is disclosed."

Reporting Requirements – Directors, Officers and Employees are required to report to the governance, Corporate Affairs and Investor Relations (GCAIR) Department all dealings in APC Group, Inc. shares within three (3) business days from the date of trading. All Directors and Key Officers covered by the SEC and PSE's reporting requirements with regard to their shareholdings in the Company shall do so immediately and correctly.

Directors' trading/ownership of Company shares as of May 31, 2021 is shown below:

| | Shareholdings as of 12/31/19 | Acquisition | Disposition | Shareholdings as of 05/31/21 Direct | Ownership Percentage |
|---|---|---|---|---|---|
| **Willy N. Ocier** | **310,001** | **-** | **-** | **310,001** | **0.00** |
| **Bernardo D. Lim** | **1,000** | **-** | **-** | **1,000** | **0.00** |
| **Edmundo L. Tan** | **1** | **-** | **-** | **1** | **0.00** |
| **Tomas D. Santos** | **1** | **-** | **-** | **1** | **0.00** |
| **Virginia A. Yap** | **10,001** | **-** | **-** | **10,001** | **0.00** |
| **Laurito E. Serrano[a]** | **1** | **-** | **-** | **-** | **0.00** |
| **Rafael M. Alunan III[b]** | **-** | **-** | **-** | **1** | **0.00** |
| **Jackson T. Ongsip** | **1** | **-** | **-** | **1** | **0.00** |
| **Total** | **321,006** | **-** | **-** | **321,006** | **0.00** |

**[a] up to August 10, 2020**
**[b] elected on August 10, 2020**

**For governance related issues or concerns, stakeholders may refer to:**

Governance and Corporate Affairs Department
5th Floor Tower A, Two E-com Center
Palm Coast Avenue, Mall of Asia Complex
Pasay City 1300 Philippines
Tel.No.:(632) 8662-8888
Email: governance@bellecorp.com

The Company, through its Chief Compliance Officer, stresses its compliance with applicable laws and adherence to ethical practices as stated in the CBCE and the Revised Manual. APC is not aware of any non-compliance with the Revised Manual by any of its directors, officers or employees.

**CERTIFICATION**

**UNDERTAKING TO PROVIDE COPIES OF THE INFORMATION STATEMENT AND THE ANNUAL REPORT**

UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND VOTE AT THE MEETING, THE COMPANY SHALL FURNISH SUCH SHAREHOLDER WITH A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A WITHOUT CHARGE. ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED TO:

**ATTY. RICHARD ANTHONY D. ALCAZAR**
Corporate Secretary
**Tan Acut Lopez & Pison Law Offices**
23rd Floor, Philippine Stock Exchange Centre
East Tower Exchange Road, Ortigas Center
Pasig City 1605

**Schedule "A"**

# 2021 ANNUAL STOCKHOLDERS' MEETING

**Guidelines for Participating via Remote Communication and Voting *in Absentia***

The 2021 Annual Stockholders' Meeting (**ASM**) of APC Group, Inc. ("**APC**" or the "**Company"**) will be held on July 22, 2021, Thursday, at 2:00 P.M. and the Board of Directors of the Company has fixed the end of trading hours of the Philippine Stock Exchange, Inc. on June 15, 2021 ("**Record Date"**) as the record date for the determination of stockholders entitled to the notice of, to attend, and to vote at such meeting and any adjournment thereof.

The Board of Directors of the Company has approved and authorized stockholders to participate in the ASM via remote communication and to exercise their right to vote *in absentia* or by proxy. This is in view of the community quarantine currently implemented in various areas of the country and in consideration of health and safety concerns of everyone involved.

**Registration Period**: The conduct of the meeting will be streamed live, and stockholders may attend the meeting by registering until July 19, 2021, 12:00 P.M. via ***apc.corsec@gmail.com*** and by submitting the following requirements and documents, subject to verification and validation:

1. Individual Stockholders

    1.1. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others in order to validate the registration of the shareholder (up to 2MB)
    1.2. Stock certificate number
    1.3. Active e-mail address/es
    1.4. Active contact number/s, with area and country codes

2. Multiple Stockholders or with joint accounts
    2.1. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others in order to validate the registration of the shareholders (up to 2MB)
    2.2. Stock certificate number/s
    2.3. Active e-mail addresses of the stockholders
    2.4. Active contact numbers, with area and country codes
    2.5. Digital copy of an authorization letter executed by all named holders, authorizing a holder to vote for and on behalf of the account

3. Corporate Stockholders
    3.1. Digital copy of the Secretary's Certificate (or equivalent for non-resident) attesting to the authority of the representative to vote for and on behalf of the corporation
    3.2. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others to validate the registration of the authorized representative (no more than 2MB)
    3.3. Active e-mail address/es of the authorized representative
    3.4. Active contact number of authorized representative, with area and country codes

4. PCD Participants/Brokers
    4.1. Digital copy of the Secretary's Certificate (or equivalent for non-resident) attesting to the authority of the representative to vote for and on behalf of the PCD participant/broker
    4.2. Digital copy of the certificate of shareholdings issued by the PCD/broker
    4.3. Clear digital copy of the front and back portion of a valid government-issued

identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others to validate the registration of the authorized representative (no more than 2MB)

4.4. Active e-mail address/es of the authorized representative

4.5. Active contact number of authorized representative, with area and country codes

***Online Voting***

Stockholders who have successfully registered and validated shall be provided by a ballot with a brief description of each item for stockholders' approval are appended as Annex A to the Notice of Meeting.

A stockholder has the option to vote "Yes", "No", or "Abstain" on each agenda item for approval.

For the election of directors, the stockholder has the option to vote for all nominees, withhold vote for any of the nominees, or vote for certain nominees only.

*Note: A stockholder may vote such number of his/her shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected (7 directors for APC Group, Inc. ) multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder.*

***ASM Livestream***

The ASM will be broadcasted live and stockholders who have successfully registered and validated can participate via remote communication. Details of the meeting will be sent to stockholders in the emails provided to the Company.

Video recordings of the ASM will be adequately maintained by the Company and will be made available to participating stockholders upon request.

***Open Forum***

During the virtual meeting, the Company will have an Open Forum, during which, the meeting's moderator will read and where representatives of the Company shall endeavor to answer as many of the questions and comments received from stockholders as time will allow.

Stockholders may send their questions in advance by sending an email bearing the subject "ASM 2021 Open Forum" to ***apc.corsec@gmail.com*** on or before 21 July 2021. A section for stockholder comments/questions or through a "Q&A" button shall also be provided in the livestream platform.

Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by the Company's Investor Relations.

***For any concerns, please contact the Company's Governance and Corporate Affairs Department at (+632) 8662-8888 local 2179 or via email at governance@bellecorp.com.***

***For complete information on the annual meeting, please visit http://www.apcaragorn.net/.***

APC GROUP INC.

# STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **APC Group, Inc. and Subsidiaries** (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

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

**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 1, 2021

SUBSCRIBED AND SWORN to before me this MAR 0 1 2021 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 Expiry | Place of Issue |
|---|---|---|---|
| Willy N. Ocier | | November 18, 2021 | |
| Jackson T. Ongsip | | January 24, 2030 | |
| Ian Jason R. Aguirre | | July 2. 2022 | |

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Page No. 67
Book No. 58
Series of 2021

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-66 until 12/31/2021
PTR No. ... Jan. 4, 2021 until Dec. 31, 2021 Makati City
Roll No. ... IBP Lifetime N...
MCLE No VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City

G/F MyTown New York Bldg.
General E. Jacinto St. cor. Capas St.
Brgy. Guadalupe Nuevo, Makati City
Tel.: (632) 662-8888 loc 2101

# 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 )*

G/F MyTown New York Bldg., General E. Jacinto St. cor. Capas St., Brgy. Guadalupe Nuevo, Makati City

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AACFS | SEC | N/A |

**COMPANY INFORMATION**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| apcgrpinc@gmail.com | 8662-8888 loc.2144 | – |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 592 | Second Thursday of June | December 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 | apcgrpinc@gmail.com | 8662-8888 loc. 2144 | – |

**CONTACT PERSON's ADDRESS**

G/F MyTown New York Bldg., General E. Jacinto St. cor. Capas St., Brgy. Guadalupe Nuevo, 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.*

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT**

The Stockholders and the Board of Directors
APC Group, Inc.
G/F MyTown New York Bldg.
General E. Jacinto St. corner Capas St.
Brgy. Guadalupe Nuevo, Makati City

**Opinion**

We have audited the consolidated financial statements of APC Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements.

The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

*Recoverability of Deferred Exploration Costs*

As at December 31, 2020, the carrying value of the Group's deferred exploration costs amounted to ₱218.0 million. These deferred exploration costs pertain to the Aragorn Power and Energy Corporation (APEC)'s participating interest in Geothermal Renewable Service Contract (GRESC) and the expenditures incurred by APEC for the Kalinga Geothermal Project. Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The ability of APEC to recover its deferred exploration costs would depend on the commercial viability of the reserves. We considered this as a key audit matter because of the materiality of the amount involved and the significant management judgment required in assessing whether there is any indication of impairment.

The Group's disclosures about deferred exploration costs are included in Notes 1, 3 and 10 to the consolidated financial statements.

*Audit Response*

We obtained management's assessment on whether there is any indication that deferred exploration costs may be impaired. We reviewed the summary of the status of exploration project as of December 31, 2020, as certified by the APEC's President, and compared it with the disclosures submitted to regulatory agencies. We reviewed contracts and agreements, and budget for exploration costs. We inspected the licenses/permits of the exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

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

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

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Johnny F. Ang.

SYCIP GORRES VELAYO & CO.

Johnny F. Ang
Partner
CPA Certificate No. 0108257
SEC Accreditation No. 1284-AR-2 (Group A),
May 16, 2019, valid until May 15, 2022
Tax Identification No. 221-717-423
BIR Accreditation No. 08-001998-101-2018,
November 6, 2018, valid until November 5, 2021
PTR No. 8534213, January 4, 2021, Makati City

March 1, 2021

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

| | December 31 | |
|---|---|---|
| | **2020** | 2019 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Notes 5, 18 and 19) | **₱21,475,809** | ₱137,491,340 |
| Receivables (Notes 6, 18 and 19) | **3,702,273** | 1,585,194 |
| Other current assets | **15,940** | 2,586 |
| Total Current Assets | **25,194,022** | 139,079,120 |
| **Noncurrent Assets** | | |
| Property and equipment (Note 8) | **34,712** | 62,234 |
| Investment property (Notes 9 and 19) | **12,048,000** | 10,028,870 |
| Financial assets at fair value through other comprehensive income (FVOCI) (Notes 7, 18 and 19) | **2,829,755** | 3,624,630 |
| Deferred exploration costs (Note 10) | **218,013,500** | 111,520,001 |
| Input value added tax (VAT) | **9,282,133** | 8,962,888 |
| Other noncurrent assets (Notes 18 and 19) | **23,822** | 23,822 |
| Total Noncurrent Assets | **242,231,922** | 134,222,445 |
| | **₱267,425,944** | ₱273,301,565 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Trade and other payables (Notes 11, 18 and 19) | **₱28,652,844** | ₱28,627,801 |
| Advances from a related party (Notes 16, 18 and 19) | **79,978,631** | 79,978,631 |
| Total Current Liabilities | **108,631,475** | 108,606,432 |
| **Noncurrent Liability** | | |
| Accrued retirement costs (Note 14) | **5,966,007** | 3,441,697 |
| Total Liabilities | **114,597,482** | 112,048,129 |
| **Equity Attributable to Equity Holders of the Parent Company** | | |
| Capital stock (Notes 12 and 18) | **63,880,788** | 6,388,078,749 |
| Additional paid-in capital (Notes 12 and 18) | **144,295,958** | 1,613,942,096 |
| Cumulative change in fair value of financial assets at FVOCI (Note 7) | **1,981,754** | 2,776,629 |
| Remeasurement loss on defined benefit obligation (Note 14) | **(3,986,494)** | (2,237,878) |
| Equity reserves (Note 2) | **(3,140,235)** | (3,140,235) |
| Deficit | **(13,903,180)** | (7,801,877,957) |
| Treasury shares - 7,606,000 shares (Notes 12 and 17) | **(29,435,220)** | (29,435,220) |
| Total Equity Attributable to Equity Holders of the Parent Company | **159,693,371** | 168,106,184 |
| **Non-controlling Interests** | **(6,864,909)** | (6,852,748) |
| Total Equity | **152,828,462** | 161,253,436 |
| | **₱267,425,944** | ₱273,301,565 |

*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **REVENUES** | | | |
| Interest income (Note 5) | **₱947,058** | ₱4,651,666 | ₱3,569,449 |
| Dividend income (Note 7) | **319,476** | 319,476 | 279,224 |
| | **1,266,534** | 4,971,142 | 3,848,673 |
| **EXPENSES** | | | |
| General and administrative expenses (Note 13) | **(9,167,147)** | (10,264,576) | (12,350,727) |
| **OTHER INCOME (EXPENSES)** | | | |
| Gain on change in fair value of investment property (Note 9) | **2,019,130** | – | – |
| Loss on sale of investment property (Note 9) | – | – | (3,015,807) |
| | **2,019,130** | – | (3,015,807) |
| **LOSS BEFORE INCOME TAX** | **(5,881,483)** | (5,293,434) | (11,517,861) |
| **PROVISION FOR INCOME TAX** (Note 15) | – | – | – |
| **NET LOSS** | **(5,881,483)** | (5,293,434) | (11,517,861) |
| **OTHER COMPREHENSIVE LOSS** | | | |
| Item not to be reclassified to profit or loss in subsequent periods: | | | |
| Change in fair value of financial assets at FVOCI (Note 7) | **(794,875)** | (1,547,491) | (3,497,450) |
| Remeasurement loss on defined benefit obligation (Note 14) | **(1,748,616)** | – | – |
| | **(2,543,491)** | (1,547,491) | (3,497,450) |
| **TOTAL COMPREHENSIVE LOSS** | **(₱8,424,974)** | (₱6,840,925) | (₱15,015,311) |
| **Net Loss Attributable to:** | | | |
| Equity holders of the Parent Company (Note 17) | **(₱5,869,322)** | (₱5,274,618) | (₱11,470,031) |
| Non-controlling interests | **(12,161)** | (18,816) | (47,830) |
| | **(₱5,881,483)** | (₱5,293,434) | (₱11,517,861) |
| **Total Comprehensive Loss Attributable to:** | | | |
| Equity holders of the Parent Company | **(₱8,412,813)** | (₱6,822,109) | (₱14,967,481) |
| Non-controlling interests | **(12,161)** | (18,816) | (47,830) |
| | **(₱8,424,974)** | (₱6,840,925) | (₱15,015,311) |
| **Basic/Diluted Loss Per Common Share** (Note 17) | **(₱0.000782)** | (₱0.000703) | (₱0.001528) |

*See accompanying Notes to Consolidated Financial Statements.*

## APC GROUP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

| | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Capital Stock** (Notes 12 and 18) | **Additional Paid-in Capital** (Notes 12 and 18) | **Cumulative Change in Fair Value of Financial Assets at FVOCI** (Note 7) | **Remeasurement Loss on Defined Benefit Obligation** (Note 14) | **Equity Reserves** | **Deficit** | **Treasury Shares** (Notes 12 and 17) | **Total** | **Non-controlling Interests** | **Total** |
| Balances at January 1, 2020 | **₱6,388,078,749** | **₱1,613,942,096** | **₱2,776,629** | **(₱2,237,878)** | **(₱3,140,235)** | **(₱7,801,877,957)** | **(₱29,435,220)** | **₱168,106,184** | **(₱6,852,748)** | **₱161,253,436** |
| Net loss during the year | – | **–** | **–** | **–** | **–** | **(5,869,322)** | – | **(5,869,322)** | **(12,161)** | **(5,881,483)** |
| Other comprehensive loss | – | **–** | **(794,875)** | **(1,748,616)** | **–** | **–** | – | **(2,543,491)** | – | **(2,543,491)** |
| Total comprehensive loss | – | **–** | **(794,875)** | **(1,748,616)** | **–** | **(5,869,322)** | – | **(8,412,813)** | **(12,161)** | **(8,424,974)** |
| Equity restructuring (Note 12) | **(6,324,197,961)** | **(1,469,646,138)** | **–** | **–** | **–** | **7,793,844,099** | – | – | – | **–** |
| Balances at December 31, 2020 | **₱63,880,788** | **₱144,295,958** | **₱1,981,754** | **(₱3,986,494)** | **(₱3,140,235)** | **(₱13,903,180)** | **(₱29,435,220)** | **₱159,693,371** | **(₱6,864,909)** | **₱152,828,462** |
| Balances at January 1, 2019 | ₱6,388,078,749 | ₱1,613,942,096 | ₱4,324,120 | (₱2,237,878) | (₱3,140,235) | (₱7,796,603,339) | (₱29,435,220) | ₱174,928,293 | (₱6,833,933) | ₱168,094,360 |
| Net loss during the year | – | – | | – | – | (5,274,618) | – | (5,274,618) | (18,816) | (5,293,434) |
| Other comprehensive income | – | – | (1,547,491) | – | – | – | – | (1,547,491) | – | (1,547,491) |
| Total comprehensive loss | – | – | (1,547,491) | – | – | (5,274,618) | – | (6,822,109) | (18,816) | (6,840,925) |
| Balances at December 31, 2019 | ₱6,388,078,749 | ₱1,613,942,096 | ₱2,776,629 | (₱2,237,878) | (₱3,140,235) | (₱7,801,877,957) | (₱29,435,220) | ₱168,106,184 | (₱6,852,748) | ₱161,253,436 |
| Balances at January 1, 2018 | ₱6,388,078,749 | ₱1,613,942,096 | ₱7,821,570 | (₱2,237,878) | ₱226,304 | (₱7,785,133,308) | (₱29,435,220) | ₱193,262,313 | (₱10,152,642) | ₱183,109,671 |
| Net loss during the year | – | – | – | – | – | (11,470,031) | – | (11,470,031) | (47,830) | (11,517,861) |
| Other comprehensive income | – | – | (3,497,450) | – | – | – | – | (3,497,450) | – | (3,497,450) |
| Total comprehensive loss | – | – | (3,497,450) | – | – | (11,470,031) | – | (14,967,481) | (47,830) | (15,015,311) |
| Change in ownership interest in a subsidiary without loss of control (Note 2) | – | – | – | – | (3,366,539) | – | – | (3,366,539) | 3,366,539 | – |
| Balances at December 31, 2018 | ₱6,388,078,749 | ₱1,613,942,096 | ₱4,324,120 | (₱2,237,878) | (₱3,140,235) | (₱7,796,603,339) | (₱29,435,220) | ₱174,928,293 | (₱6,833,933) | ₱168,094,360 |

*See accompanying Notes to Consolidated Financial Statements.*

## APC GROUP, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss before income tax: | **(₱5,881,483)** | (₱5,293,434) | (₱11,517,861) |
| Adjustments for: | | | |
| Interest income (Note 5) | **(947,058)** | (4,651,666) | (3,569,449) |
| Dividend income (Note 7) | **(319,476)** | (319,476) | (279,224) |
| Gain on change in fair value of investment property | **(2,019,130)** | – | – |
| Retirement costs (Note 14) | **775,694** | 271,091 | 505,320 |
| Depreciation (Notes 8 and 13) | **27,522** | 15,868 | 8,926 |
| Loss on sale of investment property (Note 9) | **–** | – | 3,015,807 |
| Operating loss before working capital changes | **(8,363,931)** | (9,977,617) | (11,836,481) |
| Decrease (increase) in: | | | |
| Receivables | **(2,117,079)** | (1,299,988) | 640,959 |
| Other current assets | **(13,354)** | 8,930 | 5,513 |
| Input VAT | **(319,245)** | (258,241) | (217,159) |
| Increase (decrease) in: | | | |
| Trade and other payables | **25,043** | 178,770 | (2,602,619) |
| Advances from a related party | **–** | (68,750) | 42,845 |
| Net cash used in operations | **(10,788,566)** | (11,416,896) | (13,966,942) |
| Interest received | **947,058** | 4,667,178 | 3,569,449 |
| Dividend received | **319,476** | 319,476 | 279,224 |
| Net cash used in operating activities | **(9,522,032)** | (6,430,242) | (10,118,269) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Decrease (increase) in: | | | |
| Deferred exploration costs | **(106,493,499)** | (641,115) | (51,176,727) |
| Other noncurrent assets | | – | 166,577 |
| Decrease in other noncurrent liabilities | **–** | (161,959) | – |
| Acquisition of property and equipment (Note 8) | **—** | (62,482) | – |
| Proceeds from sale of investment property (Notes 9 and 20) | **—** | — | 9,329,323 |
| Net cash used in investing activities | **(106,493,499)** | (865,556) | (41,680,827) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(116,015,531)** | (7,295,798) | (51,799,096) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** (Note 5) | **137,491,340** | 144,787,138 | 196,586,234 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 5) | **₱21,475,809** | ₱137,491,340 | ₱144,787,138 |

*See accompanying Notes to Consolidated Financial Statements.*

## 1. General Information

Corporate Information
APC Group, Inc. (the Parent Company or APC) and subsidiaries (the Group) 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 G/F MyTown New York Bldg., General E. Jacinto St. cor. Capas St., Brgy. Guadalupe Nuevo, Makati City.

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 1, 2021.

Status of Operations

As at March 1, 2021, the following are the status of operations of the Group.

a. Aragorn Power and Energy Corporation (APEC)

   *Kalinga Apayao Geothermal Service Project (Project)*

   As at March 1, 2021, APEC is still in the exploration stage. It was established to engage in renewable energy resource exploration, development and utilization.

   In 2008, APEC was granted a Geothermal Service Contract (GSC) by the Republic of the Philippines, through Department of Energy (DOE), for the exploration, development and exploitation of geothermal resources covering a total area of 26,139 hectares located in the Province of Kalinga (the "Kalinga Geothermal Project" or "KGP"). The GSC was granted after a Certificate Precondition 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 Service Contract (GRESC) in March 2010 to avail of the incentives provided under the Renewable Energy (RE) Act of 2008. GRESC has a term of not exceeding 25 years (including the used term under the GSC) and renewable for not more than 25 years. The total period from pre-development stage to the development/commercial stage shall not exceed 50 years.

   In November 2010, APEC and its partner Guidance Management Corporation (GMC) forged a partnership with AllFirst Kalinga Ltd. (AKL, formerly Chevron Kalinga Ltd.), a wholly owned subsidiary of AllFirst Geothermal Philippines Holdings, Inc., (formerly Chevron Geothermal Philippines Holdings, Inc.) in developing the geothermal area. The parties signed a Farm-out Agreement (FOA) which gives APEC 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, AKL will be responsible for the exploration, development and operation of the steam field and power activities.

On August 13, 2018, APEC has secured an extension of the GRESC exploration period from DOE until September 23, 2020. On August 14, 2018, pursuant to Executive Order No. 30, the Energy Investment Coordinating Council (EICC), through the DOE, granted KGP a Certificate of Energy Project of National Significance (CEPNS) for Pre-Development Phase. The CEPNS entitles KGP to all the rights and privileges provided for under Executive Order No. 30 series 2017.

On September 18, 2018, AKL has assigned its Farm-out interest, including all associated rights and obligations under the FOA, in favor of its affiliate, Allfirst Kalinga Holdings, Inc. (AKHI).

Through letter dated December 28, 2018, the DOE gave KGP the clearance to undertake a system impact study (SIS) of its proposed 120 MW Kalinga Geothermal Project. The SIS of the KGP is currently on-going.

In 2019, KGP completed securing all the remaining necessary permits from the regulatory agencies (i.e. DENR and National Water Resources Board (NWRB)), and maintained and complied with its commitments with each of the representative Council of Elders and Leaders (COEs) under the Memoranda of Agreements (MOAs) supporting the NCIP Certificates of Precondition. KGP has also engaged contractors and suppliers necessary for the construction of access roads, well pads, and well drilling activities.

With the completion of the negotiation for right-of-way, remaining regulatory permits, as well as the engagement of the needed contractors and suppliers, KGP has completed the construction of well pads and access roads, and continues to implement geo-hazard mitigation measures.

On October 12, 2019, the Project commenced drilling of the PAS-02 exploration well and ended drilling operations on April 21, 2020 after reaching a depth of 4,483 ft. (1,366 m MD) and being unable to drill further. Drilling operations encountered many challenges such as technical difficulties with the well amidst the severe impact dealt by the COVID-19 pandemic and the Enhanced Community Quarantine (ECQ) such as limitations to deployment of personnel and delivery of supplies, disruptions to the global supply chain, and reduction in work hours of personnel quarantined onsite to protect their health and safety. Results of the drilling still show promise, with very encouraging commercial temperatures at 568°F (298°C) despite tight permeability.

On October 13, 2020, APEC secured an extension of the GRESC exploration period from DOE until October 12, 2022 with DOE recognizing the significant accomplishments of the project, the difficulties that the project encountered, and the need for further exploration given the results of the drilling PAS-02 with commercial temperature and encouraging chemistry.

The KGP continues to provide scholarship grants and educational assistance to deserving youths from the eight (8) ancestral domains within its contract area. As of school year 2020-2021, the KGP has already extended scholarships to 369 grantees and has produced 280 graduates in various courses. Five (5) scholar graduates in engineering and geology have been hired for the Project.

As of March 1, 2021, APEC has completed sub-phases 1 and 2, covering geochemical and geophysical surveys. APEC is already in the sub-phase 3 stage of the project. In line with this, the consent of nine (9) out of eleven (11) ancestral domains has been secured, covering 85% of the GRESC area. In addition, all of the Community Development (CD) Projects have been fully completed and turned over to the respective community beneficiaries.

The KGP intends to continue exploration activities by re-conducting geology, geochemical, and geophysical surveys (3G) to obtain additional information intended to refine and expand the

Conceptual Model to ensure soundness of the outputs and drilling targets prior to resuming drilling operations.

This KGP involves the development of steam fields that can generate around 120 megawatts (MW) of new capacity, providing an additional source of clean, indigenous and reliable baseload power to the Luzon grid. A 120 MW geothermal project will approximately cost more than USD300.0 million.

On January 15, 2020, APEC received a cash call from AllFirst Kalinga Holdings Inc. (AKHI) amounting to USD 2.1 million (Php106.5 million) for 5% share of the USD 42.08 million appraisal drilling budget which includes construction of general facilities, roads, and pads, rig mobilization and demobilization, well drilling, testing, resource feasibility study, other exploration capital (salaries and wages) and corporate social responsibility.

b. APC Energy Resources Inc. (APC Energy)

APC Energy was established to engage in exploration, development and utilization of renewable energy resources. As at March 1, 2021, APC Energy is still in the pre-operating stage.

c. APC Mining Corporation (APC Mining)

APC Mining was organized to engage in mining, processing, manufacturing, buying and selling of all kinds of ores, metals and minerals. As at March 1, 2021, APC Mining is still in the pre-operating stage.

d. APC Cement Corporation (APC Cement)

APC Cement was established to engage in the manufacture of cement. As at March 1, 2021, APC Cement is still in the pre-operating stage.

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

PRC Magma was established 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. As at March 1, 2021, PRC Magma is still in the pre-operating stage.

## 2. Basis of Preparation and Consolidation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and investment properties which are measured at fair value. The consolidated financial statements are presented in Philippine peso (₱), which is the Group's functional and presentation currency under Philippine Financial Reporting Standards (PFRSs). 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 PFRSs.

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at December 31, 2020 and 2019:

| | | Percentage of Ownership | | |
|---|---|---|---|---|
| Subsidiaries | Nature of Business | Direct | Indirect | Total |
| APEC (1) | Energy | 95.6 | – | 95.6(3) |
| PRC - Magma (1, 2) | Energy | – | 85.0 | 85.0 |
| APC Cement (1) | Manufacturing | 100.0 | – | 100.0 |
| APC Energy (1) | Mining | 100.0 | – | 100.0 |
| APC Mining (1) | Mining | 83.0 | – | 83.0 |

*(1) Still in the pre-operating stage*
*(2) A direct subsidiary of APEC*
*(3) On April 10, 2018, the Parent Company subscribed to additional shares of APEC through capital infusion amounting to ₱76.5 million which increased the ownership interest of the Parent Company from 90% to 95.6%. This resulted to change in ownership interests in APEC without loss of control and accounted for as deemed acquisition of NCI. Loss on dilution of NCI amounting to ₱3.4 million was presented as part of "Equity Reserves" in the Consolidated Statement of Financial Position.*

All of the subsidiaries were incorporated in the Philippines.

Control is achieved when the Parent Company is exposed, or has right, to variable returns from its involvement with the investee. Specifically, the Parent Company controls an investee, if and only if, the Parent Company has:
- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority voting rights results in control. To support this presumption, and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- the contractual arrangements with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss.  Any investment retained is recognized at fair value.

Non-controlling Interests (NCI)
NCI represent the portion of profit or loss and the net assets not held by the Group 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 owners of the Parent Company.  Any losses applicable to a non-controlling shareholder of a consolidated subsidiary in excess of the non-controlling shareholder's equity in the subsidiary are charged against the NCI even if this results in NCI having a deficit.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2020.   The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

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

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output.  Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.  These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform.  A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.  A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The amendment is not applicable to the Group since the Group did not receive lease concessions in 2020.

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

*Effective beginning on or after January 1, 2021*

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- o The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- o Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively.

*Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.
  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

*Deferred effectivity*

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

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

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

## Summary of Significant Accounting Policies

### Current versus Noncurrent Classification
The Group presents assets and liabilities in consolidated statements of financial position based on current/noncurrent classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the 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 classified as current when it is:

- Expected to be settled in normal operating cycle;
- Held primarily for the purpose of trading;
- 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 terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent.

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.

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 Group.

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 Group 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 Group 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 Group determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy.

The Group recognizes transfers into and transfers out of fair value hierarchy levels by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) as at the date of the event or change in circumstances that caused the transfer.

External valuers are involved for the valuation of significant assets, such as investment 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 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.

*'Day 1' Difference*. When 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 Group 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 Group determines the appropriate method of recognizing the 'Day 1' difference amount.

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

*Initial recognition and measurement.* Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

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

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

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

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

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

As at December 31, 2020 and 2019, the Group has no financial assets at FVOCI with recycling of cumulative gains and losses and financial assets at FVTPL.

*Financial assets at amortized cost (debt instruments).* This category is the most relevant to the Group.

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

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

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

The Group's cash and cash equivalents, receivables and deposits (presented under "Other noncurrent assets" account) are classified under this category.

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

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

The Group elected to classify irrevocably its investments in equity instruments under this category.

*Derecognition.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

*Impairment of financial assets.* The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

*Date of Recognition of Financial Liabilities.* The Company recognizes financial liabilities in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

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

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

Subsequent Measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at FVTPL
- Financial liabilities at amortized cost (loans and borrowings)

As at December 31, 2020 and 2019, the Group has no financial liabilities at FVTPL.

*Financial Liabilities at Amortized Cost (Loans and Borrowing).*
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the profit or loss.

This category includes the Group's trade payables and other current liabilities and advances from a related party.

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

Classification of Financial Instruments between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- 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 Group 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.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Property and Equipment
Property and equipment are stated at cost excluding the cost of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. 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 are computed using the straight-line method over one (1) to five (5) years for office and other equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statements 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 are credited or charged to current operations.

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

Investment Property

Investment property represents land measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment property is 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 property are included in the consolidated statements of comprehensive income in the year in which the gains or losses arise.

The standard requires all entities to measure the fair value of investment property, for the purpose of either measurement (if the entity uses the fair value model) or disclosure (if it uses the cost model). An entity is encouraged, but not required, to measure the fair value of investment property on the basis of a valuation by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

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. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

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.

Deferred Exploration Costs

Expenditures for exploration works on geothermal 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 presented under "Deferred exploration costs" account in the consolidated statement of financial position.

A provision for impairment is provided for unrecoverable deferred exploration costs based on the Group'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 costs 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.

Capital Stock and Additional Paid-in Capital (APIC)

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 APIC.

Treasury Shares
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 Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized as APIC.

Deficit
The amount included in deficit includes cumulative amount of loss attributable to the Group's equity holders.

Revenue Recognition
The Group is organized to engage in the oil and gas exploration and development in the Philippines. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

The Group is still in the pre-operating stage as at December 31, 2020 and 2019.

*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 Group's right to receive the payment is established.

Expenses
General and administrative expenses are recognized as incurred.

Employee Benefits

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

The defined benefit liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Interest on the defined benefit liability
- Remeasurements of defined benefit liability

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

Interest on the defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability. Interest on the defined benefit liability is recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses (excluding interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting period.

Leases Starting January 1, 2019

*Leases.* The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Group as Lessee.* The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- *Short-term Leases.* The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date or initial application of PFRS 16 and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Leases Prior to January 1, 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at 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.

*Group 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 statements of comprehensive income on a straight-line basis over the lease term.

Taxes

*Current Tax.* Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to item recognized directly in equity is recognized in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred Tax*. Deferred income tax is provided using the liability method on 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, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and by the parent, venture or investor, respectively, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences the carry forward benefits of unused tax credits and any unused tax losses from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO) to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward benefits of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference 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; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in 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 as at the reporting date.

Deferred tax relating to items recognized in OCI are included in the related OCI in the consolidated statement of comprehensive income and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax 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 levied by the same taxation authority.

*Value-Added Tax (VAT).* Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as part of "Trade and other payables" account in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as under "Input value added tax" account in the consolidated statement of financial position to the extent of the recoverable amount.

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. Nonmonetary items are translated using the closing exchange rate as at the date of initial transaction.

Provisions
Provisions are recognized when the Group 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 Group 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.

Events after the Reporting Period
Post year-end events that provide additional information about the Group's financial position at the reporting period (adjusting events), if any, are reflected in the consolidated financial statements. Post financial 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 Group has no dilutive potential common shares outstanding.

## 3. Significant Judgment, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgment, estimates and assumptions that affect certain reported amounts and disclosures. In preparing the consolidated financial statements, management has made its best judgment and estimates of certain amounts, giving due consideration to materiality. The judgment, 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.

Judgment, 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 Group believes that the following represent a summary of these significant judgment, 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:

*Recoverability of Deferred Exploration Costs.* The Group recognizes all project related costs as part of deferred exploration costs. An impairment review is performed when there are indicators that the carrying amount of the deferred exploration costs may exceed their recoverable amount. The deferred exploration costs are reassessed on a regular basis and these costs are carried forward provided that all of the following conditions are met:

- the period for which the entity has the right to explore in the specific area has not expired during the period or will not expire in the near future, and is expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is budgeted or planned;
- the exploration for and evaluation of mineral resources in the specific area led to the discovery of commercially viable quantities of mineral resources and the entity has not decided to discontinue such activities in the specific area;
- and sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset will be recovered in full from successful development or by sale.

There were no indicators of impairment of deferred exploration costs in 2020, 2019 and 2018. The carrying value of deferred exploration costs amounted to ₱218.0 million and ₱111.5 million as at December 31, 2020 and 2019, respectively (see Note 10).

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. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Recoverability and Impairment of Non-financial Assets (Excluding Deferred Exploration Cost).* The Group assesses whether there are any indicators of impairment for all non-financial assets, other than deferred exploration cost, at each reporting date. These non-financial assets (input VAT and property and equipment) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends; and decline in appraised value.

Determining the net recoverable amount of assets required the estimation of cash flows expected to be generated from the continuous use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair value reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material adverse impact on the results of operations.

The carrying values of these non-financial assets are as follows:

| | **2020** | 2019 |
|---|---|---|
| Input VAT | **₱9,282,133** | ₱8,962,888 |
| Property and equipment (see Note 8) | **34,712** | 62,234 |

As at December 31, 2020 and 2019, the Group has not identified any indicators or circumstances that would indicate that the Group's input VAT and property and equipment cost are impaired. Thus, no impairment losses on these non-financial assets were recognized in 2020, 2019 and 2018.

*Fair Value of Investment Property.* The Group engaged an independent valuation specialist to determine the fair value of investment property. 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.

The properties pertain to parcels of land in the Municipality of Ginatilan, Cebu. The fair value of investment property amounted to ₱12.0 million and ₱10.0 million as at December 31, 2020 and 2019, respectively (see Note 9).

*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 future 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 future taxable profit will be generated to allow all or part of the deferred tax assets to be utilized. The Group'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 Group's past results and future expectations on revenue and expenses.

Unrecognized deferred tax assets amounted to ₱44.2 million and ₱46.8 million as at December 31, 2020 and 2019, respectively (see Note 15).

*Retirement Costs*. The cost of the defined benefit pension plan 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 and mortality rates. 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.

Retirement costs amounted to ₱0.8 million in 2020, ₱0.3 million in 2019 and ₱0.5 million 2018. Remeasurement loss amounting to ₱1.7 million in 2020 and nil in 2019 and 2018. Accrued retirement costs amounted to ₱6.0 million and ₱3.4 million as at December 31, 2020 and 2019, respectively (see Note 14).

## 4. Segment Information

The Group'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.

As discussed in Note 1, the Group is engaged in mining and exploration activities. The Management assessed that the Group is just considered as one business segment as it does not have other activities other than the exploration projects. The classification of business segment is regularly reviewed by Management Committee, which is the Chief Operating Decision Maker, to make decisions to assess their performances, and for which discrete financial information is available.

The amounts of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the consolidated financial statements, which is in accordance to PFRS.

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

| | **Years Ended December 31** | | |
|---|---|---|---|
| **Segment Operations** | **2020** | 2019 | 2018 |
| Segment expenses | **(₱9,167,147)** | (₱10,264,576) | (₱12,350,727) |
| Gain on change in fair value of investment property | **2,019,130** | – | – |
| Interest income | **947,058** | 4,651,666 | 3,569,449 |
| Dividend income | **319,476** | 319,476 | 279,224 |
| Loss on sale of investment property | – | – | (3,015,807) |
| Net loss | **(₱5,881,483)** | (₱5,293,434) | (₱11,517,861) |
| **As at December 31** | | | |
| Other information: | | | |
| Segment assets | **₱267,425,944** | ₱273,301,565 | ₱279,923,337 |
| Segment liabilities | **114,597,482** | 112,048,129 | 111,828,977 |
| Depreciation | **27,522** | 15,868 | 8,926 |

## 5. Cash and Cash Equivalents

This account consists of:

| | **2020** | 2019 |
|---|---|---|
| Cash on hand and in banks | **₱9,039,050** | ₱4,476,781 |
| Short-term investments | **12,436,759** | 133,014,559 |
| | **₱21,475,809** | ₱137,491,340 |

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 Group and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and short-term investments amounted to ₱0.9 million, ₱4.7 million and ₱3.6 million in 2020, 2019, and 2018, respectively.

## 6. Receivables

This account consists of:

| | **2020** | 2019 |
|---|---|---|
| Advances to AKHI | **₱3,482,649** | ₱1,462,640 |
| Advances to officers and employees | **180,906** | 83,836 |
| Others | **38,718** | 38,718 |
| | **₱3,702,273** | ₱1,585,194 |

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

- Advances to AKHI are noninterest-bearing and are normally settled within a 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. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

| | **2020** | 2019 |
|---|---|---|
| Premium Leisure Corp. (PLC) | **₱2,829,755** | ₱3,624,630 |

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

| | **2020** | 2019 |
|---|---|---|
| Balance at beginning of year | **₱3,624,630** | ₱5,172,121 |
| Change in fair value of financial assets at FVOCI | **(794,875)** | (1,547,491) |
| Balance at end of year | **₱2,829,755** | ₱3,624,630 |

Changes in fair value of financial assets at FVOCI attributable to the shareholders of the Parent Company (presented in the equity section of the consolidated statements of financial position) follow:

| | 2020 | 2019 |
|---|---|---|
| Balance at beginning of year | **₱2,776,629** | ₱4,324,120 |
| Cumulative change in fair value of financial assets at FVOCI | **(794,875)** | (1,547,491) |
| Balance at end of year | **₱1,981,754** | ₱2,776,629 |

The Group received dividend income from PLC shares amounting to ₱0.3 million in 2020, 2019 and 2018.

## 8. Property and Equipment

This account consists of office and other equipment:

| | 2020 | 2019 |
|---|---|---|
| **Cost** | | |
| Balance at beginning and end of year | **₱1,676,615** | ₱1,614,133 |
| Additions | **–** | 62,482 |
| | **1,676,615** | 1,676,615 |
| **Accumulated Depreciation** | | |
| Balance at beginning of year | **1,614,381** | 1,598,513 |
| Depreciation (see Note 13) | **27,522** | 15,868 |
| | **1,641,903** | 1,614,381 |
| **Net book value** | **₱34,712** | ₱62,234 |

There were no idle assets as at December 31, 2020 and 2019.

## 9. Investment Property

The movement of this account follows:

| | 2020 | 2019 |
|---|---|---|
| Balance at beginning of year | **₱10,028,870** | ₱10,028,870 |
| Gain on change in fair value | **2,019,130** | – |
| Balance at end of year | **₱12,048,000** | ₱10,028,870 |

Investment property consists of parcels of land which are being held by the Group for capital appreciation.

In 2018, the Group sold parcels of land for a total consideration amounting to ₱9.3 million which resulted to a loss on sale of investment property of ₱3.0 million.

The fair value of the remaining investment property as at December 31, 2020 was determined by Colliers International Philippines, 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 property are determined using the market data approach by gathering available market evidences.

The Group 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 19.

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

Highest and Best Use
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.

## 10. Deferred Exploration Costs

This account consists of:

| | **2020** | 2019 |
|---|---|---|
| Cost: | | |
| KGP | **₱218,013,500** | ₱111,520,001 |
| Other exploration costs | **63,664,924** | 63,664,924 |
| Mining rights | **48,254,908** | 48,254,908 |
| Balance at end of year | **329,933,332** | 223,439,833 |
| Less allowance for impairment | **111,919,832** | 111,919,832 |
| Net book value | **₱218,013,500** | ₱111,520,001 |

The movement of KGP are as follows:

| | **2020** | 2019 |
|---|---|---|
| Balance at beginning of year | **₱111,520,001** | ₱110,878,886 |
| Additions | **106,493,499** | 641,115 |
| Balance at end of year | **₱218,013,500** | ₱111,520,001 |

Deferred exploration costs relate to geothermal projects. The ability of the Group to recover its deferred exploration costs would depend on the success of exploration activities and on the commercial viability of the reserves (see Note 1).

The Group incurred exploration costs amounting to ₱106.5 million and ₱0.6 million in 2020 and 2019, respectively, in connection with the exploration activities, engineering design and technical feasibility of its Geothermal Kalinga Project (see Note 1).

As of December 31, 2020 and 2019, deferred exploration costs relating to mining rights and other exploration costs were fully provided with allowance.

## 11. Trade and Other Payables

This account consists of:

| | **2020** | 2019 |
|---|---|---|
| Trade | **₱4,878,817** | ₱4,974,345 |
| Payable to third parties | **12,967,994** | 12,978,971 |
| Nontrade payables | **8,735,254** | 8,735,254 |
| Accrued expenses: | | |
| Professional fees | **1,304,826** | 1,304,826 |
| Others | **748,271** | 562,384 |
| Payable to government agencies | **17,682** | 72,021 |
| | **₱28,652,844** | ₱28,627,801 |

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.
- Payable to third parties mostly pertains to payables that are noninterest-bearing and are due and demandable.
- Nontrade payables are noninterest-bearing and payable on demand.
- Accrued expenses mainly pertain to payable to utility and other service providers which are normally settled within the next financial year.

- Payable to government agencies mainly pertain to statutory liabilities such as withholding taxes and premiums on Social Security System (SSS), Philhealth and Pag-IBIG fund which are normally settled within the next financial year.

12. **Equity**

a. Details of authorized and issued capital stock as of December 31, 2020 and 2019 follow:

December 31, 2020

| | Number of Shares | Amount |
|---|---|---|
| Authorized: | | |
| Preferred stock - ₱0.01 par value | 6,000,000,000 | ₱60,000,000 |
| Common stock - ₱0.01 par value | 14,000,000,000 | 140,000,000 |
| | 20,000,000,000 | ₱200,000,000 |

| | Number of Shares | Amounts |
|---|---|---|
| Issued - Common shares | 5,998,149,059 | ₱59,981,491 |
| Subscribed - Common shares | 1,513,660,938 | 15,136,609 |
| | 7,511,809,997 | 75,118,100 |
| Less subscription receivable | | 11,237,312 |
| | 7,511,809,997 | ₱63,880,788 |

December 31, 2019

| | Number of Shares | Amount |
|---|---|---|
| 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 |
| | 20,000,000,000 | ₱20,000,000,000 |

| | Number of Shares | Amounts |
|---|---|---|
| Issued - Common shares | 5,998,149,059 | ₱5,998,149,059 |
| Subscribed - Common shares | 1,513,660,938 | 1,513,660,938 |
| | 7,511,809,997 | 7,511,809,997 |
| Less subscription receivable | | 1,123,731,248 |
| | 7,511,809,997 | ₱6,388,078,749 |

As at December 31, 2020 and 2019, subscription receivable amounted to ₱1,123.7 million (including amount reclassified under additional paid capital of ₱1,112.5 million in 2020).

b. As at December 31, 2020 and 2019, the Group has 7,606,000 treasury shares with cost amounting to ₱29.4 million.

c. The cumulative, convertible preference shares are redeemable and 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 1, 2021, the Parent Company's BOD has not authorized any issuance of preferred shares.

d. The following summarizes the information on the Parent Company'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 592 and 593 as at December 31, 2020 and 2019, respectively.

On August 9, 2017, the Parent Company's BOD approved the reduction of the par value of the Parent Company's capital stock from ₱1 par value per share to ₱0.01 par value per share. This was approved by the Parent Company's stockholders on September 27, 2017.

On February 20, 2020, the SEC approved the decrease in the authorized capital stock of the Parent Company from ₱20,000.0 million divided into 14,000.0 million common shares and 6,000.0 million preferred shares with par value of ₱1 per share to ₱200.0 million divided into 14,000.0 million common shares and 6,000.0 million preferred shares both with par value of ₱0.01 per share.

On February 20, 2020, the SEC approved the equity restructuring of the Parent Company primarily to write-off Parent Company's deficit as of December 31, 2018 amounting to ₱7,793.8 million against the additional paid in capital of ₱7,938.1 million, consequently, the remaining additional paid in capital of ₱144.3 million is not allowed to be applied for future losses that may be incurred by the Parent Company without prior approval of the SEC.

e. Additional paid in capital as of December 31, 2020 and 2019 consists of the following:

| | **2020** | 2019 |
|---|---|---|
| Subscription in excess of par value | **₱1,256,789,894** | ₱1,613,942,096 |
| Less subscription receivables | **(1,112,493,936)** | – |
| | **₱144,295,958** | ₱1,613,942,096 |

The movement in additional paid in capital is as follows:

| | **2020** | 2019 |
|---|---|---|
| Balance at beginning of year | **₱1,613,942,096** | ₱1,613,942,096 |
| Equity restructuring: | | |
| Reclassification of excess in par value from capital stock | **7,436,691,897** | – |
| Reclassification of subscription receivables from capital stock | **(1,112,493,936)** | – |
| Reclassification to retained earnings | **(7,793,844,099)** | – |
| Balance at end of year | **₱144,295,958** | ₱1,613,942,096 |

## 13. General and Administrative Expenses

This account consists of:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Salaries and employee benefits | **₱2,548,262** | ₱4,441,668 | ₱4,899,059 |
| Professional fees and outside services | **2,829,612** | 2,302,035 | 2,366,669 |
| Entertainment, amusement and recreation | **1,162,550** | 1,293,790 | 1,298,363 |
| Transportation and travel | **835,430** | 987,307 | 852,331 |
| Retirement costs (see Note 14) | **775,694** | 271,091 | 505,320 |
| Taxes and licenses | **332,280** | 335,566 | 1,775,476 |
| Dues and subscriptions | **109,199** | 140,590 | 346,412 |
| Rental | **53,572** | 53,571 | 53,571 |
| Depreciation (see Note 8) | **27,522** | 15,868 | 8,926 |
| Others | **493,026** | 423,090 | 244,600 |
| | **₱9,167,147** | ₱10,264,576 | ₱12,350,727 |

## 14. Retirement Plan

The Group 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.

Under the existing regulatory framework, Republic Act (RA) No. 7641, an act amending Article 287 of Presidential Decree (PD) No. 442, as amended, otherwise known as the *Labor Code of the Philippines*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The latest valuation of retirement plan was performed by E.M. Zalamea Actuarial Services, Inc., an independent actuarial, is as of December 31, 2020.

Changes in accrued retirement costs are as follows:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Balance at beginning of year | **₱3,441,697** | ₱3,170,606 | ₱2,665,286 |
| Retirement costs (see Note 13): | | | |
| Current service cost | **576,420** | 108,845 | 351,000 |
| Interest cost | **199,274** | 162,246 | 154,320 |
| | **775,694** | 271,091 | 505,320 |
| Remeasurement loss in other comprehensive income: | | | |
| Actuarial changes due to experience adjustments | **823,624** | – | – |
| Actuarial changes arising from changes in financial assumptions | **924,992** | – | – |
| | **1,748,616** | – | – |
| | **₱5,966,007** | ₱3,441,697 | ₱3,170,606 |

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

| | **2020** | 2019 |
|---|---|---|
| Discount rate | **3.70%** | 5.79% |
| Future salary increase rate | **8.00%** | 8.00% |

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2020 assuming if all other assumptions were held constant:

| | Increase (Decrease) | Increase (Decrease) in accrued retirement cost |
|---|---|---|
| Discount rate | 1.00% | (₱474,499) |
| | (1.00%) | 544,506 |
| Salary increase rate | 1.00% | 516,213 |
| | (1.00%) | (460,797) |

The following are other defined benefit plan information:

| | **2020** | 2019 |
|---|---|---|
| A. Weighted average duration of present value of defined benefit obligation | **8.5 years** | 7.90 years |
| B. Maturity analysis of undiscounted retirement benefit payments | | |
| More than one year up to 5 years | **₱746,262** | ₱517,628 |
| More than 5 years up to 10 years | **2,452,353** | 2,087,323 |
| C. Plan membership information | | |
| Number of active plan members | **6** | 5 |
| Average attained age | **46.7 years** | 47.2 years |
| Average past service | **13.3 years** | 11.1 years |
| Average future service | **10.7 years** | 12.7 years |

15. **Income Tax**

a. There were no provision for income tax in 2020, 2019 and 2018.

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

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Benefit from income tax at statutory income tax rate | **(₱1,764,445)** | (₱1,588,030) | (₱3,455,358) |

*(Forward)*

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Increase (decrease) in income tax resulting from: | | | |
| Expired NOLCO and MCIT | **₱5,552,891** | ₱7,078,825 | ₱5,143,848 |
| Change in unrecognized deferred tax assets | **(3,151,512)** | (4,387,804) | (936,656) |
| Change in fair value of investment property | **(605,739)** | – | – |
| Interest income subjected to final tax | **(284,117)** | (1,395,500) | (1,070,835) |
| Nondeductible expenses | **348,765** | 388,137 | 402,768 |
| Dividend income exempt from income tax | **(95,843)** | (95,843) | (83,767) |
| Others | – | 215 | – |
| Effective income tax | **₱–** | ₱– | ₱– |

c. 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:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Allowance for impairment of deferred exploration costs and mining rights (see Note 10) | **₱111,919,832** | ₱111,919,832 | ₱111,919,832 |
| NOLCO | **29,447,251** | 40,725,019 | 55,383,285 |
| Accrued retirement costs | **5,966,007** | 3,441,697 | 3,170,606 |
| Excess of MCIT over RCIT | – | 890 | 72,327 |
| Others | – | – | 714 |
| | **₱147,333,090** | ₱156,087,438 | ₱170,546,764 |
| Unrecognized deferred tax assets | **₱44,199,927** | ₱46,826,854 | ₱51,214,658 |

Deferred tax assets were not recognized as at December 31, 2020 and 2019 as management believes it is not probable that future taxable profits will be sufficient against which these can be utilized.

d. On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4(b) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The movements in NOLCO and MCIT follow:

| | **2020** | 2019 |
|---|---|---|
| NOLCO: | | |
| Balance at beginning of year | **₱40,725,019** | ₱55,383,285 |
| Additions | **7,228,903** | 8,699,695 |
| Expirations | **(18,506,671)** | (23,357,961) |
| Balance at end of year | **₱29,447,251** | ₱40,725,019 |

| | **2020** | 2019 |
|---|---|---|
| MCIT: | | |
| Balance at beginning of year | **₱890** | ₱72,327 |
| Expirations | **(890)** | (71,437) |
| Balance at end of year | **₱–** | ₱890 |

As of December 31, 2020, the Group has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

| Year Incurred | Availment period | Amount | NOLCO expired | NOLCO unapplied |
|---|---|---|---|---|
| 2017 | 2018-2020 | ₱18,506,671 | (₱18,506,671) | ₱– |
| 2018 | 2019-2021 | 13,518,653 | – | 13,518,653 |
| 2019 | 2020-2022 | 8,699,695 | – | 8,699,695 |
| | | ₱40,725,019 | (₱18,506,671) | ₱22,218,348 |

As of December 31, 2020, the Group has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

| Year Incurred | Availment period | Amount | NOLCO expired | NOLCO unapplied |
|---|---|---|---|---|
| 2020 | 2021-2025 | ₱7,228,903 | ₱– | ₱7,228,903 |

e. Corporate Recovery and Tax Incentive for Enterprise Act (CREATE)

In February 2021, the Bicameral Conference Committee of both the Senate and the Congress have ratified the Bicameral Committee's version of the proposed "Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act", which seeks to reduce the corporate income tax rate and rationalize the current fiscal incentives by making them time-bound, targeted and performance-based. Once the approved bill is submitted to the Office of the President for approval, the President can either approve or veto the fully enrolled bill; or approve or veto only certain provisions of the bill. If the bill is approved or the 30-day time period for the Office of the President to veto the bill has lapsed, the bill will then be enacted as a law.

The key changes of the submitted CREATE bill for approval are as follows:

- Effective July 1, 2020, RCIT rate is decreased from 30% to 20% for corporations with total assets of ₱100.0 million or below and taxable income of ₱5.0 million and below. All other corporations not meeting the criteria will be subject to lowered RCIT rate of 25% from 30%.
- Effective July 1, 2020 and for a period of 3 years, MCIT rate will lowered from 2% to 1% of gross income; and
- Improperly accumulated earnings tax of 10% will be repealed.

The RCIT applied in the calculation of deferred income tax in the preparation of the Group's financial statements as of and for the year December 31, 2020 are based on the substantially enacted tax rates existing as of the balance sheet date which are 30% RCIT and 2% MCIT. Should the CREATE Bill be subsequently enacted as a law prior to the filing deadline of the 2020 annual income tax return on April 15, 2021 and the retrospective effectivity beginning July 1, 2020 for both RCIT and MCIT are carried in the enacted bill, the excess accrued RCIT and MCIT as of the balance sheet date will be considered as reversal of accrual in 2021.

## 16. 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 Group that gives them significant influence over the Group, key management personnel, including directors and officers of the Group 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 Group. Transactions with related parties are normally settled in cash. There have been no guarantees provided or received for any related party receivables or payables and settlement occurs in cash.

Related party transactions amounting to 10% or higher of the Company's consolidated total assets are subject to the approval of the BOD.

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 a Related Party | Terms | Conditions |
|---|---|---|---|---|---|
| ***Stockholder*** | | | | | |
| **Belle** | | | | | |
| (1) Advances | **2020** | **₱–** | **(₱79,406,947)** | On demand; | Unsecured |
| | 2019 | – | (79,406,947) | Noninterest-bearing | |
| (2) Share in expenses | **2020** | **–** | **(571,684)** | On demand; | Unsecured |
| | 2019 | – | (571,684) | Noninterest-bearing | |
| ***Total*** | | | | | |
| Advances from a related party | **2020** | | **(₱79,978,631)** | | |
| | 2019 | | (79,978,631) | | |

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

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Salaries and short-term employee benefits | **₱1,944,667** | ₱2,304,000 | ₱2,304,000 |
| Retirement costs | **345,507** | 190,543 | 190,543 |
| | **₱2,290,174** | ₱2,494,543 | ₱2,494,543 |

## 17. Basic/Diluted Loss Per Common Share

The calculation of loss per share for the years ended December 31 follow:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Loss attributable to equity holders of the Parent Company (a) | **(₱5,869,322)** | (₱5,274,618) | (₱11,470,031) |
| Weighted average number of common shares | **7,511,809,997** | 7,511,809,997 | 7,511,809,997 |

*(Forward)*

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| 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 loss per share (a/b) | **(₱0.000782)** | (₱0.000703) | (₱0.001528) |

There were no dilutive potential common shares for purposes of calculation of loss per share in 2020, 2019 and 2018.

## 18. Financial Risk Management Objectives and Policies

The Group's principal financial liabilities comprise trade and other payables and advances from related parties. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include cash and cash equivalents and receivables that derive directly from its operations. Other financial instruments consist of financial assets at FVOCI and deposits.

The main risks arising from the Group'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 Group's cash resources is managed so as to minimize risk while seeking to enhance yield. The Group is exposed to credit risk, if the counterparty is unwilling or unable to fulfill its obligations and the Group consequently suffers financial loss. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

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

The aging analyses of financial assets as at December 31 are follows:

| | **2020** | | | | |
|---|---|---|---|---|---|
| | **Neither Past Due nor Impaired** | **Past Due but not Impaired** | | | |
| | | **1-60 Days** | **>60 Days** | **Impaired** | **Total** |
| Cash and cash equivalents* | **₱21,465,809** | **₱–** | **₱–** | **₱–** | **₱21,465,809** |
| Receivables: | | | | | |
| Advances to AKHI | **3,482,649** | – | – | – | **3,482,649** |
| Advances to officers and employees | **180,906** | – | – | – | **180,906** |
| Others | **38,718** | – | – | – | **38,718** |
| Deposits** | **23,822** | – | – | – | **23,822** |
| Financial assets at FVOCI | **2,829,755** | – | – | – | **2,828,755** |
| | **₱28,021,659** | **₱–** | **₱–** | **₱–** | **₱28,020,659** |

**Excluding cash on hand amounting to ₱10,000*

***Presented under "Other noncurrent assets" account.*

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Neither Past Due nor Impaired | Past Due but not Impaired 1-60 Days | >60 Days | Impaired | Total |
| Cash and cash equivalents* | ₱137,481,340 | ₱– | ₱– | ₱– | ₱137,481,340 |
| Receivables: | | | | | |
| Advances to AKHI | 1,431,578 | – | 31,062 | – | 1,462,640 |
| Advances to officers and employees | 83,836 | – | – | – | 83,836 |
| Others | 37,718 | – | – | – | 37,718 |
| Deposits** | 23,822 | – | – | – | 23,822 |
| Financial assets at FVOCI | 3,624,630 | – | – | – | 3,624,630 |
| | ₱142,682,924 | ₱– | ₱31,062 | ₱– | ₱142,713,986 |

**Excluding cash on hand amounting to ₱10,000*
***Presented under "Other noncurrent assets" account.*

The financial assets are grouped according to stage whose description is explained as follows:

Stage 1 - Those that are considered current and up to 90 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - Those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 90 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - Those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

As at December 31, 2020, the credit quality of the Group's financial assets are as follows:

| | **2020** | | | |
|---|---|---|---|---|
| | **ECL Staging** | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | |
| | 12-month ECL | Lifetime ECL | Lifetime ECL | **Total** |
| **Financial assets at amortized cost** | | | | |
| Cash and cash equivalents* | **₱21,465,809** | **₱–** | **₱–** | **₱21,465,809** |
| Receivables | **3,702,273** | **–** | **–** | **3,702,273** |
| Deposits** | **23,822** | **–** | **–** | **23,822** |
| **Financial assets at FVOCI** | **2,829,755** | **–** | **–** | **2,829,755** |
| **Gross carrying amount** | **₱28,021,659** | **₱–** | **₱–** | **₱28,021,659** |

**Excluding cash on hand amounting to ₱10,000*
***Presented under "Other noncurrent assets" account*

As at December 31, 2019, the credit quality of the Group's financial assets are as follows:

| | 2019 | | | |
|---|---|---|---|---|
| | **ECL Staging** | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | |
| | 12-month ECL | Lifetime ECL | Lifetime ECL | **Total** |
| **Financial assets at amortized cost** | | | | |
| Cash and cash equivalents* | ₱137,481,340 | ₱– | ₱– | ₱137,481,340 |
| Receivables | 1,584,194 | – | – | 1,584,194 |
| Deposits** | 23,822 | – | – | 23,822 |
| **Financial assets at FVOCI** | 3,624,630 | – | – | 3,624,630 |
| **Gross carrying amount** | ₱142,713,986 | ₱– | ₱– | ₱142,713,986 |

**Excluding cash on hand amounting to ₱10,000*
***Presented under "Other noncurrent assets" account*

Liquidity Risk
Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments. The Group's objective is to maintain continuity of funding. The Group'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 Group 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 Group's financial assets, which are used to meet its short-term liquidity needs, include cash and cash equivalents, receivables and financial assets at FVOCI totaling ₱28.0 million and ₱142.7 million as at December 31, 2020 and 2019, respectively.

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

| | **2020** | | | | |
|---|---|---|---|---|---|
| | **On Demand** | **Less than 3 Months** | **3 to 12 Months** | **Over 1 Year** | **Total** |
| Trade and other payables* | **₱28,635,162** | **₱–** | **₱–** | **₱–** | **₱28,635,162** |
| Advances from a related party | **79,978,631** | **–** | **–** | **–** | **79,978,631** |
| | **₱108,613,793** | **₱–** | **₱–** | **₱–** | **₱108,613,793** |

**Excluding statutory liabilities to the government.*

| | 2019 | | | | |
|---|---|---|---|---|---|
| | On Demand | Less than 3 Months | 3 to 12 Months | Over 1 Year | Total |
| Trade and other payables* | ₱28,555,780 | ₱– | ₱– | ₱– | ₱28,555,780 |
| Advances from a related party | 79,978,631 | – | – | – | 79,978,631 |
| | ₱108,534,411 | ₱– | ₱– | ₱– | ₱108,534,411 |

**Excluding statutory liabilities to the government.*

Equity Price Risk
The Group's investments in equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group 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 Group's senior management on a regular basis. The Group's BOD reviews and approves all equity investment decisions.

The Group's exposure to quoted securities amounted to ₱2.8 million and ₱3.6 million as at December 31, 2020 and 2019, 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 financial assets at FVOCI as at December 31, 2020 and 2019) due to reasonably possible change in equity indices, with all other variables held constant, is as follows:

| | Change in Equity Price* | Effect on Equity |
|---|---|---|
| **2020** | **2%** | **₱62,883** |
| | **(2%)** | **(62,883)** |
| 2019 | 4% | ₱161,095 |
| | (4%) | (161,095) |

**Based on PSE market index*

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

Presently, the cash requirements of the Group 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 Group should be able to maintain a strong and solid capital structure.

The capital structure of the Group consists of capital stock and additional paid-in capital amounting to ₱178.7 million and ₱7,972.6 million after deduction treasury shares at December 31, 2020 and 2019, respectively.

There were no changes in the objectives, policies or procedures during the years ended December 31, 2020 and 2019.

## 19. **Financial Assets and Liabilities**

A comparison by category of the carrying values and estimated fair values of the Group's financial instruments that are carried in the consolidated statements of financial position as at December 31, 2020 and 2019 are as follows:

Cash and Cash Equivalents, Receivables, 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.

Deposits
The carrying value of deposits (included as part of "Other noncurrent assets" account in the consolidated statements of financial position) approximates fair value as at December 31, 2020 and 2019 due to unavailability of information as to the repayment date that would provide a reasonable basis for the fair value measurement.

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

The following tables provide the fair value measurement hierarchy of the Group's assets and liabilities as at December 31, 2020 and 2019:

| | **2020** | | | |
|---|---|---|---|---|
| | **Valuation Date** | **Total** | **Level 1** | **Level 2** |
| Assets measured at fair value: | | | | |
| Investment property | **December 31, 2020** | **₱12,048,000** | **₱–** | **₱12,048,000** |
| Financial assets at FVOCI | **December 31, 2020** | **2,829,755** | **2,829,755** | **–** |
| Total financial assets | | **₱14,877,755** | **₱2,829,755** | **₱12,048,000** |

| | 2019 | | | |
|---|---|---|---|---|
| | Valuation Date | Total | Level 1 | Level 2 |
| Assets measured at fair value: | | | | |
| Investment property | October 12, 2016 | ₱10,028,870 | ₱– | ₱10,028,870 |
| Financial assets at FVOCI | December 31, 2019 | 3,624,630 | 3,624,630 | – |
| Total financial assets | | ₱13,653,500 | ₱3,624,630 | ₱10,028,870 |

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 year ended December 31, 2020 and 2019.

## 20. Supplemental Disclosure of Noncash Activities

In 2020, noncash activities related to the Parent Company's equity restructuring pertain to the following:

- Reclassification of the excess of subscription amount over par value of capital stock from capital stock to additional paid in capital amounting to ₱7,436.7 million as a result of SEC's approval of the Parent Company's decrease in par value of capital stock (see Note 12).
- Reclassification of subscription receivables from capital stock to additional paid in capital amounting to ₱1,112.5 million (see Note 12).
- Reclassification of additional paid in capital to retained earnings amounting to ₱7,436.7 million to wipe out Parent Company's deficit as of December 31, 2018 in accordance with the approval of SEC of the Parent Company's equity restructuring (see Note 12).

There were no noncash activities in 2019.

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT**
**ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
APC Group, Inc.
G/F MyTown New York Bldg.
General E. Jacinto St. corner Capas St.
Brgy. Guadalupe Nuevo, Makati City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of APC Group, Inc. and subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020 and have issued our report thereon dated March 1, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated 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 Group's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Johnny F. Ang
Partner
CPA Certificate No. 0108257
SEC Accreditation No. 1284-AR-2 (Group A),
May 16, 2019, valid until May 15, 2022
Tax Identification No. 221-717-423
BIR Accreditation No. 08-001998-101-2018,
November 6, 2018, valid until November 5, 2021
PTR No. 8534213, January 4, 2021, Makati City

March 1, 2021

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**INDEPENDENT AUDITOR'S REPORT ON**
**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
APC Group, Inc.
G/F MyTown New York Bldg.
General E. Jacinto St. corner Capas St.
Brgy. Guadalupe Nuevo, Makati City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of APC Group, Inc. and subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 1, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Consolidated Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Johnny F. Ang
Partner
CPA Certificate No. 0108257
SEC Accreditation No. 1284-AR-2 (Group A),
May 16, 2019, valid until May 15, 2022
Tax Identification No. 221-717-423
BIR Accreditation No. 08-001998-101-2018,
November 6, 2018, valid until November 5, 2021
PTR No. 8534213, January 4, 2021, Makati City

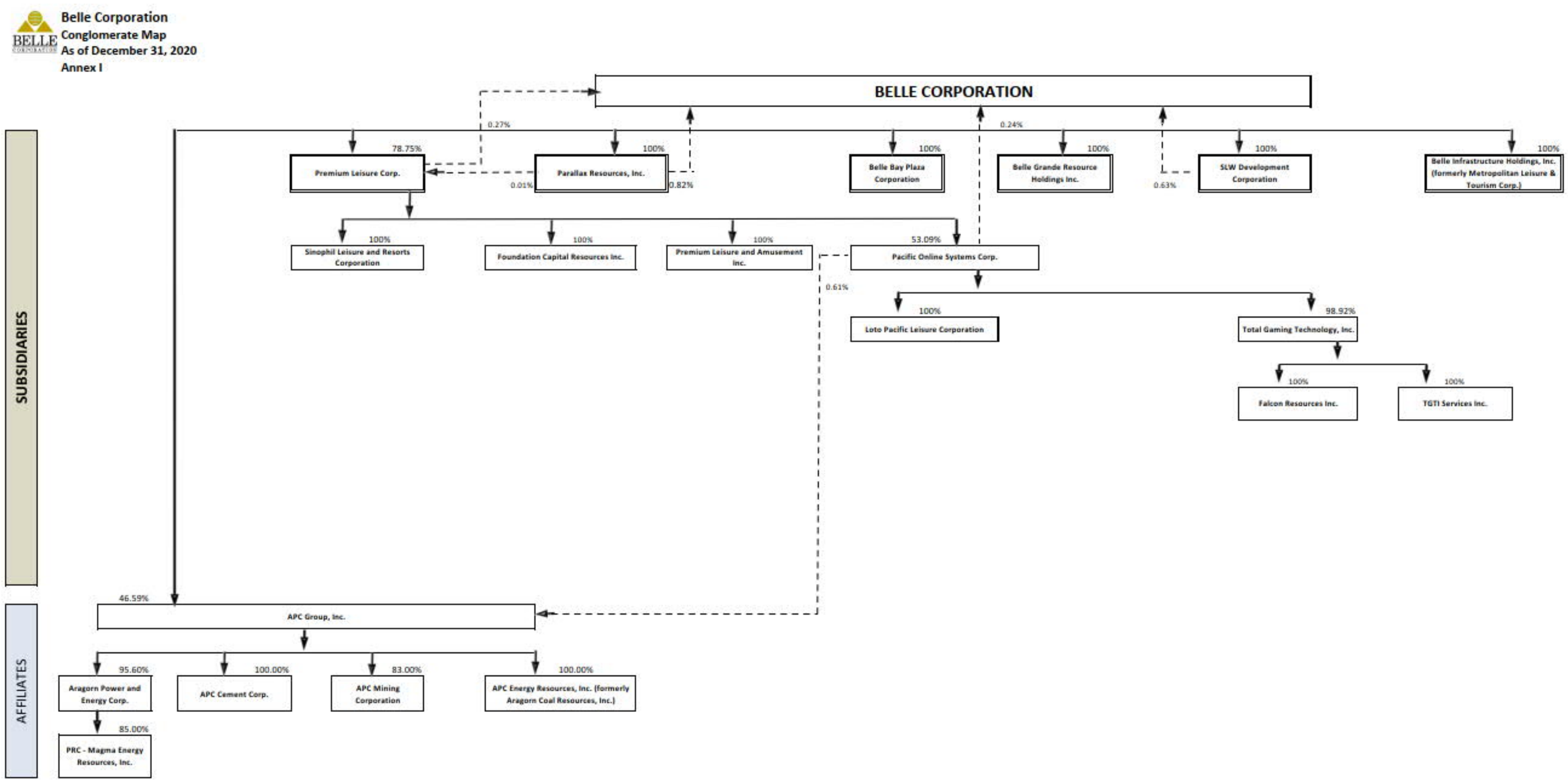
March 1, 2021

# APC GROUP, INC. AND SUBSIDIARIES
**Index to the Consolidated Financial Statements and Supplementary Schedules**
**December 31, 2020**

# APC GROUP, INC. AND SUBSIDIARIES

## MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP

### DECEMBER 31, 2020



## APC GROUP, INC. AND SUBSIDIARIES
## SUPPLEMENTARY SCHEDULES REQUIRED BY REVISED SRC RULE 68
**DECEMBER 31, 2020**

### Schedule A. Financial Assets

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in the statement of financial position | Value based on market quotation at end of reporting period | Income received and accrued |
|---|---|---|---|---|
| **Financial assets at amortized costs** | | | | |
| Cash and cash equivalents | ₱21,475,809 | ₱21,475,809 | N/A | ₱947,058 |
| Receivables | 3,521,367 | 3,521,367 | N/A | – |
| Advances to officers and employees | 180,906 | 180,906 | N/A | – |
| Deposits | 23,822 | 23,822 | N/A | – |
| | 25,201,904 | 25,201,904 | | 947,058 |
| **Financial assets at fair value through other comprehensive income** | | | | |
| Premium Leisure Corp | 6,369,000 | 2,829,755 | | 319,476 |
| | | ₱28,031,659 | | ₱1,266,534 |

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

| Account | Balance at Beginning of Period | Additions | Amounts Collected | Amounts Written Off | Current | Not Current | Balance of end of Period |
|---|---|---|---|---|---|---|---|
| Officers and employees | ₱83,836 | ₱180,906 | (₱83,836) | ₱– | ₱180,906 | ₱– | ₱180,906 |

### Schedule C. Amounts of Receivable from Related Parties which are eliminated during the consolidation of financial statements

| Name and Designation of Debtor | Balance at Beginning of Period | Additions | Amounts Collected | Allowance for Doubtful Account | Current | Not Current | Balance at end ofPeriod |
|---|---|---|---|---|---|---|---|
| APC Mining Corporation | ₱78,575,607 | ₱16,095 | ₱– | (₱78,559,512) | ₱– | ₱– | ₱– |
| APC Cement Corporation | 5,695,409 | 16,195 | – | (5,711,604) | - | – | – |
| APC Energy Resources, Inc. | 7,642,123 | 16,295 | – | (7,658,418) | – | – | – |
| Aragorn Power and Energy Corporation | 5,529,819 | 335,260 | (640) | – | – | 5,864,439 | 5,864,439 |
| | ₱97,442,958 | ₱383,845 | (₱640) | (₱91,929,533) | ₱– | ₱5,864,439 | ₱5,864,439 |

**Schedule D. Long-term Debt**

| Title of Issue and Type of Obligation | Amount Authorized by Indenture | Amount Shown under caption "Current portion of long-term debt" the statement of financial position | Amount Shown under "Long-Term Debt" the statement of financial position |
|---|---|---|---|
| None | – | – | – |

**Schedule E. Indebtedness to Related Parties**

| Name of Related Parties | Balance at Beginning of Period | Additions | Amounts Paid | Current | Not Current | Balance at end of Period |
|---|---|---|---|---|---|---|
| Belle Corporation | ₱79,978,631 | ₱– | ₱ | ₱79,978,631 | ₱– | ₱79,978,631 |

**Schedule F. Guarantees of Securities of Other Issuers**

| Name of issuing entity of securities guaranteed by the company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owned by person for which statement is filed | Nature of Guarantee |
|---|---|---|---|---|
| None | – | – | – | – |

**Schedule G. 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
## Components of Financial Soundness Indicators
## As of December 31, 2020

| Financial Ratios | Formula | | 2020 | 2019 |
|---|---|---|---|---|
| **Current Ratio** | Total current assets divided by total current liabilities | | **0.23** | 1.28 |
| | Total current assets | **₱25,194,022** | | |
| | Divide by: Total current liabilities | **108,631,475** | | |
| | Current ratio | **0.23** | | |
| **Acid Test Ratio** | Quick assets (Total current assets less other current assets) divided by total current liabilities | | **0.23** | 1.28 |
| | Total current assets | **25,194,022** | | |
| | Less: Other current assets | **15,940** | | |
| | Quick assets | **25,178,082** | | |
| | Divide by: Total current liabilities | **108,631,475** | | |
| | Acid test ratio | **0.23** | | |
| **Solvency Ratio** | After tax net loss plus depreciation divided by total liabilities | | **(0.05)** | (0.05) |
| | After tax net loss | **(5,881,483)** | | |
| | Add: Depreciation | **27,522** | | |
| | | **(5,853,961)** | | |
| | Divide by: Total liabilities | **114,597,482** | | |
| | Solvency ratio | **(0.05)** | | |
| **Debt-to-Equity Ratio** | Total liabilities divided by total stockholders' equity | | **0.75** | 0.69 |
| | Total liabilities | **114,597,482** | | |
| | Divide by: Total stockholders' equity | **152,828,462** | | |
| | Debt-to-Equity ratio | **0.75** | | |
| **Asset to Equity Ratio** | Total assets divided by Total stockholders' equity | | **1.75** | 1.69 |
| | Total assets | **267,425,944** | | |
| | Divide by: Total stockholders' equity | **152,828,462** | | |
| | Asset-to-Equity ratio | **1.75** | | |
| **Return on Equity Ratio** | Net loss divided by total stockholders' equity | | **(0.04)** | (0.03) |
| | Net loss | **(5,881,483)** | | |
| | Divide by:Total stockholders' equity | **152,828,462** | | |
| | Return on equity ratio | **(0.04)** | | |
| **Return on Assets Ratio** | Net loss divided by total assets | | **(0.02)** | (0.02) |
| | Net loss | **(5,881,483)** | | |
| | Total assets | **267,425,944** | | |
| | Return on assets ratio | **(0.02)** | | |

| Financial Ratios | Formula | **2020** | 2019 |
|---|---|---|---|
| **Net Debt-to-Equity Ratio** | Total interest-bearing debt less cash and cash equivalents divided by total stockholders 'equity | Not Applicable | |
| **Interest Rate Coverage Ratio** | Earnings before interest and taxes divided by interest Expense | Not Applicable | |
| **Net Profit Margin** | Net income (loss) divided by net sales | Not Applicable | |

**MINUTES OF THE STOCKHOLDERS' MEETING OF**

**APC GROUP, INC.**

Held on 10 August 2020 at 2:00 P.M.
Via Webinar (Zoom) link

DIRECTORS PRESENT:

| | |
|---|---|
| WILLY N. OCIER | Chairman of the Board<br>Director<br>Chairman, Executive Committee<br>Chairman, Compensation and Remuneration Committee |
| JACKSON T. ONGSIP | President & CEO<br>Director<br>Chief Risk Officer<br>Member, Executive Committee |
| BERNARDO D. LIM | Director<br>Chairman, Risk Management Committee<br>Member, Audit Committee<br>Member, Corporate Governance Committee<br>Member, Related Party Transactions Committee |
| EDMUNDO L. TAN | Director<br>Member, Compensation and Remuneration Committee |
| VIRIGINIA A. YAP | Director<br>Member, Executive Committee<br>Member, Compensation and Remuneration Committee |

**ALSO PRESENT:**

| | |
|---|---|
| RICHARD ANTHONY D. ALCAZAR | Corporate Secretary |
| JOHN MICHAEL N. VIDA | Assistant Corporate Secretary |
| IAN JASON R. AGUIRRE | Chief Financial Officer and Treasurer |
| TRISTAN B. CHOA | Vice President for Investor Relations |
| CRISTINA NAGUIT | Third-party Tabulator of Votes |

| | |
|---|---|
| Stockholders present in person or represented by proxy | 4,648,027,814 shares |

The representatives from the Company's external auditor, Sycip Gorres Velayo & Co., Messrs. Ramon D. Dizon, Wilson Tan, Johnny Ang, Martin Guantes, and Ms. Mary Claire Pogeyed, were likewise in attendance to address questions from the stockholders during the Meeting.
==================================================================

1. **Call To Order**

Mr. Willy N. Ocier, the Chairman of the Board, welcomed the stockholders, called the meeting to order, and presided over the proceedings. The Corporate Secretary, Atty. Richard Anthony D. Alcazar, recorded the minutes of the meeting.

2. **Certification of Notice and Quorum**

The Corporate Secretary certified that the notice of the annual stockholders' meeting and the Definitive Information Statement, along with the Corporation's "Guidelines for Participation via Remote Communication and Voting in Absentia" were uploaded via PSE EDGE and posted on the Corporation's website beginning July 7, 2020. In addition, the Corporate Secretary also certified that the notices of the meeting were distributed electronically and by courier to the shareholders starting on July 10, 2020.

The Chairman inquired from the Corporate Secretary whether there was a quorum for the transaction of business by the stockholders.

The Corporate Secretary certified that based on the proxies recorded and on the registration of those personally present at the meeting, that 4,648,027,814 shares representing 61.94% of the aggregate number of 7,504,203,997 shares issued, outstanding and entitled to vote, were either present in person or represented by proxy at the meeting. He then certified that a quorum was present for the transaction of business by the stockholders.

The Chairman then declared that there was a quorum for the transaction of business.

3. **Approval of the Minutes of the Annual Meeting of Stockholders held on 01 July 2019**

The Chairman proceeded to the next item in the agenda which is the approval of the minutes of the previous annual meeting of the stockholders held on July 1, 2019. He inquired if copies of the minutes were provided and made available to all stockholders.

The Corporate Secretary confirmed that the minutes of the stockholders' meeting held on July 1, 2019 were posted on the Corporation's website within 5 days after its adjournment. A copy of the minutes was also appended to the Definitive Information Statement posted on the PSE EDGE and the Corporation's website.

Upon inquiry from the Chair, the Corporate Secretary reported that based on the tabulation of votes, 100% of the shareholders present voted in favor of the approval. Below was the tabulation of votes:

| In Favor | | Against | | Abstain | |
|---|---|---|---|---|---|
| No. of Shares | % | No. of Shares | % | No. of Shares | % |
| 4,648,027,814 | 100% | 0 | 0% | 0 | 0% |

The Chairman then declared that the motion was carried and the minutes were approved, and the following resolution was passed and adopted:

"RESOLVED, that the Minutes of the Annual Stockholders' Meeting of APC Group, Inc. held on 01 July September 2019 is approved."

4. **Approval of the 2019 Operation and Results**

The Chairman proceeded to the next item in the agenda which is the approval of the 2019 operations and results. The Chairman explained that the copies of the Corporations Definitive Information Statement and the accompanying Annual Report had been sent and made available to all stockholders several weeks prior to the meeting, and the same were likewise posted in the Corporation's website. The Annual report contains the summaries of operations and the Audited Financial Statements of the Corporation for the Year 2019. The information Statement and Annual report likewise contains the items required under Section 49 of the Revised Corporation Code.

The Chairman then requested the President and CEO, Mr. Jackson T. Ongsip, to render his report on the Company's results of operations for 2019. The President reported as follows:

> Good afternoon, ladies and gentlemen. To our fellow stockholders, members of the Board of Directors and friends, welcome and thank you for joining us today at the 2020 Annual Stockholders Meeting of APC Group, Inc.
>
> Through the years, APC Group has remained focused on its mission of creating value for our investors and our stakeholders. Allow me to share with you the progress that we made in 2019.
>
> Your Company, through its subsidiary, Aragorn Power and Energy Corporation (APEC), continues to move forward in its Kalinga Geothermal Project (KGP). In 2019, KGP completed securing all the remaining necessary permits from the regulatory agencies (i.e DENR and NWRB), and maintained and complied with its commitments with each of the representative Council of Elders and Leaders (COEs). KGP also completed negotiations for right of way which allowed the Company to engage contractors and suppliers necessary for the construction of access roads, well pads, and well drilling activities. In October 2019, the Project commenced drilling of the PAS-02 exploration well.
>
> There are three considerations to move on to commerciality, namely: temperature, permeability and chemical composition of the gas. The drilling activity in this PAS-02 exploration well was completed and resulted to positive results in terms of temperature. However, the Company has yet to obtain positive results related to permeability and chemical composition. The plan to continue drilling another exploration well, PAS-01 was suspended due to the various challenging impacts of the COVID pandemic. Nevertheless, the Company remains committed to move forward and continue exploration activities once regulatory, logistical and working conditions allow for a safe and effective operations
>
> Your Company is mindful of its responsibility to its many stakeholders. To this end, the KGP continues to provide scholarship grants and educational assistance to deserving youths from the eight (8) ancestral domains within its contract area. As of school year 2019-2020, the KGP has already extended scholarships to 351 grantees and has produced 221 graduates in various courses. Three (3) scholar graduates in engineering and geology have been hired for the Project.
>
> The effects of this progress have yet to manifest in the Company's financial statements for 2019, where your Company recognized a consolidated net loss of Php5.3 million to cover project-related costs and general and administrative expenses.
>
> As of December 31, 2019, APC Group, Inc. recorded total Assets worth Php273.3 million, Liabilities of Php112.0 million and Stockholders' Equity of Php161.3 million. Details of the financial statements are contained in the Information Statement sent to the stockholders.
>
> In closing, I would like to take this opportunity to thank you, our dear shareholders for your continued patience and trust in the work we are doing. On behalf of the Management Team, I would like to extend our gratitude for the prudent guidance given by our Board of Directors and most especially to our employees and staff whose hard work and dedication make the progress we have made possible. We look forward to working together with our many stakeholders to move our project further in 2020.
>
> Thank you.

The Chairman then requested Corporate Secretary to announce the results of the voting for the approval of the 2019 Operations and Results of the Corporation, the 2019 Annual Report and the Consolidated Audited Financial Statements of the Corporation as of December 31, 2019 as audited by Sycip Gorres Velayo & Co.

The Corporate Secretary reported that based on the tabulation of votes, 100% of the shareholders present voted in favor of the approval. Below was the tabulation of votes:

| In Favor | | Against | | Abstain | |
|---|---|---|---|---|---|
| No. of Shares | % | No. of Shares | % | No. of Shares | % |
| 4,648,027,814 | 100% | 0 | 0% | 0 | 0% |

The Chairman then declared that the motion was carried and the minutes were approved, and the following resolution was passed and adopted:

> "**RESOLVED**, That the 2019 Annual Report, the 2019 Consolidated Audited Financial Statements of APC Group, Inc., and the Corporation's 2019 Operations and Results are approved."

5. **Approval and Ratification of the Acts of the Board of Directors and Management**

The next item in the agenda was the approval and ratification of the acts of the Board of Directors and Management during their term of office. The Chairman explained that the summary of these acts could be found in the Definitive Information Statement that was made available to all stockholders.

Upon inquiry from the Chair, the Corporate Secretary reported that based on the tabulation of votes, 100% of the shareholders present voted in favor for the approval and ratification. Below was the tabulation of votes:

| In Favor | | Against | | Abstain | |
|---|---|---|---|---|---|
| No. of Shares | % | No. of Shares | % | No. of Shares | % |
| 4,648,027,814 | 100% | 0 | 0% | 0 | 0% |

The Chairman then declared that the motion was carried and the minutes were approved, and the following resolutions were passed and adopted:

> **"RESOLVED**, that all acts, transactions and contracts entered into as well as resolutions made and adopted by the Board of Directors, Board Committees, and Management of APC Group, Inc. (the 'Corporation') from the date of the last Annual Stockholders' Meeting up to the date of meeting are approved, ratified, and confirmed.
>
> "**RESOLVED FINALLY**, that all acts, proceedings, elections and appointments performed or taken pursuant to the foregoing resolution, be in all respects approved, ratified and confirmed."

6. **Election of Directors for 2020-2021**

The next item in the agenda is the election of directors for the year 2020-2021. The Chairman requested the Corporate Secretary to announce the nominees.

The Corporate Secretary announced the following nominees, prequalified by the Corporate Governance Committee, for the election to the Board for 2020-2021:

WILLY N. OCIER
JACKSON T. ONGSIP
BERNARDO D. LIM
EDMUNDO L. TAN
VIRGINIA A. YAP

Independent Directors

RAFAEL M. ALUNAN III
TOMAS D. SANTOS

Upon inquiry from the Chair, the Corporate Secretary announced the tabulation of the votes received and cast in favor of the said nominees, as follows:

| Nominee | Number of shares voting in favor | % |
|---|---|---|
| Willy N. Ocier | 4,648,027,814 | 100% |
| Jackson T. Ongsip | 4,648,027,814 | 100% |
| Bernardo D. Lim | 4,648,027,814 | 100% |
| Edmundo L. Tan | 4,648,027,814 | 100% |
| Virginia A. Yap | 4,648,027,814 | 100% |
| Rafael M. Alunan III | 4,648,027,814 | 100% |
| Tomas D.Santos | 4,648,027,814 | 100% |

The Corporate Secretary announced that since there are only seven (7) nominees and with the votes received, all nominees have obtained sufficient votes for election. The following resolution was then passed and approved:

> "RESOLVED, that the following persons are elected directors of APC Group, Inc. for a period of one (1) year until their successors shall have been duly elected and qualified.

WILLY N. OCIER
BERNARDO D. LIM
JACKSON T. ONGSIP
EDMUNDO L. TAN
VIRGINIA A. YAP

Independent Directors

RAFAEL ALUNAN III
TOMAS D. SANTOS

7. **Appointment of External Auditor**

The next item in the agenda was the appointment of the Company's External Auditor for 2019. The Corporate Secretary informed the shareholders that the Audit Committee had pre-screened and recommended, and the Board has endorsed for consideration of the stockholders, the reappointment of SyCip, Gorres, Velayo & Co. as the Corporation's external auditor for 2020.

Upon inquiry from the Chair, the Corporate Secretary reported that based on the tabulation of votes, 100% of the shareholders present voted in favor of the reappointment of SyCip, Gorres, Velayo & Co. as the Corporation's external auditor for 2020. Below was the tabulation of votes:

| In Favor | | Against | | Abstain | |
|---|---|---|---|---|---|
| No. of Shares | % | No. of Shares | % | No. of Shares | % |
| 4,648,027,814 | 100% | 0 | 0% | 0 | 0% |

Accordingly, the following resolution was passed and approved:

> "RESOLVED that SyCip, Gorres, Velayo & Co. is reappointed as the External Auditor of APC Group, Inc. for 2020, under such terms and conditions as may be approved by the Board."

The Chairman then announced that as stated in the Definitive Information Statement, all stockholders of record were allowed to submit questions via email to apccorpsec@bellecorp.com, and through the live comments broadcast section of the proceedings. He added that for those not entertained due to time constraints, the Corporation will endeavor to respond to their questions via email.

Upon request of the Chair, the Corporate Secretary read the following question sent via email:

> What is the effect of the covid19 pandemic to the Company, and what is the Company's outlook on the KGP?

The President and Chief Executive Officer, Mr. Jackson T. Ongsip gave the following reply:

> The drilling operations are temporarily suspended due to the challenges posed by the Covid19 pandemic. Nevertheless, the Company remains committed to move forward with its exploration activities once the regulatory, logistical and working conditions have improved. The Company remains positive that it will successfully complete its drilling operations to determine commerciality. It also remains dedicated to its commitments to its host communities and ancestral domains.

8. **Other Matters**

The Chairman inquired if there were other matters that could properly be taken up at this meeting. The Corporate Secretary confirmed that there was none.

9. **Adjournment**

There being no further business to transact, the meeting was upon motion duly made and seconded thereupon adjourned.

CERTIFIED CORRECT:

**RICHARD ANTHONY D. ALCAZAR**
Corporate Secretary

ATTESTED BY:

**WILLY N. OCIER**
Chairman

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **Jerry C. Tiu**, Filipino, of legal age and a resident of
after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director (ID) of **APC Group, Inc.** (the "Corporation").

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

| COMPANY/ORGANIZATION | POSITION/RELATIONSHIP | PERIOD OF SERVICE |
|---|---|---|
| Pacific Online Systems Corporation | Independent Director | February 21, 2007 to present |
| Tagaytay Highlands Community Condominium Association, Inc. | Director and President | June 26, 2003 |
| Tagaytay Midlands Community Homeowners' Association, Inc. | Director<br><br>President | September 3, 2002 to present<br><br>June 27, 2009 to present |
| Greenlands Community Homeowners' Association, Inc. | Director<br><br>President | April 26, 2006 to present<br><br>Sep. 20, 2006 to present |
| Tagaytay Highlands International Golf Club, Inc. | President and Director | 1999 – present |
| The Country Club at Tagaytay Highlands, Inc. | President and Director | 2000 - present |
| Tagaytay Midlands Golf Club, Inc. | President and Director | 1999 - present |
| The Spa & Lodge at Tagaytay Highlands, Inc. | President and Director | 2001 – present |

3. I possess all the qualifications and none of the disqualifications to serve as an ID of the Corporation, as provided for in Section 38 of the Securities Regulation Code (SRC), its Implementing Rules and Regulations (IRR) and other Securities and Exchange Commission (SEC) issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the SRC. (where applicable)

| NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER | COMPANY | NATURE OF RELATIONSHIP |
|---|---|---|
| Not applicable | | |
| | | |

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

| OFFENSE CHARGED/INVESTIGATED | TRIBUNAL OR AGENCY INVOLVED | STATUS |
|---|---|---|
| Not applicable | | |
| | | |
| | | |

6. I am not in government service/affiliated with a government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as ID under the SRC and its IRR, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this __ day of MAY 1 0 2021 2021, at MAKATI CITY.

Jerry C. Tiu

SUBSCRIBED AND SWORN to before me this MAY 1 0 2021 day of __________ 2021 at MAKATI CITY, affiant personally appeared before me and exhibited to me his Tax Identification Number (TIN) Card with TIN __________.

Doc. No. 16;
Page No. 4;
Book No. 128;
Series of 2021

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-6 until 12/31/2021
PTR No 8531012, Jan. 4, 2021 Until Dec. 31, 2021 Makati City
Roll No. 45790 IBP Lifetime No. 04897
MCLE No VI-0016665 / Jan 14, 2019
G/F Fedman Suites, 199 Salcedo Street
Legaspi Village, Makati City

Scanned with CamScanner

REPUBLIC OF THE PHILIPPINES )
MAKATI CITY ) S.S.

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **Rafael M. Alunan III**, Filipino, of legal age, and with address at [redacted] after having been duly sworn to in accordance with law hereby declare that:

1. I am a nominee for independent director of **APC Group, Inc. (APC)**.

2. I am affiliated with the following companies and organizations:

| COMPANY/ORGANIZATION | POSITION/RELATIONSHIP | PERIOD OF SERVICE |
|---|---|---|
| APC Group, Inc. | Lead Independent Director, Audit Committee Chairman, Corporate Governance Committee Member, Related Party Transactions Committee Member, and Risk Oversight Committee Member | 2020 to present |
| Pepsi Cola Products (Philippines), Inc. | Vice Chairman and Independent Director | 2007 to present |
| Metro Global Holdings Corp. | Independent Director | 2019 to present |
| Philippine Council for Foreign Relations | Chairman | 2018 to present |
| Harvard Kennedy School Alumni Association of the Philippines Inc. | Chairman | 2013 to present |
| Philippine Taekwondo Foundation | President | 2017 to present |
| Spirit of EDSA Foundation | Board Member | 1998 to present |
| West Philippine Sea Coalition | Founder | |
| One Philippines Party List | Founder | 2018 to present |
| United Harvest Corp. | Senior Adviser | 2018 to present |
| Kaltimex Energy Phils. | Senior Adviser | 2018 to present |
| United Defense Manufacturing Corp. | Senior Adviser | 2019 to present |
| Development Academy of the Philippines | Fellow | 2015 to present |
| Institute of Corporate Directors | Fellow | 2014 to present |
| Institute for Solidarity in Asia | Fellow | 2014 to present |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of APC, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of APC.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of APC of any changes in the abovementioned information within five days from its occurrence.

IN WITNESS WHEREOF, I have hereunto set my hand on this JUN 18 2021 in MAKATI CITY, Metro Manila.

**Rafael M. Alunan III**
Affiant

SUBSCRIBED AND SWORN to before me this JUN 18 2021 in MAKATI CITY, Metro Manila, affiant exhibiting to me his ____________________.

Doc. No. 479;
Page No. 96;
Book No. 179;
Series of 2021.

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-66 until 12/31/2021
PTR No 8531012, Jan. 4, 2021 until Dec. 31, 2021 Makati City
Roll No. , IBP Lifetime N.
MCLE No VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City

REPUBLIC OF THE PHILIPPINES )
PASIG CITY, METRO MANILA ) S.S.

# CERTIFICATION

**RICHARD ANTHONY D. ALCAZAR**, Filipino, of legal age, with office address at the 23rd Floor, Philippine Stock Exchange Centre, East Tower, Exchange Road, Ortigas Center, Pasig City, after having been duly sworn in accordance with law, hereby depose and state that:

1. I am the Corporate Secretary of **APC GROUP, INC.** (the "Corporation"), a corporation organized and existing under the laws of the Philippines, with office address at G/F MyTown New York Building, General E. Jacinto corner Capas Streets, Barangay Guadalupe Nuevo, Makati City.

2. Based on our corporate records and as of this date, none of the directors and officers of the Corporation named in the Information Statement has been elected or appointed to, and is presently occupying a position in any government agency, bureau, department, or office.

3. I am issuing this Certification in compliance with the requirement of the Securities and Exchange Commission (SEC).

IN WITNESS WHEREOF, I have hereunto affixed my signature this 16th day of June 2021 in Pasig City.

**RICHARD ANTHONY D. ALCAZAR**
Corporate Secretary

**SEC Number** **AS93008127**
**File Number** ____

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

**G/F MyTown New York Bldg.**
**General E. Jacinto St. cor. Capas St.**
**Brgy. Guadalupe Nuevo, Makati City**
(Company's Address)

**(632) 8662-8888**
(Telephone Numbers)

**31 March 2021**
(Quarter Ending)

**SEC FORM 17-Q**
(Form Type)

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the three months ended **31 March 2021**

2. SEC identification number: **AS93008127**

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 registrant's principal office:
   **G/F MyTown New York Bldg. General E. Jacinto St. cor. Capas St., Brgy. Guadalupe Nuevo, Makati City, 1212**

8. Registrant's telephone number, including area code: **(632) 8662-8888**

9. Former name, former address and former fiscal year, if changed since last report:
   **n/a**

10. Securities registered pursuant to Sections in Securities Regulation Code

| Title of each class | Number of shares outstanding |
|---|---|
| **Common Stock, ₱0.01 par value** | **7,504,203,997** |

11. Are any or all of the Securities listed on the Philippine Stock Exchange? **Yes**

12. Indicate whether the registrant:

    a) Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the SRC and SRC Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).
    **Yes**

    b) Has been subject to such filing requirements for the past 90 days.
    **Yes**

APC GROUP, INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF**

**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**FOR THE THREE MONTHS ENDED**

**31 March 2021**

**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

| | | March 31, 2021 (Unaudited) | | December 31, 2020 (Audited) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | ₱ | **17,320,708** | ₱ | 21,475,809 |
| Trade and other receivables - net | | **5,158,157** | | 3,702,273 |
| Other current assets | | **15,940** | | 15,940 |
| Total Current Assets | | **22,494,805** | | 25,194,022 |
| **Noncurrent Assets** | | | | |
| Property and equipment | | **29,506** | | 34,712 |
| Investment property | | **12,048,000** | | 12,048,000 |
| Financial assets at fair value through other comprehensive income | | **2,511,805** | | 2,829,755 |
| Deferred exploration costs and other noncurrent assets | | **227,392,907** | | 227,319,455 |
| Total Noncurrent Assets | | **241,982,218** | | 242,231,922 |
| | ₱ | **264,477,023** | ₱ | 267,425,944 |
| **LIABILITIES AND EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Trade and other payables | ₱ | **28,477,122** | ₱ | 28,652,844 |
| Advances from a related party | | **79,978,631** | | 79,978,631 |
| Total Current Liabilities | | **108,455,753** | | 108,631,475 |
| **Noncurrent Liabilities** | | | | |
| Accrued retirement costs | | **5,966,007** | | 5,966,007 |
| Other noncurrent liabilitie | | | | |
| Total Noncurrent Liabilities | | **5,966,007** | | 5,966,007 |
| Total Liabilities | | **114,421,760** | | 114,597,482 |
| **Equity Attributable to Equity Holders of the Parent Company** | | | | |
| Capital stock | | **63,880,787** | | 63,880,788 |
| Additional paid-in capital | | **144,295,958** | | 144,295,958 |
| Unrealized gain on financial assets at fair value through other comprehensive income | | **1,663,804** | | 1,981,754 |
| Remeasurement loss on defined benefit obligation | | **(3,986,494)** | | (3,986,494) |
| Equity reserves | | **(3,140,235)** | | (3,140,235) |
| Deficit | | **(16,315,060)** | | (13,903,180) |
| Treasury shares - 7,606,000 shares | | **(29,435,220)** | | (29,435,220) |
| Total Equity Attributable to Equity Holders of the Parent Company | | **156,963,540** | | **159,693,371** |
| **Equity Attributable to Non-controlling Interests** | | **(6,908,277)** | | (6,864,909) |
| Total Equity | | **150,055,263** | | 152,828,462 |
| | ₱ | **264,477,023** | ₱ | 267,425,944 |

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

| | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | | 1st Quarter (January to Mach) | | Year-to-date (January to Mach) | | 1st Quarter (January to March) | | Year-to-date (January to March) |
| **INCOME** | | | | | | | | |
| Interest income | ₱ | 44,287 | ₱ | 44,287 | ₱ | 763,558 | ₱ | 763,558 |
| Dividend income | | - | | - | | 319,476 | | 319,476 |
| | | 44,287 | | 44,287 | | 1,083,034 | | 1,083,034 |
| **EXPENSES** | | | | | | | | |
| General and administrative expenses | | (2,499,534) | | (2,499,534) | | (2,908,069) | | (2,908,069) |
| **NET LOSS BEFORE AND AFTER INCOME TAX** | | (2,455,247) | | (2,455,247) | | (1,825,035) | | (1,825,035) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | | | | | |
| Unrealized loss on financial assets at fair value through other comprehensive income | | (317,950) | | (317,950) | | (1,685,135) | | (1,685,135) |
| **TOTAL COMPREHENSIVE LOSS** | ₱ | (2,773,197) | ₱ | (2,773,197) | ₱ | (3,510,170) | ₱ | (3,510,170) |
| **Net Loss Attributable to:** | | | | | | | | |
| Equity holders of the Parent Company | | | | (2,411,880) | | | | (1,821,505) |
| Non-controlling interests | | | | (43,367) | | | | (3,530) |
| | | | ₱ | (2,455,247) | | | ₱ | (1,825,035) |
| **Total Comprehensive Loss Attributable to:** | | | | | | | | |
| Equity holders of the Parent Company | | | | (2,729,830) | | | | (3,506,640) |
| Non-controlling interests | | | | (43,367) | | | | (3,530) |
| | | | ₱ | (2,773,197) | | | ₱ | (3,510,170) |
| **Basic/Diluted Loss Per Common Share** | | | | | | | | |
| (P-2,455,247/7,504,203,997) March 31, 2021 | | | | (0.000327) | | | | |
| (P-1,825,035/7,504,203,997) March 31, 2020 | | | | | | | ₱ | (0.000243) |
| **Weighted average number of common shares:** | | | | | | | | |
| Total common shares | | | | 7,511,809,997 | | | | 7,511,809,997 |
| Less: Treasury shares | | | | 7,606,000 | | | | 7,606,000 |
| **Weighted average common shares** | | | | 7,504,203,997 | | | | 7,504,203,997 |

## APC GROUP INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2021** (Unaudited) | 2020 (Unaudited) |
| Authorized: | | |
| Preferred stock - P0.1 par value | **6,000,000,000 shares** | 6,000,000,000 shares |
| Common stock - P0.01 par value | **14,000,000,000 shares** | 14,000,000,000 shares |
| Issued | ₱ 59,981,491 | ₱ 59,981,491 |
| Subscribed (net of subscription receivable) | 3,899,297 | 3,899,297 |
| **Capital stock** | **63,880,787** | 63,880,787 |
| **Additional paid-in capital** | **144,295,958** | 144,295,958 |
| **Unrealized gain/loss on financial assets at fair value through other comprehensive income** | | |
| Balance at the beginning of period | 1,981,754 | 2,776,629 |
| Other comprehensive income | (317,950) | (1,685,135) |
| Balance at the end of period | **1,663,804** | 1,091,494 |
| **Remeasurement loss on defined benefit obligation** | **(3,986,494)** | (2,237,878) |
| **Equity Reserves** | **(3,140,235)** | (3,140,235) |
| **Deficit** | | |
| Balance at the beginning of period | (13,903,180) | (7,801,877,958) |
| Adjustment from quasi-reorganization | - | 7,793,844,100 |
| Net loss | (2,411,880) | (1,821,505) |
| Balance at the end of period | **(16,315,060)** | (9,855,363) |
| **Treasury shares - 7,606,000 shares** | **(29,435,220)** | (29,435,220) |
| **Minority interest** | **(6,908,277)** | (6,856,279) |
| | **₱ 150,055,263** | ₱ 157,743,264 |

APC GROUP INC.

**APC GROUP INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | | For the Three Months Ended March 31 | | |
|---|---|---|---|---|
| | | **2021 (Unaudited)** | | 2020 (Unaudited) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Loss before income tax | ₱ | **(2,455,247)** | ₱ | (1,825,035) |
| Adjustments for: | | | | |
| Interest income | | **(44,287)** | | (763,558) |
| Dividend income | | **-** | | (319,476) |
| Depreciation and amortization | | **5,206** | | 7,438 |
| Operating loss before working capital changes | | **(2,494,328)** | | (2,900,631) |
| Decrease (increase) in: | | | | |
| Trade and other receivables | | **(1,455,884)** | | (2,170,446) |
| Other current assets | | **-** | | - |
| Decrease in: | | | | |
| Trade and other payables | | **(175,722)** | | (70,009) |
| Advances from a related party | | **-** | | - |
| Cash used in operations | | **(4,125,934)** | | (5,141,086) |
| Interest received | | **44,287** | | 763,558 |
| Dividends received | | **-** | | 319,476 |
| **Net cash used in operating activities** | | **(4,081,647)** | | (4,058,052) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Increase in deferred exploration costs and noncurrent assets | | **(73,454)** | | (177,395) |
| **Net cash used in investing activities** | | **(73,454)** | | (177,395) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(4,155,101)** | | (114,410,682) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | | **21,475,809** | | 137,491,340 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | ₱ | **17,320,708** | ₱ | 23,080,658 |

## Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

### Consolidated Statements of Financial Position

| | **Mar 31, 2021 (Unaudited)** | Dec 31, 2020 (Audited) | Horizontal Analysis Increase (Decrease) Amount | % | Vertical Analysis 2021 % | 2020 % |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Current Assets** | | | | | | |
| Cash and cash equivalents | ₱ **17,320,708** | ₱ 21,475,809 | (4,155,101) | -19% | 51% | 8% |
| Trade and other receivables - net | **5,158,157** | 3,702,273 | 1,455,884 | 39% | 0% | 1% |
| Other current assets | **15,940** | 15,940 | - | 0% | 3% | 0% |
| Total Current Assets | **22,494,805** | 25,194,022 | (2,699,217) | -11% | 55% | 9% |
| **Noncurrent Assets** | | | | | | |
| Property and equipment | **29,506** | 34,712 | (5,206) | -15% | 0% | 0% |
| Investment property | **12,048,000** | 12,048,000 | - | 0% | 4% | 5% |
| Financial assets at fair value through other comprehensive income | **2,511,805** | 2,829,755 | (317,950) | -11% | 2% | 1% |
| Deferred exploration costs and other noncurrent assets | **227,392,907** | 227,319,455 | 73,452 | 0% | 40% | 85% |
| Total Noncurrent Assets | **241,982,218** | 242,231,922 | (249,704) | 0% | 45% | 91% |
| | ₱ **264,477,023** | ₱ 267,425,944 | (2,948,921) | -1% | 100% | 100% |
| **LIABILITIES AND EQUITY** | | | | | | |
| **Current Liabilities** | | | | | | |
| Trade and other payables | ₱ **28,477,122** | ₱ 28,652,844 | (175,722) | -1% | 10% | 11% |
| Advances from a related party | **79,978,631** | 79,978,631 | - | 0% | 29% | 30% |
| Total Current Liabilities | **108,455,753** | 108,631,475 | (175,722) | 0% | 39% | 41% |
| **Noncurrent Liabilities** | | | | | | |
| Accrued retirement costs | **5,966,007** | 5,966,007 | - | 0% | 1% | 2% |
| Total Noncurrent Liabilities | **5,966,007** | 5,966,007 | - | 0% | 1% | 2% |
| Total Liabilities | **114,421,760** | 114,597,482 | (175,722) | 0% | 40% | 43% |
| **Equity Attributable to Equity Holders of the Parent Company** | | | | | | |
| Capital stock | **63,880,788** | 63,880,788 | - | 0% | 2291% | 24% |
| Additional paid-in capital | **144,295,958** | 144,295,958 | - | 0% | 579% | 54% |
| Unrealized gain on financial assets at fair value through other comprehensive income | **1,663,804** | 1,981,754 | (317,950) | -16% | 2% | 1% |
| Remeasurement loss on defined benefit obligation | **(3,986,494)** | (3,986,494) | - | 0% | -1% | -1% |
| Equity reserves | **(3,140,235)** | (3,140,235) | - | 0% | -1% | -1% |
| Deficit | **(16,315,060)** | (13,903,180) | (2,411,880) | 17% | -2797% | -5% |
| Treasury shares - 7,606,000 shares | **(29,435,220)** | (29,435,220) | - | 0% | -11% | -11% |
| Total Equity Attributable to Equity Holders of the Parent Company | **156,963,541** | 159,693,371 | (2,729,830) | -2% | 63% | 60% |
| **Equity Attributable to Non-controlling Interests** | **(6,908,278)** | (6,864,909) | (43,369) | 1% | -2% | -3% |
| Total Equity | **150,055,263** | 152,828,462 | (2,773,199) | -2% | 60% | 57% |
| **Total Liabilities and Equity** | ₱ **264,477,023** | ₱ 267,425,944 | (2,948,921) | -1% | 100% | 100% |

As of March 31, 2021, consolidated assets of APC Group, Inc. and its subsidiaries (the Company) amounted to ₱264.5 million, lower by ₱2.9 million (1%) compared to the December 31, 2020 balance of ₱267.4 million.

- Cash decreased by ₱4.2 million mainly due to the disbursements for general and administrative expenses for the quarter amounting to ₱2.5 million as well as payment of additional reimbursable expenses related to the Kalinga Project presented as part of the receivables in the consolidated statement of financial position.

- Financial assets at fair value through other comprehensive income decreased by ₱0.3 million due to the decrease in value of the investments in shares of the Company.

The Company's consolidated liabilities amounted to ₱114.4 million. The movement in this account pertains to the payment of the accrued and other payables during the first quarter of the year.

Total equity as of March 31, 2021 and December 31, 2020 amounted to ₱150.1 million and ₱152.8 million, respectively. The decline, amounting to ₱2.5 million, is attributable to the comprehensive loss incurred during the period.

There were no off-balance sheet transactions.

**Consolidated Statements of Comprehensive Income**

| | For the Three Months Ended March 31 | | Horizontal Analysis | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2021 (Unaudited)** | 2020 (Unaudited) | Increase (Decrease) Amount | % | 2021 % | 2020 % |
| **INCOME** | | | | | | |
| Interest income | ₱ **44,287** | ₱ 763,558 | (719,271) | -94% | 100% | 71% |
| Dividend income | **-** | 319,476 | (319,476) | -100% | 0% | 29% |
| | **44,287** | 1,083,034 | (1,038,747) | -96% | 100% | 100% |
| **EXPENSES** | | | | | | |
| General and administrative expenses | **(2,499,534)** | (2,908,069) | 408,535 | -14% | -5644% | -269% |
| **NET LOSS BEFORE AND AFTER INCOME TAX** | **(2,455,247)** | (1,825,035) | (630,212) | 35% | -5544% | -169% |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | | | |
| Unrealized loss on financial assets at fair value through other comprehensive income | **(317,950)** | (1,685,135) | 1,367,185 | -81% | -718% | -156% |
| **TOTAL COMPREHENSIVE LOSS** | ₱ **(2,773,197)** | ₱ (3,510,170) | 736,973 | -21% | -6262% | -324% |

The Company ended the first quarter of 2021 with total net loss of ₱2.5 million. This higher net loss versus the net loss of ₱1.8 million for the same period in 2020 is attributable mainly to the decline in interest income from its cash and cash equivalents and dividend income from its investments in FVOCI, offset in part by the decrease in general and administrative expenses of the Company for the period.

Unrealized mark-to-market loss on its investments at FVOCI contributed to bringing the Company's comprehensive loss to ₱2.8 million as of March 31, 2021.

As of March 31, 2021, except for what has been noted 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 expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company for the periods ended December 31, 2020 and March 31, 2021 except those mentioned above.

## 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 Mar 31, 2021 | YTD Dec 31, 2020 | YTD Mar 31, 2020 |
|---|---|---|---|
| Return on Assets Ratio | (0.04) | (0.02) | (0.03) |
| Return on Equity Ratio | (0.07) | (0.04) | (0.05) |
| Current Ratio | 0.21 | 0.23 | 0.25 |
| Debt to Equity Ratio | 0.76 | 0.75 | 0.71 |
| Asset to Equity Ratio | 1.76 | 1.75 | 1.71 |

*Discussion on the key performance indicators*

**Return on Assets Ratio and Return on Equity Ratio**

The Company's ROA and ROE as of March 31, 2021 and 2020 are negative due to the reported net loss for both years. There is no significant change in the ROA and ROE of the Company as of March 31, 2021 and 2020.

**Current Ratio**

Current ratio declined from 0.23 as of December 31, 2020 to 0.21 as of March 31, 2021 due to the decline in the cash balance of the Company as discussed above.

**Debt to Equity Ratio**

There is no significant change in the debt to equity ratio of the Company as of March 31, 2021 and as of December 31, 2020.

**Assets to Equity Ratio**

There is no significant change in the asset to equity ratio of the Company as of March 31, 2021 and as of December 31, 2020.

## PART II OTHER INFORMATION

Other than what has been reported, no event has since occurred.

**ANNEX TO THE MD&A SECTION**

## 1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as the "Company"):

| | | Percentage of Ownership | | |
|---|---|---|---|---|
| Subsidiaries | Nature of Business | Direct | Indirect | Total |
| APEC [1] | Energy | 95.6 | – | 95.6[3] |
| PRC - Magma [1, 2] | Energy | – | 85.0 | 85.0 |
| APC Cement [1] | Manufacturing | 100.0 | – | 100.0 |
| APC Energy [1] | Mining | 100.0 | – | 100.0 |
| APC Mining [1] | Mining | 83.0 | – | 83.0 |

*(1) Still in the pre-operating stage*
*(2) A direct subsidiary of APEC*
*(3) On April 10, 2018, the Parent Company subscribed to additional shares of APEC through capital infusion amounting to ₱76.5 million which increased the ownership interest of the Parent Company from 90% to 95.6%. This resulted to change in ownership interests in APEC without loss of control and accounted for as deemed acquisition of NCI. Loss on dilution of NCI amounting to ₱3.4 million was presented as part of "Equity Reserves" in the Consolidated Statement of Financial Position.*

All of the subsidiaries were incorporated in the Philippines.

## 2. RISK EXPOSURES

**Financial Risk Management**

The Company's principal financial liabilities comprise trade and other payables and advances from related parties. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include cash and cash equivalents that derive directly from its operations. Other financial instruments consist of financial assets at fair value through other comprehensive income (FVOCI) and advances from a related party.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and equity price risk. The BOD and the 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 is exposed 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.

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.

Liquidity Risk
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 Company's financial assets which are used to meet its short-term liquidity needs, include cash and cash equivalents, receivables and financial assets at FVOCI.

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 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.

There is no material change in the financial risk exposures of the company and its subsidiaries particularly on currency, interest, credit, market and liquidity risks on its March 31, 2021 interim financial statements compared to the December 31, 2020 audited consolidated financial statements of APC Group Inc.

Fair value of Financial Instruments

A comparison by category of the carrying values and estimated fair values of the Company's financial instruments that are carried in the consolidated financial statements as of March 31, 2021 and December 31, 2020 are as follows:

| | **March 31, 2021** | | **December 31, 2020** | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | **Carrying Value** | **Fair Value** |
| Financial assets: | | | | |
| Loans and receivables: | | | | |
| Cash and cash equivalents | 17,320,708 | 17,320,708 | 21,475,809 | 21,475,809 |
| Trade and other Receivables | 5,158,157 | 5,158,157 | 3,702,273 | 3,702,273 |
| Deposits* | 190,398 | 190,398 | 190,398 | 190,398 |
| AFS financial assets | 2,511,805 | 2,511,805 | 2,829,755 | 2,829,755 |
| Total financial assets | **25,181,068** | **25,181,068** | **28,198,235** | **28,198,235** |
| Financial liabilities - | | | | |
| Other financial liabilities: | | | | |
| Trade and other payables** | 27,960,152 | 27,960,152 | 36,531,489 | 36,531,489 |
| Advances from related parties | 79,978,631 | 79,978,631 | 79,978,631 | 79,978,631 |
| Total current financial liabilities | **107,938,783** | **107,938,783** | **116,510,120** | **116,510,120** |

**Excluding cash on hand amounting to ₱10,000 as at March 31, 2021 and December 31, 2020*
*** Included in "Other noncurrent assets" account*
****Excluding statutory liabilities.*

Cash and Cash Equivalents, Trade and Other Receivables, 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.

Deposits
The carrying value of deposits (included as part of "Other noncurrent assets" account in the consolidated statements of financial position) approximates fair value as at March 31, 2021 and December 31, 2020 due to unavailability of information as to the repayment date that would provide a reasonable basis for the fair value measurement.

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

The following tables provide the fair value measurement hierarchy of the Company's assets and liabilities as at March 31, 2021 and December 31, 2020:

| | March 31, 2021 | | |
|---|---|---|---|
| | **Total** | **Level 1** | **Level 3** |
| Assets measured at fair value: | | | |
| Investment properties | **₱ 12,048,000** | **₱ –** | **₱ 12,048,000** |
| Financial assets at FVOCI | **2,511,805** | **2,511,805** | **–** |
| Total financial assets | **₱ 14,559,805** | **₱ 2,511,805** | **₱ 12,048,000** |

| | December 31, 2020 | | |
|---|---|---|---|
| | Total | Level 1 | Level 3 |
| Assets measured at fair value: | | | |
| Investment properties | ₱ 10,028,870 | ₱ – | ₱ 10,028,870 |
| Financial assets at FVOCI | 1,939,495 | 1,939,495 | – |
| Total financial assets | ₱ 11,968,365 | ₱ 1,939,495 | ₱ 10,028,870 |

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 March 31, 2021 and year ended December 31, 2020.

## 3. OTHER REQUIRED DISCLOSURES

A.) The attached interim financial reports were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial Statements for the period ended December 31, 2020.

B.) Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.

C.) There were no material changes in estimates of amounts reported in prior periods that have material effects in the current interim period.

D.) Except as disclosed in the MD&A, there were no other issuance, repurchase and repayments of debt and equity securities.

E.) There were no material events that occurred subsequent to March 31, 2021 and up to the date of this report that need disclosure herein.

F.) There were no changes in the composition of the Company during the interim period such as business combinations, acquisition or disposals of subsidiaries and long-term investments, restructuring and discontinued operations.

G.) There were no changes in contingent liabilities or contingent assets since December 31, 2020 and as of March 31, 2021.

H.) There exist no material contingencies and other material events or transactions affecting the current interim period.

APC Group Inc.

**SIGNATURES**

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

Registrant: **APC Group, Inc.**

By:

**JACKSON T. ONGSIP**
President and Chief Executive Officer
Date: May 7, 2021

**IAN JASON R. AGUIRRE**
Chief Financial Officer
Date: May 7, 2021

**APPENDIX 1**
**APC GROUP INC. and SUBSIDIARIES**
**Aging of Accounts Receivables**
**As of March 31, 2021**

| Trade and Other Receivables | Total | 1 Month | 2 - 3 Months | 4 - 6 Months | 7 Months to 1 Year | More than 1 year |
|---|---|---|---|---|---|---|
| Trade receivables | **4,694,122** | - | 1,214,043 | 3,429,363 | 5,274 | 45,442 |
| Advances to officers and employees | **422,747** | - | 331,500 | - | - | 91,247 |
| Other receivables | **41,288** | - | - | - | - | 41,288 |
| **TOTAL** | **5,158,157** | **-** | **1,545,543** | **3,429,363** | **5,274** | **177,977** |