

SEC Number **AS93008127**
File Number _____

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

**G/F MyTown New York Bldg.,
General E. Jacinto St. corner Capas St.
Brgy. Guadalupe Nuevo, Makati City 1212**
(Company's Address)

(632) 8662-8888
(Telephone Numbers)

**SEC Form 17-A
FOR THE FISCAL YEAR ENDED
31 DECEMBER 2019**

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: **31 December 2019**
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 principal office: **G/F MyTown New York Bldg., General E. Jacinto St. corner
Capas St., Brgy. Guadalupe Nuevo, Makati City, 1212**
8. Registrant's telephone number: **(632) 8662-8888**
9. Former name, former address, and former fiscal year: **N.A.**
10. Securities registered pursuant to Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares Outstanding</u>
Common Stock, ₱1.00 par value	7,504,203,997

11. Are any or all of these securities listed on the Philippine Stock Exchange? Yes [☒] No [☐]
12. Check whether the registrant:

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

(b) has been subject to such filing requirements for the past 90 days: Yes [☒] No [☐]
13. The aggregate market value of the voting stock held by non-affiliates of the registrant as of 31 December 2019: **₱1,496,051,293.00**

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

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.

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.

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 at February 28, 2020, 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 (GRES) in March 2010 to avail of the incentives provided under the Renewable Energy (RE) Act of 2008. GRES 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 drilling operations are currently on-going. Consistent with and in compliance to the work program of the Project, KGP is preparing for the conversion of the Project from its pre-development phase to development phase.

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.

As at February 28, 2020, 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.

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 US\$300.0 million.

b. APC Energy Resources Inc. (APC Energy)

APC Energy was established to engage in exploration, development and utilization of renewable energy resources. As at February 28, 2020, 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 February 28, 2020, 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 February 28, 2020, 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 February 28, 2020, PRC Magma is still in the pre-operating stage.

Employees

APC Group Inc. had a total of 6 employees as of December 31, 2019.

Item 2. Properties

Description of Property

Company/Owner	Location	Description
APC Group, Inc.	Ginatilan, Cebu City	Various lots with a total estimated area of 100,510 square meters

Item 3. Legal Proceedings

The Company and its subsidiaries have no legal proceedings that could have an adverse effect on the Company or its results of operations.

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

The Company's common equity is traded in the Philippine Stock Exchange.

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

Share Prices	2019		2018	
	High	Low	High	Low
First Quarter	P 0.53	P 0.51	P 0.91	P 0.42
Second Quarter	0.51	0.50	0.60	0.44
Third Quarter	0.57	0.55	0.69	0.46
Fourth Quarter	0.48	0.48	0.48	0.34

The price information as of December 31, 2019 is P0.39, with market capitalization of P2,926,639,558.83.

Holdings

The number of shareholders of record as of December 31, 2019 was 593. Common shares outstanding as of December 31, 2019 was 7,504,203,997.

The top 20 registered shareholders of the common equity of the Company are as follows:

Name		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	2,326,508,165	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
9.	Richold Investor Corporation	100,000,000	1.33
10.	Eastern Sec. Devt. Corp.	80,000,000	1.07
11.	Gilt-Edged Properties, Inc.	68,616,665	0.91
12.	Headland Holdings Corporation	55,500,000	0.74
13.	Eastern Sec. Dev. Corp.	23,869,114	0.32
14.	Lim Siew Kim	18,000,000	0.24
15.	Tak Chang Investments Co., Ltd.	18,000,000	0.24
16.	Coscolluela, William V.	10,000,000	0.13
17.	Reyes, Vicente O. ITF: Peter Paul Phil. Cor	8,332,000	0.11
18.	Dharmala Sec. (Phils), Inc.	5,050,000	0.07
19.	Singson, Evelyn R. ITF: Gilt-Edged Prop.	3,933,333	0.05
20.	Singson, Evelyn R. ITF: Jaime F. Singson Corporate Inv. Phils., Inc.	3,000,000 3,000,000	0.04 0.04

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

Dividends

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



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 (the “Board”) shall determine. No dividends shall be declared which would impair the capital of the Company.

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

There were no recent sale of unregistered or exempt securities.

Minimum Public Ownership

Computation of Public Ownership as of December 31, 2019		
	Number of Shares	
Number of Issued and Outstanding Shares	7,511,809,997	
<u>Less: Number of Treasury Shares (if any)</u>	7,606,000	
Number of Outstanding Shares	7,504,203,997	
Less:		
	% to Total	
	Outstanding Shares	Common
Directors and Officers	0.0327%	2,452,706
Principal Stockholders	46.6405%	3,500,000,000
Affiliates	2.2084%	165,722,334
Total	48.8816%	3,668,175,040
Total Number of Shares Owned by the Public	3,836,028,957	

PUBLIC OWNERSHIP PERCENTAGE		
Total Number of Shares Owned by the Public		
As of December 31, 2019		
3,836,028,957 shares <u>51.1184%</u>		
7,504,203,997 shares		
Number of Issued Shares	=	5,998,149,059
Number of Outstanding Shares	=	7,504,203,997
Number of Treasury Shares	=	7,606,000
Number of Listed Shares	=	2,726,641,700
Total Number of Non-Public Share	=	3,668,175,040
Number of Foreign Owned Shares	=	529,805,564
Foreign Ownership Level (%)	=	7.06%
Foreign Ownership Limit (%)	=	40%

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

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	
	Dec 31, 2019	Dec 31, 2018	Inc (Dec)		2019	2018
			Amount	%		
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	
	Dec 31, 2019	Dec 31, 2018	Inc (Dec)		2019	2018
			Amount	%		
Net Loss	(5,293,434)	(11,517,861)	6,224,427	-54%	-106%	-299%
Other Comprehensive Income (Loss)						
<i>Item not to be reclassified to profit or loss in subsequent periods:</i>						
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		Vertical Analysis	
	Dec 31, 2019	Dec 31, 2018	Inc (Dec)		2019	2018
			Amount	%		
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 December 31, 2020.

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.

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)		2018	2017
			Amount	%		
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 investments in equity instruments.

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 (Loss)

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	Dec 31	Increase (Decrease)		2018	2017
	2018	2017	Amount	%		
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)		2018	2017
			Amount	%		
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%
Equity reserves	(3,140,235)	226,304	(3,366,539)	-1488%	-1%	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	(6,833,933)	(10,152,642)	3,318,709	-33%	-2%	-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:

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

For The Financial Year Ended 2017 compared to Year Ended 2016

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31	Dec 31	Increase (Decrease)		2017	2016
	2017	2016	Amount	%		
Interest Income	3,900,176	1,225,022	2,675,154	218%	96%	90%
Dividend Income	178,688	136,719	41,969	31%	4%	10%
Total Revenue	4,078,864	1,361,741	2,717,123	200%	100%	100%
General and Administrative Expenses	(20,511,515)	(21,920,354)	1,408,839	-6%	-503%	1610%
Write-off and Provisions	-	(12,911,061)	12,911,061	-100%	0%	948%
Total Costs and Expenses	(20,511,515)	(34,831,415)	14,319,900	-41%	-503%	2558%
Loss on Sale of Investment Property	-	(18,689,020)	18,689,020	-100%	0%	1372%
Loss on Impairment of Goodwill	-	(5,992,907)	5,992,907	-100%	0%	440%
Gain on Fair Value Change in Investment Property	-	7,515,020	(7,515,020)	-100%	0%	-552%
Other Income	17,816	3,571,832	(3,554,016)	-100%	0%	262%
Other Income (Expenses)	17,816	(13,595,075)	13,612,891	-100%	0%	998%
Net Loss	(16,414,835)	(47,064,749)	30,649,914	-65%	-402%	-3456%
Net Loss Attributable to:						
Equity holders of the Parent Company	(16,324,751)	(46,129,738)	29,804,987	-65%	-400%	-3388%
Non-controlling interests	(90,084)	(935,011)	844,927	-90%	-2%	-69%
	(16,414,835)	(47,064,749)	30,649,914	-65%	-402%	-3456%

APC Group, Inc. reported consolidated net loss of ₱16.4 million for 2017, 65% better than the ₱47.1 million net loss reported in the previous year.

Revenue

The Company recorded revenues of ₱4.1 million for the year ended 2017, 200% higher than the ₱1.4 million revenues recognized in 2016. This increase in revenue is due to the Company's higher interest income for 2017 as the Company continues to invest its cash in interest-earning investments.

Costs and Expenses

The Company's costs and expenses amounting to ₱20.5 million in 2017 is 41% lower than the ₱34.8 million expenses recorded in 2016 due to the following:

- One-off recording of provisions were in 2016 was not present in 2017;
- 2017 recorded lower taxes and licenses versus 2016 wherein the Company capital gains taxes on the sale of investment properties;
- Rental and utilities are lower in 2017 in line with the Company transferring to an office space with a lower lease rate.

Other Income (Expenses)

Other expenses decreased by 100% in 2017 as the Company recognized one-off losses in 2016 related to the sale of investment property and others, which are only partially offset by the gain on fair value change in investment property.



(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31	Dec 31	Increase (Decrease)		2017	2016
	2017	2016	Amount	%		
Net Loss	(16,414,835)	(47,064,749)	30,649,914	-65%	-402%	-3456%
Other Comprehensive Income						
Unrealized mark-to-market gain on available-for-sale financial assets	1,144,620	3,370,270	(2,225,650)	-66%	28%	247%
Remeasurement gain on defined benefit obligation	625,727	-	625,727	100%	15%	0%
Total Comprehensive income (loss)	(14,644,488)	(43,694,479)	29,049,991	-66%	-359%	-3209%
Total Comprehensive Loss Attributable to:						
Equity holders of the Parent Company	(14,554,404)	(42,759,468)	28,205,064	-66%	-357%	-3140%
Non-controlling interests	(90,084)	(935,011)	844,927	-90%	-2%	-69%
	(14,644,488)	(43,694,479)	29,049,991	-66%	-359%	-3209%

Comprehensive Income (Loss)

Due to the improvement in the Company's net income, its comprehensive net loss improved by 66% from ₱43.7 million in 2016 to ₱14.6 million in 2017. Unrealized mark-to-market gain on its AFS as well as re-measurement gain on its defined benefit obligation also contributed to a better comprehensive net income for 2017.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Pesos, except percentages)	December 31	December 31	Horizontal Analysis		Vertical Analysis	
	2017	2016	Increase (Decrease)		2017	2016
			Amount	%		
ASSETS						
Cash and cash equivalents	196,586,234	138,624,426	57,961,808	42%	66%	44%
Trade and other receivables - net	941,677	81,769,879	(80,828,202)	-99%	0%	26%
Available-for-sale financial assets	8,669,571	7,524,951	1,144,620	15%	3%	2%
Other current assets	8,504,516	7,533,539	970,977	13%	3%	2%
Property and equipment	24,546	125,585	(101,039)	-80%	0%	0%
Investment properties	22,374,000	22,374,000	-	0%	8%	7%
Other noncurrent assets - net	59,892,558	59,203,236	689,322	1%	20%	19%
Total Assets	296,993,102	317,155,616	(20,162,514)	-6%	100%	100%
LIABILITIES AND EQUITY						
Trade and other payables	31,051,650	36,595,555	(5,543,905)	-15%	10%	12%
Income tax payable	-	71,437	(71,437)	-100%	0%	0%
Advances from related parties	80,004,536	79,772,006	232,530	0%	27%	25%
Subscriptions payable	161,959	161,959	-	0%	0%	0%
Accrued retirement costs	2,665,286	2,800,500	(135,214)	-5%	1%	1%
Total Liabilities	113,883,431	119,401,457	(5,518,026)	-5%	38%	38%
Capital Stock	6,388,078,749	6,388,078,749	-	0%	2151%	2014%
Additional paid-in capital	1,613,942,096	1,613,942,096	-	0%	543%	509%
Unrealized mark-to-market gain on available-for-sale financial assets	7,821,570	6,676,950	1,144,620	17%	3%	2%
Gain on dilution	226,304	226,304	-	0%	0%	0%
Remeasurement loss on defined benefit obligation	(2,237,878)	(2,863,605)	625,727	-22%	-1%	-1%
Deficit	(7,785,133,308)	(7,768,808,557)	(16,324,751)	0%	-2621%	-2450%
Treasury shares	(29,435,220)	(29,435,220)	-	0%	-10%	-9%
Equity Attributable to Non-controlling Interests	(10,152,642)	(10,062,558)	(90,084)	1%	-3%	-3%
Total Equity	183,109,671	197,754,159	(14,644,488)	-7%	62%	62%
Total Liabilities and Equity	296,993,102	317,155,616	(20,162,514)	-6%	100%	100%

Assets

The Company recorded consolidated assets of ₱297.0 million as at December 31, 2017, lower by 6% from ₱317.2 million in 2016. The main movements in the balance sheet are as follows:

- Cash and cash equivalents increased by 42% from ₱138.6 million in 2016 to ₱196.6 million in 2017. This is mainly attributable to the full collection on the outstanding receivables from the sale of investment property amounting to ₱80.0 million during the year. The increase in cash was offset by disbursements for general and administrative expenses amounting to ₱ 20.5 million.
- In relation to the collection of receivables, trade and other receivables decreased by 99% from 2016.
- Available-for-sale financial assets increased by 15% from ₱7.5 million in 2016 to ₱8.7 million in 2017 mainly due to the favorable increase in market price of stocks held by the Company as of yearend.

Liabilities

Consolidated liabilities decreased by 5% or by ₱5.5 million. This is primarily due to the payment of trade and other payables of the Company especially in relation to the community development of APEC.

Equity

Stockholders' equity decreased by 7% from ₱197.8 million in 2016 down to ₱183.1 million in 2017 due to comprehensive net loss recognized in 2017 amounting to ₱14.6 million.

The Company does not foresee any cash flow problems during the next twelve months. The Company has enough cash to meet cash requirements in 2018.

There were no off-balance sheet transactions.

As of December 31, 2017, 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, 2017 to December 31, 2016.

For The Financial Year Ended 2016 compared to Year Ended 2015

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31	Dec 31	Increase (Decrease)		2016	2015
	2016	2015	Amount	%		
Interest Income	1,225,022	1,879,723	(654,701)	-35%	90%	93%
Dividend Income	136,719	139,898	(3,179)	-2%	10%	7%
Total Revenue	1,361,741	2,019,621	(657,880)	-33%	100%	100%
General and Administrative Expenses	(21,920,354)	(20,103,475)	(1,816,879)	9%	1610%	995%
Write-off and Provisions	(12,911,061)	(945,000)	(11,966,061)	1266%	948%	47%
Total Costs and Expenses	(34,831,415)	(21,048,475)	(13,782,940)	65%	2558%	1042%
Loss on Sale of Investment Property	(18,689,020)	-	(18,689,020)	100%	1372%	0%
Loss on Impairment of Goodwill	(5,992,907)	-	(5,992,907)	100%	440%	0%
Gain (Loss) on Fair Value Change in Investment Property	7,515,020	(27,438,106)	34,953,126	-127%	-552%	1359%
Other Income	3,571,832	16,960	3,554,872	20960%	262%	-1%
Other Income (Expenses)	(13,595,075)	(27,421,146)	13,826,071	-50%	998%	1358%
Net Income (Loss)	(47,064,749)	(46,450,000)	(614,749)	1%	-3456%	-2300%
Net Loss Attributable to:						
Equity holders of the Parent Company	(46,129,738)	(45,967,704)	(162,034)	0%	-3388%	-2276%
Non-controlling interests	(935,011)	(482,296)	(452,715)	94%	-69%	-24%
	(47,064,749)	(46,450,000)	(614,749)	1%	-3456%	-2300%

APC and its subsidiaries' (the Group) consolidated net loss increased by 1% from ₱46.5 million in 2015 to ₱47.1 million in 2016.

Revenue

The Group recorded consolidated revenues of ₱1.4 million in the year ended 2016, declined by 33% primarily due to lower interest income earned during the year.

Costs and Expenses

The Group recorded consolidated costs and expenses of ₱34.8 million in 2016, an increase of 65% from ₱21.0 million in 2015, as a result of the following:

- Higher taxes and licenses paid during the year due to the capital gains taxes paid on the investment properties sold during the year;
- Write-off of deferred exploration costs related to discontinued projects;
- Rental fees paid for the office lease increased by 31%;
- Offset by 42% lower professional fees and outside services due to lower expenditures on project-related contracted services.

Other Income (Expenses)

Other expenses (net) decreased by 50% to ₱13.6 million in 2016 from ₱27.4 million in 2015. The decrease is due to recorded gains on fair value change in investment property and other income amounting to ₱11.1 million to offset the recorded loss on sale of investment property and impairment of goodwill.



(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31	Dec 31	Increase (Decrease)		2016	2015
	2016	2015	Amount	%		
Net Loss	(47,064,749)	(46,450,000)	(614,749)	1%	-3456%	-2300%
Other Comprehensive Income (Loss)						
Unrealized mark-to-market gain/(loss)						
on available-for-sale financial assets	3,370,270	(9,474,910)	12,845,180	-136%	247%	-469%
Remeasurement gain/(loss) on defined benefit obligation	-	(138,200)	138,200	-100%	0%	-7%
Total Comprehensive income (loss) for the period	(137,823,977)	(148,963,110)	11,139,133	-7%	-10121%	-7376%
Total Comprehensive Loss Attributable to:						
Equity holders of the Parent Company	(136,888,966)	(148,480,814)	11,591,848	-8%	-10052%	-7352%
Non-controlling interests	(935,011)	(482,296)	(452,715)	94%	-69%	-24%
	(137,823,977)	(148,963,110)	11,139,133	-7%	-10121%	-7376%

Comprehensive Income (Loss)

The Group's comprehensive net loss decreased by 22% from ₱56.1 million in 2015 to ₱43.7 million, in 2016, which resulted from an operating net loss of ₱47.1 million tempered by a mark-to-market gain on available-for-sale financial assets of ₱3.4 million.



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Pesos, except percentages)	December 31	December	Horizontal Analysis		Vertical Analysis	
	2016	2015	Increase (Decrease)		2016	2015
			Amount	%		
ASSETS						
Cash and cash equivalents	138,624,426	133,801,121	4,823,305	4%	44%	38%
Trade and other receivables - net	81,769,879	650,242	81,119,637	12475%	26%	0%
Available-for-sale financial assets	7,524,951	4,154,681	3,370,270	81%	2%	1%
Other current assets	7,533,539	7,308,995	224,544	3%	2%	2%
Property and equipment	125,585	196,003	(70,418)	-36%	0%	0%
Investment properties	22,374,000	129,548,000	(107,174,000)	-83%	7%	37%
Other noncurrent assets - net	59,203,236	77,488,181	(18,284,945)	-24%	19%	22%
Total Assets	317,155,616	353,147,223	(35,991,607)	-10%	100%	100%
LIABILITIES AND EQUITY						
Trade and other payables	36,595,555	29,406,279	7,189,276	24%	12%	8%
Income tax payable	71,437	342	71,095	20788%	0%	0%
Advances from related parties	79,772,006	79,772,006	-	0%	25%	23%
Subscriptions payable	161,959	161,959	-	0%	0%	0%
Accrued retirement costs	2,800,500	2,364,600	435,900	18%	1%	1%
Total Liabilities	119,401,457	111,705,186	7,696,271	7%	38%	32%
Capital Stock	6,388,078,749	6,388,072,148	6,601	0%	2014%	1809%
Additional paid-in capital	1,613,942,096	1,613,942,096	-	0%	509%	457%
Unrealized mark-to-market gain on available-for-sale financial assets	6,676,950	3,306,680	3,370,270	102%	2%	1%
Gain on dilution	226,304	226,304	-	0%	0%	0%
Remeasurement loss on defined benefit obligation	(2,863,605)	(2,863,605)	-	0%	-1%	-1%
Deficit	(7,768,808,557)	(7,722,678,819)	(46,129,738)	1%	-2450%	-2187%
Treasury shares	(29,435,220)	(29,435,220)	-	0%	-9%	-8%
Equity Attributable to Non-controlling Interests	(10,062,558)	(9,127,547)	(935,011)	10%	-3%	-3%
Total Equity	197,754,159	241,442,037	(43,687,878)	-18%	62%	68%
Total Liabilities and Equity	317,155,616	353,147,223	(35,991,607)	-10%	100%	100%

Assets

The Group recorded consolidated assets of P317.2 million as at December 31, 2016, a decrease of 10% from P353.1 million in 2015, primarily due to the following:

- Cash and cash equivalents increased by 4% from P133.8 million in 2015 to P138.6 million in 2016, mainly due to partial collection on the sale of investment property amounting to P20.0 million and receipt of funds related to the scholarship program of Aragorn Power amounting to P4.3 million, which was offset by disbursements for general and administrative expenses amounting to P21.0 million.
- Trade and other receivables increased by P81.0 million from prior year mainly due to the receivables from a third party arising from the sale of investment property.
- Available-for-sale financial assets increased by 81% from P4.2 million in 2015 to P7.5 million in 2016, mainly due to the improvement in market price of stocks held by the Company in 2016.
- Investment properties, which is measured at fair value, declined by 83% and stood at P22.4 million as of December 31, 2016. The decline was due to sale of properties amounting to P114.7 million and partially offset by a P7.5 million increase in fair market value of the remaining properties.
- Other noncurrent assets decreased by 24% from P77.5 million in 2015 to P59.2 million in 2016 due to the write-off of deferred exploration costs and goodwill.

Liabilities

Consolidated liabilities increased by 7% from ₱111.7 million in 2015 to ₱119.4 million in 2016 due to the funds to be disbursed for the scholarship program of Aragorn Power, unliquidated funds from a third party and increase in accrued retirement costs.

Equity

Stockholders' equity decreased by 18% from ₱241.4 million in 2015 to ₱197.8 million in 2016 due to comprehensive net loss recognized in 2016 amounting to ₱47.1 million.

The Company does not foresee any cash flow problems during the next twelve months. The Company has enough cash to meet cash requirements in 2017.

There were no off-balance sheet transactions.

As of December 31, 2016, 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, 2016 to December 31, 2015.

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	YTD
	31 December 2019	31 December 2018
Return on Assets Ratio	(0.02)	(0.04)
Return on Equity Ratio	(0.03)	(0.07)
Current Ratio	1.28	1.34
Debt to Equity Ratio	0.69	0.67
Asset to Equity Ratio	1.69	1.67

Discussion on the key performance indicators

Return on Assets Ratio and Return on Equity Ratio

The Company's ROA and ROE for 2019 and 2018 are negative due to the reported a net loss for both years. The negative ratio improved for 2019 because of the decrease in the net loss incurred in the current year compared to 2018.

Current Ratio

Current Ratio decreased in 2019 due to the decrease in the current assets brought by the payment of liabilities and general and administrative expenses.

Debt to Equity Ratio

There is no significant change in the Company's debt to equity ratio as of December 31, 2019 and 2018.

Assets to Equity Ratio

There is no significant change in the Company's assets to equity ratio as of December 31, 2019 and 2018.

Key Variables and other Qualitative and Quantitative Factors

The Company expects no material commitments for capital expenditures and expected funds in 2019. 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 sales; 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 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.

Item 7. Financial Statements

The audited Financial Statements and Supplementary Schedules for the year 2019 are filed as part of this Form 17A.

APC GROUP AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 7

Consolidated Financial Statements

Statement of Management's Responsibility for Financial Statements	Report
Report of Independent Auditors	
Consolidated Statement of Financial Position as of December 31, 2019 and 2018	CSFP
Consolidated Statements Comprehensive Income for the years ended December 31, 2019, 2018 and 2017	CSCI
Consolidated Statements of Changes in Equity for the years ended December 31, 2019, 2018 and 2017	CSCE
Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017	CCFS
Notes to Consolidated Financial Statements	NTFS

Supplementary Schedules

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

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

Independent Public Accountants

SyCip, Gorres Velayo & Co., the Company's external auditors was reappointed as such for the current year during the annual stockholder's meeting last July 1, 2019.

In 2018, Johnny F. Ang was assigned as SGV's partner-in-charge for the company. His appointment shall not exceed five (5) years in compliance with SEC Rule 68.

The Audit Committee is composed of the following:

Laurito E. Serrano	Chairman
Tomas D Santos	Member
Bernardo D. Lim	Member

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

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

External Audit Fees and Services

1. Audit fees for the audit of the Company's annual financial statements amounted to ₱510,000 and ₱486,000 in 2019 and 2018, respectively.
2.
 - a. No other assurance and related services were rendered in 2019 and 2018.
 - b. No tax services were rendered by the external auditor in 2019 and 2018.
 - c. There were no other fees paid to the external auditor in 2019 and 2018.
 - d. 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.

Among the policies and procedures of the Audit Committee are:

Authority

1. Seek any information it requires from Management, and all other employees;
2. Gain access to all records, documents, properties, assets and personnel within the Company;
3. Review the scope of work of the auditors after considering their assessment of internal controls and risks identified;
4. Secure adequate resources to enable it to effectively discharge its functions;
5. Obtain any external professional advice and expertise if so required; and
6. Investigate any activities within its scope of responsibilities, or as may be required by the Board.

Duties and Responsibilities

1. Financial Statements and Reporting

- a. Review the impact of changes in significant accounting policies and practices, alternative treatments of financial information within Philippine financial reporting standards, significant adjustments resulting from an audit, going concern assumptions, reporting issues including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements on the financial statements.
- b. Review with Management and the external auditors the results of the audit, including any difficulties encountered.
- c. Review and endorse to the Board for approval, Company financial statements and related reports; consider their completeness and consistency with information known to the Committee and compliance with accounting principles and standards, and regulatory requirements.
- d. Review accuracy and completion of other sections of the annual report and related regulatory filings before release.
- e. Understand how Management develops interim financial information, and the nature and extent of internal and external auditor involvement; and review same before filing with regulators.

2. Internal Control

- a. Ensure a review of the effectiveness of the Company's internal control system, including financial, operational, information technology, security and control at least once a year.
- b. Understand and review the scope of internal and external auditors' review of internal controls over financial reporting, and obtain regular reports on significant findings and recommendations, together with Management's responses.

3. Internal Audit

- a. e
- b. Provide oversight and evaluation of the performance of the Company's Head of Internal Audit and Internal Audit Group.
- c. Review with Management and the Head of Internal Audit, the Charter, plans, activities, staffing, access to financial and other resources and organizational structure of the internal audit function and any amendments thereto.
- d. Review the effectiveness of the internal audit function, including compliance with the Institute of the Internal Auditors' Standards.
- e. Review the Internal Audit Group including its independence and the authority of its reporting relationships.
- f. Ensure that the Internal Audit Group have full access to Company records, personnel and properties that are relevant to the discharge of its scope and function.
- g. On a regular basis, meet separately with the Head of Internal Audit to discuss any matter that the Committee or the Internal Audit Group believe should be discussed privately.

4. External Audit

- a. Appoint and evaluate the performance of the External Auditor including the removal of the External Auditor if circumstances warrant.
- b. Review the External Auditors' proposed audit scope and approach.
- c. Review and confirm the independence of the external auditors by obtaining certification from the latter relative to overall relationship with the Company, including non-audit services and by ensuring that key partners are rotated at appropriate intervals.
- d. Ensure that External Auditors have free and full access to the Company's records, properties, and personnel to enable them to perform their audit functions.
- e. Resolve any disagreement between Management, the Internal Audit Group and the External Auditors regarding financial reporting.



- f. On a regular basis, meet separately with the external auditors to discuss any matter that the Committee or auditors believe should be discussed privately.
5. Compliance
- a. Review and continually improve the effectiveness of the system for monitoring the results of Management's investigation and follow-up (including violations against the Code of Ethics) of any instance of non-compliance.
 - b. Review the findings from any examinations by regulatory bodies, and any audit observations.
 - c. Review the process for communicating and compliance of the Code of Ethics to Company personnel.
 - d. Obtain regular updates from Management and the Compliance Officer regarding compliance matters.
6. Reporting Responsibilities
- a. Regularly report to the Board the Committee's activities, findings, decisions, deliberations and recommendations.
 - b. Provide an open avenue of communication between and among the Chief Audit Executive and Internal Audit Group, the external auditors, the Compliance Officer, the Chief Risk Officer and the Board.
 - c. Report annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged and any other information required by regulators, including approval of non-audit services.
 - d. Review any other reports the Company issues that relate to the Committee responsibilities, such as but not limited to reports on the Policy on Accountability, Integrity and Vigilance (PAIV).
7. Other Responsibilities
- a. Perform other activities related to this Charter as requested by the Board.
 - b. Review and assess the adequacy of the Committee Charter annually, requesting Board approval for any proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

All incumbent directors, elected on July 1, 2019 are to serve for a term of one (1) year until their successors shall have been duly elected and qualified. The names and ages of Directors and the executive officers of the Registrant are:

Name	Age/yrs.	Position	Nationality
Willy N. Ocier	63	Chairman	Filipino
Jackson T. Ongsip	46	President/CEO/Chief Risk Officer/Director	Filipino
Edmundo L. Tan	74	Director	Filipino
Bernardo D. Lim	72	Director	Filipino
Virginia A. Yap	68	Director	Filipino
Tomas D. Santos	66	Director-independent	Filipino
Laurito E. Serrano	59	Director-independent (Lead)	Filipino
Richard Anthony D. Alcazar	47	Corporate Secretary	Filipino
Ian Jason R. Aguirre	43	Vice President-CFO/Chief Compliance Officer	Filipino

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

Mr. Willy N. Ocier, 63, is the Chairman of the Company. He is also an Executive Director and the Chairman of Premium Leisure Corp., Executive Director and the Co-Vice Chairman of Belle Corporation, Chairman and Director of Premium Leisure 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.

Mr. Jackson T. Ongsip, 46, 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 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.

Mr. Edmundo L. Tan, 74, 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

Mr. Bernardo D. Lim, 72, 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.

Mr. Lim has been a Director since 2001.

Ms. Virginia A. Yap, 68, is a Director of APC Group, Inc.. She is also a member of the Company's Executive, Corporate Social Responsibility and Environmental & Social Committees. 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.

Mr. Tomas D. Santos, 66, 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.

Mr. Laurito E. Serrano, 59, is an independent director of the Company from 18 June 2013 up to the present. He is a Certified Public Accountant with a Masters in Business Administration degree from the Harvard Graduate School of Business. His area of specialization is Financial Advisory and Corporate Finance. Mr. Serrano currently serves as independent director and Chairman of the Audit and Compliance Committee of Rizal Commercial Banking Corporation (RCBC), independent director and Chairman of the Audit and Risk Management Committee of Atlas Consolidated Mining Development Corporation (AT), independent director and Chairman of the Audit Committee of 2Go Group, Inc., and independent director of Pacific Online Systems Corporation (LOTO). He also serves as a director in Axelum Resources Corporation (AXLM) and MRT Development Corporation, among others. Mr. Serrano is also a former partner of the Corporate Finance Consulting Group of SGV & Co.

Mr. Richard Anthony D. Alcazar, 47, Atty. Richard Anthony D. Alcazar is 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.

Mr. Ian Jason R. Aguirre, 43, was appointed as the Executive Vice President and Chief Financial 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.

Family Relationships

All directors and officers are not related either by consanguinity or affinity.

Involvement in Certain Legal Proceedings

The Company is not aware of any of 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:

- (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) being subject to 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) being found by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended or vacated.

Item 10. Executive Compensation

(1) General

All Compensation Covered

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

Summary Compensation Table

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

Name and Principal Position			
1.	Jackson T. Ongsip ¹ CEO, President, and Chief Risk Officer		
2.	Ian Jason Aguirre ¹ CFO, Vice-President, and Chief Compliance Officer		
Summary of Compensation Table		Salary/Per Diem Allowance	Other Annual Compensation
CEO & Most Highly Compensated Executive Officers	2018 (actual)	₱1,404,000	₱1,066,000
	2019 (actual)	1,404,000	1,066,000
	2020 (estimate)	1,404,000	1,066,000
All Other officers as a group unnamed	2018 (actual)	—	—
	2019 (actual)	—	—
	2020 (estimate)	—	—

¹CEO and Most Highly Compensated Executive Officers

(2) Compensation of Directors

Standard Arrangements

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

Other Arrangements

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

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

None.

(4) Warrants and Options Outstanding: Repricing

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

The following persons or groups are directly or indirectly the record or beneficial owners of more than 5% of the Company's voting shares (common) as of December 31, 2019:

Title of Class	Name and address of record and relationship with issuer	Name of beneficial owner and relationship with record holder	Citizenship	No. of shares held	Percent of class
Common	Belle Corporation 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila (Parent)	(Note 1)	Filipino	3,500,000,000	46.64%
Common	PCD Nominee Corp G/F Makati Stock Exchange, Ayala Ave. Makati City (Stockholder)	(Note 1)	Filipino	2,326,508,165	31.00%

Notes

- 1.) Belle Corporation is a publicly-listed corporation which was registered in PCD in 2017
- 2.) PCD Nominee Corporation is a wholly-owned subsidiary of Philippine Central Depository, Inc. The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares. Instead, the participants have the power to decide how the PCD shares in APC Group are to be voted. No PCD participant who holds shares in their own behalf or in behalf of clients owns more than 5% of the Corporation's voting shares.

(2) Security Ownership of Management

The following table shows the shareholdings of the following directors and officers as of December 31, 2019.

Title of Class	Name of Beneficial Owner	Amount and nature of beneficial ownership (direct)	Citizenship	Percent of Class
Common Stock	Willy N. Ocier	310,001	Filipino	0.00
-do-	Bernardo D. Lim	1,000	Filipino	0.00
-do-	Edmundo L. Tan	1	Filipino	0.00
-do-	Tomas D. Santos	1	Filipino	0.00
-do-	Virginia A. Yap	10,001	Filipino	0.00
-do-	Laurito E. Serrano	1	Filipino	0.00
-do-	Jackson T. Ongsip	1	Filipino	0.00
-do-	Richard D. Alcazar	0	Filipino	—
-do-	Ian Jason R. Aguirre	0	Filipino	—
	Total	321,006		

(3) Voting Trust Holders of 10% or More

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

(4) Changes in Control

There are no arrangements which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

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

No director or executive officer 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.

Related party transactions pertain to the availment of non-interest-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	2019	P-	(P79,406,947)	On demand;	Unsecured
	2018	-	(79,406,947)	Noninterest-bearing	
(2) Share in expenses	2019	-	(571,684)	On demand;	Unsecured
	2018	(42,845)	(640,434)	Noninterest-bearing	
Total					
Advances from a related party	2019	P68,750	(P79,978,631)		
	2018	P42,845	(P80,047,381)		

Compensation and benefits of key management personnel of the Company for the year ended December 31, 2019 and 2018 consists of the following:

	2019	2018
Salaries	P3,770,000	P3,480,000
Retirement costs	190,543	190,543
	P3,960,543	P3,670,543

PART IV - EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

(a) **Exhibits** - See accompanying Index to Exhibits in the following pages

(b) Reports on SEC Form 17-C

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

Date	Title
May 14, 2019	Notice of Annual Stockholders' Meeting
July 1, 2019	Results of the 2019 APC Group, Inc.'s Annual Stockholders' Meeting
July 1, 2019	Results of the Organization Meeting of the Board of Directors held on July 1, 2019
August 30, 2019	Reply to Exchange's Query
September 30, 2019	Change on Corporate Contact Details
December 18, 2019	Notice of 2020 Annual Stockholders' Meeting

PART V - CORPORATE GOVERNANCE

Compliance with Corporate Governance Practices

The Company remains focused on insuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders.

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 2019, each of the Company's directors have complied with the requirements.

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

Attendance in Board of Directors' Meetings in 2019								
	Director	02/15/19	05/14/19	07/01/19	08/08/19	10/22/19	11/06/19	12/11/19
1	Willy N. Ocier	✓	✓	✓	✓	✓	✓	✓
2	Jackson T. Ongsip	✓	✓	✓	✓	✓	✓	✓
3	Bernardo D. Lim	✓	✓	✓	✓	✓	✓	✓
4	Edmundo L. Tan	✓	✓	✓	✓	✓	✓	✓
5	Virginia A. Yap	✓	✓	✓	✓	✓	✓	✓
6	Laurito E. Serrano	✓	-	✓	✓	✓	✓	✓
7	Tomas D. Santos	✓	✓	✓	-	✓	✓	✓

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 shall 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).

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.

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 disclosure 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.

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

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	GEN DER	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	63	M	Bachelor of Arts in Economics				✓	✓	✓	✓	✓		✓			✓			✓	✓	✓	✓
Chairman																						
Jackson T. Ongsip	46	M	Bachelor of Science in Accountancy	✓	✓		✓	✓	✓	✓			✓			✓			✓	✓	✓	
President, CEO & CRO																						
Edmundo L. Tan	74	M	Bachelor of Arts Degree		✓	✓	✓		✓			✓			✓	✓		✓				
Director																						
				Bachelor's Degree in Law																		
Bernardo D. Lim	72	M	Bachelor of Science in Business Administration	✓	✓		✓	✓	✓			✓	✓			✓		✓				
Non-Executive Director																						
Virginia A. Yap	68	F	Bachelor of Science Degree	✓			✓	✓	✓	✓		✓		✓		✓			✓		✓	
Director																						
				Commerce, Accounting Major																		
Tomas D. Santos	66	M	Bachelor of Science in Business Administration Degree				✓	✓	✓				✓			✓						✓
Independent Director																						
Laurito E. Serrano	59	M	Masters in Business Administration	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓				✓	✓		✓	
Lead Independent Director																						

APC also prohibits its directors, officers, and employees from using privileged corporate information for personal gain. Trading/ownership of Company shares as of December 31, 2019 is shown below:

	Shareholdings as of 12/31/18	Acquisition	Disposition	Shareholdings as of 12/31/19	Ownership Percentage
				Direct	
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	1	-	-	1	0.00
Jackson T. Ongsip	1	-	-	1	0.00
Total	321,006	-	-	321,006	

NON-FINANCIAL PERFORMANCE INDICATOR

Total Headcount:

	Headcount	% Change
YE 2019	3	-25%
YE 2018	4	

Gender Distribution:

Year	Headcount			% Distribution	
	Male	Female	Total	Male	Female
YE 2019	2	1	3	67%	33%
YE 2018	2	2	4	50%	50%

Performance Review

By Gender Distribution

Year	Headcount			% assessed by gender		% over total headcount
	Male	Female	Total	Male	Female	
YE 2019	2	2	4	100%	100%	100%
YE 2018	2	2	4	100%	100%	100%

By Distribution by Rank:

Year								% over total headcount
	Senior Mgt	Middle Mgt	Rank-and-File	Total	Senior Mgt	Middle Mgt	Rank-and-File	
YE 2019	-	1	3	4	-	1	3	100%
YE 2018	-	1	3	4	-	1	3	100%

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@bellec corp.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.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of _____ on May 5, 2020.

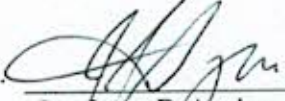
By:

1. 
 Willy N. Ocier
 Chairman of the Board

Date: May 5, 2020

2. 
 Jackson T. Ongsip
 President and Chief Executive Officer

Date: May 5, 2020

3. 
 Ian Jason R. Aguirre
 Vice President and Chief Financial Officer

Date: May 5, 2020

MAKATI CITY
 SUBSCRIBED AND SWORN to before me this ____ day of JUN 25 2020
 _____, 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			
Jackson T. Ongsip			
Ian Jason R. Aguirre			

Doc. No. 441
 Page No. 91
 Book No. 108
 Series of 2020

Notary Public
ATTY. JOSHUA P. LAPUZ
 Notary Public for and in Makati City
 Appointment No. M-56 until 12/31/2021
 PTR No. 8116016, Jan. 2, 2020, Makati City
 Roll No. 45790, IEP, Lifetime N. 04897
 MCLE No. VI-0016565 / Jan. 14, 2019
 G/F Fedman Suites, 199 Salcedo Street,
 Legaspi Village, Makati City

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

	A	S	-	0	9	3	8	1	2	7
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COMPANY NAME

A	P	C		G	R	O	U	P	,		I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I
E	S																												

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

G	/	F		M	y	T	o	w	n		N	e	w		Y	o	r	k		B	i	d	g	,		G	e	n	e
r	a	I		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																			

Form Type

A	A	C	F	S
---	---	---	---	---

Department requiring the report

S	E	C	
---	---	---	--

Secondary License Type, If Applicable

N	A		
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COMPANY INFORMATION

<p>Company's Email Address</p> <p style="text-align: center;">apcgrpinc@gmail.com</p>	<p>Company's Telephone Number</p> <p style="text-align: center;">c/o 6628888 loc. 2144</p>	<p>Mobile Number</p> <p style="text-align: center;">—</p>
<p>No. of Stockholders</p> <p style="text-align: center;">593</p>	<p>Annual Meeting (Month / Day)</p> <p style="text-align: center;">Second Thursday of June</p>	<p>Fiscal Year (Month / Day)</p> <p style="text-align: center;">12/31</p>

CONTACT PERSON INFORMATION

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

<p>Name of Contact Person</p> <p style="text-align: center;">Jackson T. Ongsip</p>	<p>Email Address</p> <p style="text-align: center;">apcgrpinc@gmail.com</p>	<p>Telephone Number/s</p> <p style="text-align: center;">c/o 6628888 loc. 2144</p>	<p>Mobile Number</p> <p style="text-align: center;">—</p>
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CONTACT PERSON's ADDRESS

<p>G/F MyTown New York Bldg, General E. Jacinto St. corner Capas St., Brgy Guadalupe Nuevo, Makati City</p>
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NOTE 1 In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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





APC GROUP INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **APC Group, Inc. and Subsidiaries** (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, 2019 and 2018, 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

February 28, 2020

SUBSCRIBED AND SWORN to before me this **28 FEB 2020** 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			
Jackson T. Ongsip			
Ian Jason R. Aguirre			

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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 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, 2019, the carrying value of the Group's deferred exploration costs amounted to ₱111.5 million. These deferred exploration costs pertain to the Aragorn Power and Energy Corporation (APEC)'s participating interest in Geothermal Renewable Service Contract (GRESK) 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 inspected the license/permit of the exploration period of GRESK to determine that the period for which APEC has the right to explore in the specific area has not expired. We reviewed the summary of the status of APEC's exploration project as at December 31, 2019, as certified by APEC's President, and compared it with the disclosures submitted to regulatory agencies. We reviewed the contracts and agreements, and budget for GRESK exploration costs. We checked the work program and corresponding budget furnished to the Department of Energy. We also read the minutes of the meetings of the Group's Board of Directors for the discussion of management plans.

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, 2019, 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, 2019 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.



- 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.

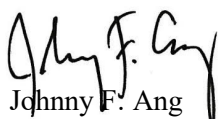
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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. 8131119, January 9, 2020, Makati City

February 28, 2020



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

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 18 and 19)	₱137,491,340	₱144,787,138
Receivables (Notes 6, 18 and 19)	1,585,194	300,718
Other current assets	2,585	11,515
Total Current Assets	139,079,119	145,099,371
Noncurrent Assets		
Property and equipment (Note 8)	62,234	15,620
Investment property (Notes 9 and 19)	10,028,870	10,028,870
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 7, 18 and 19)	3,624,630	5,172,121
Deferred exploration costs (Note 10)	111,520,001	110,878,886
Input value added tax (VAT)	8,962,888	8,704,647
Other noncurrent assets (Notes 18 and 19)	23,822	23,822
Total Noncurrent Assets	134,222,445	134,823,966
	₱273,301,564	₱279,923,337
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11, 18 and 19)	₱28,627,801	₱28,449,031
Advances from a related party (Notes 16, 18 and 19)	79,978,631	80,047,381
Total Current Liabilities	108,606,432	108,496,412
Noncurrent Liabilities		
Accrued retirement costs (Note 14)	3,441,697	3,170,606
Other noncurrent liabilities (Notes 18 and 19)	–	161,959
Total Noncurrent Liabilities	3,441,697	3,332,565
Total Liabilities	112,048,129	111,828,977
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 12 and 18)	6,388,078,749	6,388,078,749
Additional paid-in capital (Notes 12 and 18)	1,613,942,096	1,613,942,096
Cumulative change in fair value of financial assets at FVOCI (Note 7)	2,776,629	4,324,120
Remeasurement loss on defined benefit obligation (Note 14)	(2,237,878)	(2,237,878)
Equity reserves (Note 2)	(3,140,235)	(3,140,235)
Deficit	(7,801,877,957)	(7,796,603,339)
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	168,106,184	174,928,293
Non-controlling Interests	(6,852,749)	(6,833,933)
Total Equity	161,253,435	168,094,360
	₱273,301,564	₱279,923,337

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2019	2018	2017
REVENUES			
Interest income (Note 5)	₱4,651,666	₱3,569,449	₱3,900,176
Dividend income (Note 7)	319,476	279,224	178,688
	4,971,142	3,848,673	4,078,864
EXPENSES			
General and administrative expenses (Note 13)	(10,264,576)	(12,350,727)	(20,510,625)
OTHER INCOME (EXPENSES)			
Loss on:			
Sale of investment property (Note 9)	—	(3,015,807)	—
Disposal of property and equipment (Note 8)	—	—	(26,684)
Other income - net	—	—	44,500
	—	(3,015,807)	17,816
LOSS BEFORE INCOME TAX	(5,293,434)	(11,517,861)	(16,413,945)
PROVISION FOR INCOME TAX (Note 15)	—	—	890
NET LOSS	(5,293,434)	(11,517,861)	(16,414,835)
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 (Note 7)	(1,547,491)	(3,497,450)	—
Remeasurement gain on defined benefit obligation (Note 14)	—	—	625,727
Item to be reclassified to profit or loss in subsequent periods:			
Unrealized gain on available for sale financial assets	—	—	1,144,620
	(1,547,491)	(3,497,450)	1,770,347
TOTAL COMPREHENSIVE LOSS	(₱6,840,925)	(₱15,015,311)	(₱14,644,488)
Net Loss Attributable to:			
Equity holders of the Parent Company (Note 17)	(₱5,274,618)	(₱11,470,031)	(₱16,324,751)
Non-controlling interests	(18,816)	(47,830)	(90,084)
	(₱5,293,434)	(₱11,517,861)	(₱16,414,835)
Total Comprehensive Loss Attributable to:			
Equity holders of the Parent Company	(₱6,822,109)	(₱14,967,481)	(₱14,554,404)
Non-controlling interests	(18,816)	(47,830)	(90,084)
	(₱6,840,925)	(₱15,015,311)	(₱14,644,488)
Basic/Diluted Loss Per Common Share (Note 17)	(₱0.000703)	(₱0.001528)	(₱0.002175)

See accompanying Notes to Consolidated Financial Statements.



APC GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock	Additional	Cumulative	Remeasurement			Treasury		Non-controlling	
	(Notes 12 and 18)	Paid-in Capital	Change in Fair Value of Financial Assets at FVOCI (Note 7)	Loss on Defined Benefit Obligation (Note 14)	Equity Reserves	Deficit	Shares (Notes 12 and 17)	Total	Interests	Total
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 loss	—	—	(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	(₱6,852,749)	₱161,253,435
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
Balances at January 1, 2017	₱6,388,078,749	₱1,613,942,096	₱6,676,950	(₱2,863,605)	₱226,304	(₱7,768,808,557)	(₱29,435,220)	₱207,816,717	(₱10,062,558)	₱197,754,159
Net loss during the year	—	—	—	—	—	(16,324,751)	—	(16,324,751)	(90,084)	(16,414,835)
Other comprehensive income	—	—	1,144,620	625,727	—	—	—	1,770,347	—	1,770,347
Total comprehensive loss	—	—	1,144,620	625,727	—	(16,324,751)	—	(14,554,404)	(90,084)	(14,644,488)
Balances at December 31, 2017	₱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

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax:	(P5,293,434)	(P11,517,861)	(P16,413,945)
Adjustments for:			
Interest income (Note 5)	(4,651,666)	(3,569,449)	(3,900,176)
Dividend income (Note 7)	(319,476)	(279,224)	(178,688)
Retirement costs (Note 14)	271,091	505,320	490,513
Depreciation (Notes 8 and 13)	15,868	8,926	65,522
Loss on:			
Sale of investment property (Note 9)	—	3,015,807	—
Disposal of property and equipment (Note 8)	—	—	26,684
Operating loss before working capital changes	(9,977,617)	(11,836,481)	(19,910,090)
Decrease (increase) in:			
Receivables	(1,299,988)	640,959	80,828,202
Other current assets	8,930	5,513	(17,027)
Input VAT	(258,241)	(217,159)	(953,950)
Increase (decrease) in:			
Trade and other payables	178,770	(2,602,619)	(5,543,905)
Advances from a related party	(68,750)	42,845	232,530
Cash generated from (used for) operations	(11,416,896)	(13,966,942)	54,635,760
Interest received	4,667,178	3,569,449	3,900,176
Dividend received	319,476	279,224	178,688
Income taxes paid	—	—	(72,327)
Net cash provided by (used in) operating activities	(6,430,242)	(10,118,269)	58,642,297
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment (Note 8)	(62,482)	—	(26,777)
Proceeds from:			
Sale of investment property (Notes 9 and 20)	—	9,329,323	—
Disposal of property and equipment (Note 8)	—	—	35,610
Decrease (increase) in:			
Deferred exploration costs	(641,115)	(51,176,727)	(528,137)
Other noncurrent assets	—	166,577	(161,185)
Decrease in other noncurrent liabilities	(161,959)	—	—
Net cash used in investing activities	(865,556)	(41,680,827)	(680,489)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,295,798)	(51,799,096)	57,961,808
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 5)	144,787,138	196,586,234	138,624,426
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	P137,491,340	P144,787,138	P196,586,234

See accompanying Notes to Consolidated Financial Statements.



APC GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

APC Group, Inc. (the Parent Company or APC) and subsidiaries (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. corner 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 February 28, 2020.

Status of Operations

As at February 28, 2020, 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 February 28, 2020, 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 (GRESK) in March 2010 to avail of the incentives provided under the Renewable Energy (RE) Act of 2008. GRESK 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 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 drilling operations are currently on-going. Consistent with and in compliance to the work program of the Project, KGP is preparing for the conversion of the Project from its pre-development phase to development phase.

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.

As at February 28, 2020, 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.

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 US\$300.0 million.

b. APC Energy Resources Inc. (APC Energy)

APC Energy was established to engage in exploration, development and utilization of renewable energy resources. As at February 28, 2020, 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 February 28, 2020, 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 February 28, 2020, 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 February 28, 2020, 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 (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements, which are prepared for submission to the SEC, have been prepared in compliance with PFRS.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at December 31, 2019 and 2018:

Subsidiaries	Nature of Business	Percentage of Ownership		
		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 amounted to ₱3.4 million, 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 and Disclosures

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, 2019: Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.



- PFRS 16, *Leases*

PFRS 16 supersedes Philippine Accounting Standard (PAS) 17, *Leases*, Philippine Interpretation IFRIC-4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet. Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17 and distinguish two types of leases: operating lease and finance lease. Therefore, PFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective approach and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

The Group has lease contracts for office space. Before the adoption of PFRS 16, the Group classified these leases (as lessee) at the inception date as operating leases. Refer to the accounting policy prior to January 1, 2019.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases. Refer to the accounting policy on leases upon adoption of PFRS 16. The Group applied practical expedient wherein it applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application. The Group only has short-term lease. Thus, there is no significant impact on the adoption of PFRS 16.

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

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

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

The Group is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The Group shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.



The Group determined that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
 - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
 - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements.

Effective beginning on or after January 1, 2020

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

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

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

These amendments will apply on future business combinations of the Group.

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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering



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

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

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

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

Deferred effectivity

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

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

On January 13, 2016, the 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. The Group is currently assessing the impact of this amendment.

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.

Financial Instruments - Initial Recognition and Subsequent Measurement

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

Financial assets Starting January 1, 2018 (Upon Adoption of PFRS 9)

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, 2019 and 2018, 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 Assets Prior to January 1, 2018 (Prior to Adoption of PFRS 9)

Date of Recognition of Financial Assets. The Group recognizes financial assets in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on trade date, i.e., the date the Group commits to purchase or sell the asset.

Initial Recognition and Subsequent Measurement of Financial Assets. Financial assets are recognized initially at fair value plus, in the case of investments not at FVTPL, transaction costs that are attributable to the acquisition of the financial asset.

Financial assets are classified as financial assets FVTPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition and where allowed and appropriate, re-evaluates such classification every financial reporting date.

The Group has no financial assets at FVTPL and HTM investments as at December 31, 2017.

- *Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are not integral part of the EIR. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are classified as current assets when the Group expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

As at December 31, 2017, this category includes the Group's cash and cash equivalents, receivables and deposits (presented under "Other noncurrent assets" account).

- *AFS Financial Assets.* AFS financial assets are non-derivative financial assets that are designated as AFS or do not qualify to be classified as loans and receivables, financial assets at FVTPL or HTM investments. AFS financial assets include equity investments. Equity investments classified as AFS are those which are intended to be held for an indefinite period of time and are neither classified as held for trading nor designated as at FVTPL. After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized under other comprehensive income until the financial asset



is derecognized or determined to be impaired at which time the accumulated gains or losses previously reported under other comprehensive income are reclassified to profit or loss. AFS financial assets that are not quoted in an active market and whose fair value cannot be measured reliably are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of investment. If a reliable measure ceases to be available, AFS financial assets are thereafter measured at cost, which is deemed to be the fair value carrying amount at that date. Assets under this category are classified as current assets if expected to be realized within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

The Group designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

As at December 31, 2017, this category includes the Group's investments in shares of stock.

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

- *Financial Assets at Amortized Cost.* For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original EIR. The carrying amount of the financial asset is reduced through use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the EIR of the asset.

The Group provides an allowance for loans and receivables which they deemed to be uncollectible despite the Group's continuous effort to collect such balances from the respective clients. The Group considers those past due receivables as still collectible if they become past due only because of a delay on the fulfillment of certain conditions as agreed in the contract and not due to incapability of the customers to fulfill their obligation. However, for those receivables associated with pre-terminated contracts, the Group directly writes them off from the account since there is no realistic prospect of future recovery.



If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income in the profit or loss. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed what its amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

- *AFS Financial Assets.* For equity investments classified as financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. “Significant” is to be evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is “significant” or “prolonged” required judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

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

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

As at December 31, 2019 and 2018, the Group has no financial liabilities at FVTPL and derivatives designated as hedging instruments in an effective hedge.

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

Financial liabilities at amortized cost (Loans and borrowings). This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

Derecognition. A financial liability is derecognized when the obligation under the liability is



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

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 Starting January 1, 2018 (Upon adoption of PFRS 15)

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, 2019 and 2018.

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.

Revenue Recognition Prior to January 1, 2018 (Prior to Adoption of PFRS 15)

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

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.

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

Leases Starting January 1, 2019 (Upon Adoption of PFRS 16)

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.

Company 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 (Prior to Adoption of PFRS 16)

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 indicator of impairment of deferred exploration costs in 2019, 2018 and 2017. The carrying value of deferred exploration costs amounted to ₱111.5 million ₱110.9 million as at December 31, 2019 and 2018, respectively (see Notes 8 and 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 Nonfinancial Assets (Excluding Deferred Exploration Cost). The Group's other nonfinancial assets include deferred exploration cost, input VAT and property and equipment. An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined.

Input VAT is regularly assessed considering certain indications such as validity of the input VAT to be applied against output tax, decline in the usage of asset and significant underperformance relative to the expected historical or future operating results and significant negative industry or economic trends.

The carrying values of the Group's nonfinancial assets (excluding deferred exploration costs) that are subject to impairment testing when certain impairment indicators are present are as follows:

	2019	2018
Input VAT	₱8,962,888	₱8,704,647
Property and equipment (see Note 8)	62,234	15,620

There were no indicators of impairment as at December 31, 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.

Based on the Group's assessment, there are no significant changes in the fair value of the investment property from the 2016 appraisal report until the latest financial reporting date. The fair value of investment property amounted to ₱10.0 million as at December 31, 2019 and 2018 (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 ₱46.8 million and ₱51.2 million as at December 31, 2019 and 2018, 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 ₱0.3 million in 2019 and ₱0.5 million in 2018 and 2017. Accrued retirement costs amounted to ₱3.4 million and ₱3.2 million as at December 31, 2019 and 2018, 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 about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available.

Group revenue, segment expenses and segment results include transfers among entities within the segments. Those transfers are eliminated in the consolidation. 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.

Segment Operations	Years Ended December 31		
	2019	2018	2017
Segment expenses	(₱10,264,576)	(₱12,350,727)	(₱20,510,625)
Loss on disposal of property and equipment	—	—	(26,684)
Loss on sale of investment property	—	(3,015,807)	—
Interest income	4,651,666	3,569,449	3,900,176
Dividend and other income	319,476	279,224	223,188
Provision for income tax	—	—	(890)
Net loss	(₱5,293,434)	(₱11,517,861)	(₱16,414,835)



	2019	2018	2017
As at December 31			
Other information:			
Segment assets	₱273,301,564	₱279,923,337	₱296,993,102
Segment liabilities	112,048,129	111,828,977	113,883,431
Depreciation	15,868	8,926	65,522

5. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand and in banks	₱4,476,781	₱4,026,348
Short-term investments	133,014,559	140,760,790
	₱137,491,340	₱144,787,138

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 ₱4.7 million, ₱3.6 million, and ₱3.9 million in 2019, 2018, and 2017, respectively.

6. Receivables

This account consists of:

	2019	2018
Advances to AKHI	₱1,462,640	₱197,770
Advances to officers and employees	83,836	46,168
Others	38,718	56,780
	₱1,585,194	₱300,718

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:

	2019	2018
Premium Leisure Corp. (PLC)	₱3,624,630	₱5,087,200
Others	–	84,921
	₱3,624,630	₱5,172,121

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

	2019	2018
Balance at beginning of year	₱5,172,121	₱8,669,571
Change in fair value of financial assets at FVOCI	(1,547,491)	(3,497,450)
Balance at end of year	₱3,624,630	₱5,172,121

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:

	2019	2018
Balance at beginning of year	₱4,324,120	₱7,821,570
Cumulative change in fair value of financial assets at FVOCI	(1,547,491)	(3,497,450)
Balance at end of year	₱2,776,629	₱4,324,120

The Group received dividend income from PLC shares amounting to ₱0.3 million in 2019 and 2018, and ₱0.2 million in 2017.

8. Property and Equipment

This account consists of office and other equipment:

	2019	2018
Cost		
Balance at beginning and end of year	₱1,614,133	₱1,614,133
Additions	62,482	–
	1,676,615	1,614,133
Accumulated Depreciation		
Balance at beginning of year	₱1,598,513	₱1,589,587
Depreciation (see Note 13)	15,868	8,926
Balance at end of year	1,614,381	1,598,513
Net book value	₱62,234	₱15,620

There were no idle assets as at December 31, 2019 and 2018.



9. Investment Property

The movement of this account follows:

	2019	2018
Balance at beginning of year	₱10,028,870	₱22,374,000
Disposal	–	(12,345,130)
Balance at end of year	₱10,028,870	₱10,028,870

Investment property consists of parcels of land which is 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, 2019 was determined by Colliers International Philippines, Inc., an independent appraiser, on October 12, 2016. 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.



The sensitivity analysis of the market value of the investment properties are as follows:

	Increase (decrease) in fair value of investment property
Increase (decrease) in sales adjustment	10.0%
(10.0%)	₱523,536
	(523,536)

While fair value of the investment property was not determined as at December 31, 2019, the Group's management believes that there were no conditions present in 2019 that would significantly reduce the fair value of the investment properties from that determined in 2016.

10. Deferred Exploration Costs

This account consists of:

	2019	2018
Cost:		
KGP	₱111,520,001	₱110,878,886
Other exploration costs	63,664,924	63,664,924
Mining rights	48,254,908	48,254,908
Balance at end of year	223,439,833	222,798,718
Less allowance for impairment	111,919,832	111,919,832
Net book value	₱111,520,001	₱110,878,886

The movement of KGP are as follows:

	2019	2018
Balance at beginning of year	₱110,878,886	₱59,702,160
Additions	641,115	51,176,726
Balance at end of year	₱111,520,001	₱110,878,886

Deferred exploration costs relate to geothermal projects. The ability of the Group to recover its deferred exploration cost 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 ₱0.6 million and ₱51.2 million in 2019 and 2018, respectively, in connection with the exploration activities, engineering design and technical feasibility of its Geothermal Kalinga Project.

11. Trade and Other Payables

This account consists of:

	2019	2018
Trade	₱4,974,345	₱4,825,199
Payable to third parties	12,978,971	12,978,972
Nontrade payables (Forward)	8,735,254	8,735,254



	2019	2018
Accrued expenses:		
Professional fees	₱1,304,826	₱1,308,826
Others	562,384	575,703
Payable to government agencies	72,021	25,077
	₱28,627,801	₱28,449,031

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 party mostly pertain 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 both for December 31, 2019 and 2018 follow:

	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

	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	1,123,731,248
	6,388,078,749	₱6,388,078,749

- b. As at December 31, 2019 and 2018, 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 February 28, 2020, 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 593 and 595 as at December 31, 2019 and 2018, 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. The authorized capital stock of the Parent Company will be ₱200.0 million, divided into 140.0 million common shares and 60.0 million preferred shares. This was approved by the Parent Company's stockholders on September 27, 2017.

The reduction in par value will generate sufficient APIC to wipe out the Group's deficit. On February 20, 2020, the SEC approved the Company's equity restructuring, the decrease of capital stock and the Company's amended articles of incorporation.

13. General and Administrative Expenses

This account consists of:

	2019	2018	2017
Salaries and employee benefits	₱4,441,668	₱4,899,059	₱4,933,334
Professional fees and outside services	2,302,035	2,366,669	6,147,392
Entertainment, amusement and recreation	1,293,790	1,298,363	1,495,626
Transportation and travel	987,307	852,331	660,685
Taxes and licenses	335,566	1,775,476	5,430,419
Retirement costs (see Note 14)	271,091	505,320	490,513
Dues and subscriptions	140,590	346,412	283,609
Rental	53,571	53,571	405,054
Depreciation (see Note 8)	15,868	8,926	65,522
Others	423,090	244,600	598,471
	₱10,264,576	₱12,350,727	₱20,510,625

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, on January 19, 2018.

Changes in accrued retirement costs are as follows:

	2019	2018	2017
Balance at beginning of year	₱3,170,606	₱2,665,286	₱2,800,500
Retirement costs (Note 13):			
Current service cost	108,845	351,000	331,165
Interest cost	162,246	154,320	159,348
	271,091	505,320	490,513
Remeasurement loss (gain) in other comprehensive income:			
Actuarial changes due to experience adjustments	—	—	(1,209,385)
Actuarial changes arising from changes in financial assumptions	—	—	583,658
	—	—	(625,727)
	₱3,441,697	₱3,170,606	₱2,665,286

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

Discount rate	5.79%
Future salary increase rate	8.00%

The following are other defined benefit plan information:

	2019	2018
A. Weighted average duration of present value of defined benefit obligation	7.90 years	8.90 years
B. Maturity analysis of undiscounted retirement benefit payments		
More than one year up to 5 years	₱517,628	₱517,628
More than 5 years up to 10 years	2,087,323	2,087,323
C. Plan membership information		
Number of active plan members	5	7
Average attained age	47.2 years	41.9 years
Average past service	11.1 years	7.8 years
Average future service	12.7 years	18.1 years



15. Income Tax

- a. In 2017, the current provision for income tax is computed using MCIT. There were no provision for income tax in 2018 and 2019.
- 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:

	2019	2018	2017
Benefit from income tax at statutory income tax rate	(P1,588,030)	(P3,455,358)	(P4,924,184)
Increase (decrease) in income tax resulting from:			
Expired NOLCO and MCIT	7,078,825	5,143,848	2,748,167
Change in unrecognized deferred tax assets	(4,387,804)	(936,656)	2,951,878
Interest income subjected to final tax	(1,395,500)	(1,070,835)	(1,170,053)
Nondeductible expenses	388,137	402,768	448,688
Dividend income exempt from income tax	(95,843)	(83,767)	(53,606)
Others	215	—	—
Effective income tax	P—	P—	P890

- 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:

	2019	2018	2017
Allowance for impairment of deferred exploration costs and mining rights (see Note 10)	P111,919,832	P111,919,832	P111,919,832
NOLCO	40,725,019	55,383,285	59,009,651
Accrued retirement costs	3,441,697	3,170,606	2,665,286
Excess of MCIT over RCIT	890	72,327	72,669
Others	—	714	714
	P156,087,438	P170,546,764	P173,668,152
Unrecognized deferred tax assets	P46,826,854	P51,214,658	P52,151,314

Deferred tax assets were not recognized as at December 31, 2019 and 2018 as management believes it is not probable that future taxable profits will be sufficient against which these can be utilized.

- d. As at December 31, 2019, the Group's NOLCO and MCIT, which can be carried forward and claimed as deductions against regular taxable income and as tax credit against regular corporate income tax due, respectively, are as follows:

Year Incurred / Paid	Expiry Date	NOLCO	MCIT
2017	2020	P18,506,671	P890
2018	2021	13,518,653	—
2019	2022	8,699,695	—
		P40,725,019	P890



The movements in NOLCO and MCIT follow:

	2019	2018
NOLCO:		
Balance at beginning of year	₱55,383,285	₱59,009,651
Additions	8,699,695	13,518,653
Expirations	(23,357,961)	(17,145,019)
Balance at end of year	₱40,725,019	₱55,383,285
	2019	2018
MCIT:		
Balance at beginning of year	₱72,327	₱72,669
Expirations	(71,437)	(342)
Balance at end of year	₱890	₱72,327

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 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	2019	₱-	(₱79,406,947)	On demand;	Unsecured
	2018	-	(79,406,947)	Noninterest-bearing	
(2) Share in expenses	2019	-	(571,684)	On demand;	Unsecured
	2018	(42,845)	(640,434)	Noninterest-bearing	
Total					
Advances from a related party	2019	₱68,750	(₱79,978,631)		
	2018	₱42,845	(₱80,047,381)		

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

	2019	2018	2017
Salaries and short-term employee benefits	₱3,770,000	₱3,480,000	₱3,480,000
Retirement costs	190,543	190,543	190,543
	₱3,960,543	₱3,670,543	₱3,670,543



17. Basic/Diluted Loss Per Common Share

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

	2019	2018	2017
Loss attributable to equity holders of the Parent Company (a)	(₱5,274,618)	(₱11,470,031)	(₱16,324,751)
Weighted average number of common shares	7,511,809,997	7,511,809,997	7,511,809,997
Treasury shares	(7,606,000)	(7,606,000)	(7,606,000)
Divided by weighted average common shares (b)	7,504,203,997	7,504,203,997	7,504,203,997
Basic/diluted loss per share	(₱0.000703)	(₱0.001528)	(₱0.002175)

There were no dilutive potential common shares for purposes of calculation of loss per share in 2019, 2018 and 2017.

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 consists 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:

2019					
	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Total
		1-60 Days	>60 Days		
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 ₱10.0 thousand

**Presented under "Other noncurrent assets" account.

2018					
	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Total
		1-60 Days	>60 Days		
Cash and cash equivalents*	₱144,777,138	₱—	₱—	₱—	₱144,777,138
Receivables:					
Advances to AKHI	—	—	197,770	—	197,770
Advances to officers and employees	1,086	—	45,082	—	46,168
Others	15,512	—	41,268	—	56,780
Deposits**	23,822	—	—	—	23,822
Financial assets at FVOCI	5,172,121	—	—	—	5,172,121
	₱149,989,679	₱—	₱284,120	₱—	₱150,273,799

*Excluding cash on hand amounting to ₱10.0 thousand

**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, 2019, the credit quality of the Group's financial assets are as follows:

2019				
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
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 ₱10.0 thousand

**Presented under "Other noncurrent assets" account



As at December 31, 2018, the credit quality of the Group's financial assets are as follows:

	2018			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Financial assets at amortized cost				
Cash and cash equivalents*	₱144,777,138	₱—	₱—	₱144,777,138
Receivables	300,718	—	—	300,718
Deposits**	23,822	—	—	23,822
Financial assets at FVOCI	5,172,121	—	—	5,172,121
Gross carrying amount	₱150,273,799	₱—	₱—	₱150,273,799

*Excluding cash on hand amounting to ₱10.0 thousand

**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 ₱142.7 million and ₱150.3 million as at December 31, 2019 and 2018, respectively.

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

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

*Excluding statutory liabilities to the government.

	2018			
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year
Trade and other payables*	₱28,423,954	₱—	₱—	₱—
Advances from a related party	80,047,381	—	—	—
Subscriptions payable	—	—	—	161,959
	₱108,471,335	₱—	₱—	₱161,959

*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 ₱3.6 million and ₱5.2 million as at December 31, 2019 and 2018, respectively (see Note 7).



The effect on the consolidated income or equity, depending on whether or not decline is significant or prolonged (as a result of a change in fair value of quoted equity instruments held as AFS financial assets as at December 31, 2019 and 2018) due to reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in Equity Price*	Effect on Equity
2019	4%	₱161,095
	(4%)	(161,095)
2018	7%	₱356,539
	(7%)	(356,539)

*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 ₱7,972.6 million after deduction treasury shares at December 31, 2019 and 2018, respectively.

There were no changes in the objectives, policies or procedures during the years ended December 31, 2019 and 2018.

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, 2019 and 2018 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.

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, 2019 and 2018:

		2019		
	Valuation Date	Total	Level 1	Level 3
Assets measured at fair value:				
Investment property	October 12, 2016	₱10,028,870	₱—	₱10,028,870
Financial assets at FVOCI				
(Note 7)	December 31, 2019	—	3,624,630	—
Total financial assets		₱10,028,870	₱3,624,630	₱10,028,870



	Valuation Date	2019		
		Total	Level 1	Level 3
	Valuation Date	2018		
		Total	Level 1	Level 3
Assets measured at fair value:				
Investment property	October 12, 2016	₱10,028,870	₱—	₱10,028,870
Financial assets at FVOCI				
(Note 7)	December 31, 2018	5,172,121	5,172,121	—
Total financial assets		₱15,200,991	₱5,172,121	₱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, 2019 and 2018.

20. Events after the Reporting Period

On February 20, 2020, SEC approved the Parent Company's application for equity restructuring, decrease in capital stock and amended articles of incorporation.

On January 29, 2020, APEC made a capital call in the amount of ₱118,000,000 to Parent Company and its shareholders. On February 26, 2020, the deadline of the capital call, Parent Company has paid its equivalent share in the capital call amounting to ₱112,813,182. As of February 28, 2020, no other shareholder has participated in the capital call. As a result, Parent Company's shareholding in APEC increased from 95.6% to 97.6%.

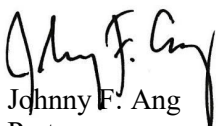


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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, 2019 and 2018, and for each of the three years in the period ended December 31, 2019 and have issued our report thereon dated February 28, 2020. 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. 8131119, January 9, 2020, Makati City

February 28, 2020

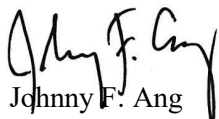


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated February 28, 2020. 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 (PFRS) 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 PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 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. 8131119, January 9, 2020, Makati City

February 28, 2020



APC GROUP, INC. AND SUBSIDIARIES
Index to the Consolidated Financial Statements and
Supplementary Schedules
December 31, 2019

Schedule I. Map of the Relationships of the Companies within the Group

Schedule II. Supplementary Schedules Required by Revised SRC Rule 68

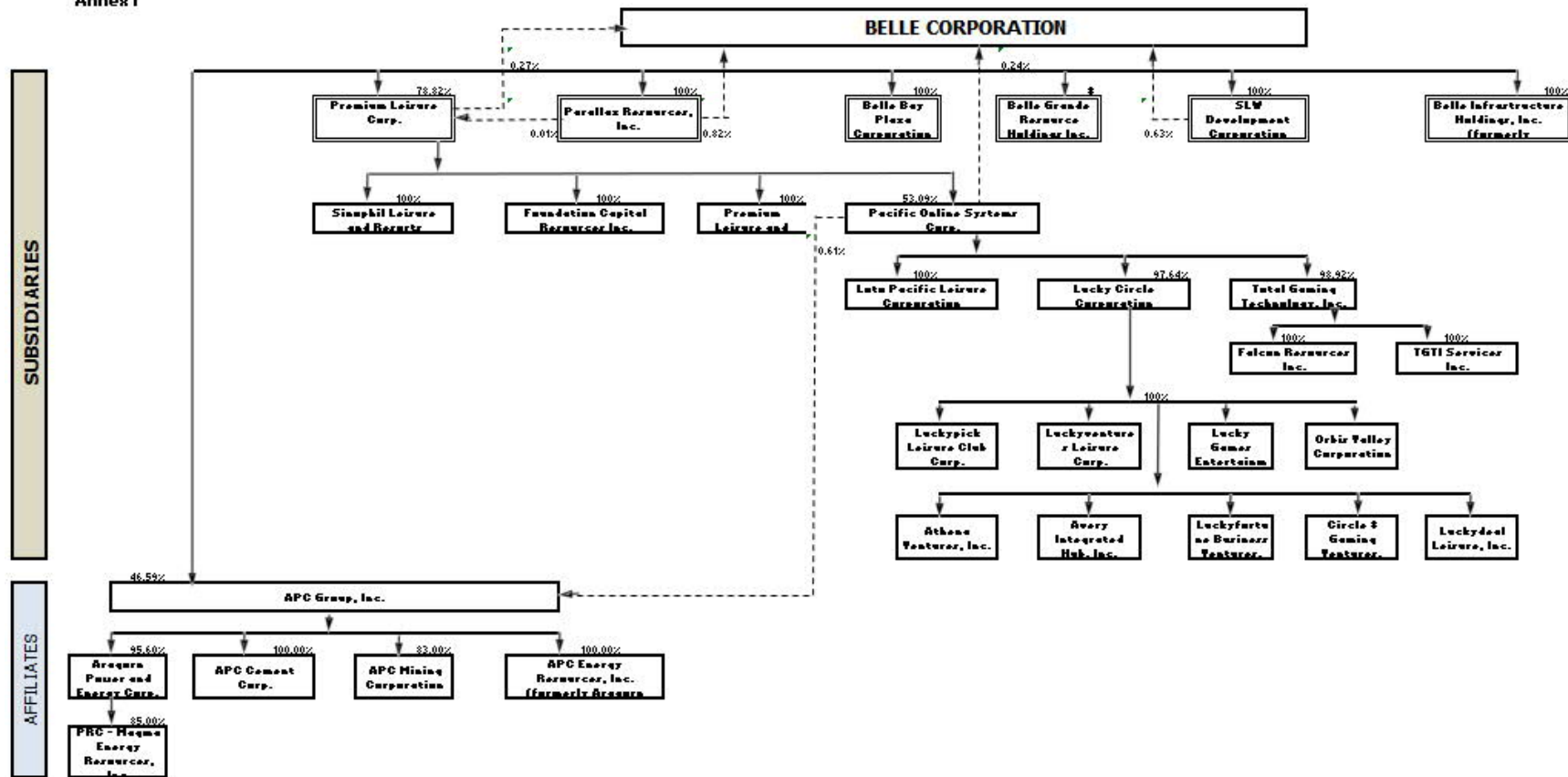
APC GROUP, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2019



Belle Corporation
Conglomerate Map
As of December 31, 2019
Annex I



APC GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES REQUIRED BY REVISED SRC RULE 68 DECEMBER 31, 2019

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	₱137,491,340	₱137,491,340	N/A	₱4,651,666
Receivables	1,501,358	1,501,358	N/A	—
Advances to officers and employees	38,718	38,718	N/A	—
Deposits	23,822	23,822	N/A	—
	139,055,238	139,055,238		4,651,666
Financial assets at fair value through other comprehensive income				
Premium Leisure Corp	6,359,000	3,624,630	3,624,630	—
	6,359,000	3,624,630	3,624,630	—
		₱142,679,868	₱3,624,630	₱4,651,666

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 at end of Period
Officers and employees	₱46,168	₱504,000	(₱511,450)	₱—	₱38,718	₱—	₱38,718

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 of Period
APC Mining Corporation	₱78,558,106	₱17,501	₱—	(₱78,575,607)	₱—	₱—	₱—
APC Cement Corporation	5,675,698	19,711	—	(5,695,409)	—	—	—
APC Energy Resources, Inc.	7,593,901	48,222	—	(7,642,123)	—	—	—
Aragorn Power and Energy Corporation	4,991,185	2,038,634	—	—	538,634	6,491,185	7,029,819
	₱96,818,890	₱2,124,068	₱—	(₱91,913,139)	₱538,634	₱6,491,185	₱7,029,819

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	₱80,047,381	₱—	(₱68,750)	₱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, 2019

Financial Ratios	Formula	2019	2018
Current Ratio	Total Current Assets divided by Total Current Liabilities	1.28	1.34
	Total Current Assets ₱139,079,119		
	Divide by: Total Current Liabilities 108,606,432		
	Current Ratio 1.28		
Acid Test Ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities	1.28	1.34
	Total Current assets ₱139,079,119		
	Less: Other current assets (2,585)		
	Quick assets 139,076,534		
	Divide by: Total Current Liabilities 108,606,432		
	Acid test ratio 1.28		
Solvency Ratio	After tax net income (loss) plus Depreciation divided by Total liabilities	(0.05)	(0.10)
	After tax net income (loss) (₱5,277,566)		
	Add: Depreciation		
	Divide by: Total Liabilities 112,048,129		
	Solvency Ratio (0.05)		
Debt-to-Equity Ratio	Total liabilities divided by Total stockholders' equity	0.69	0.67
	Total liabilities ₱112,048,129		
	Divide by: Total stockholders' equity 161,253,435		
	Debt-to-Equity Ratio 0.69		
Asset to Equity Ratio	Total assets divided by Total stockholders' equity	1.69	1.67
	Total assets ₱273,301,564		
	Divide by: Total stockholders' equity 161,253,435		
	Asset-to-Equity Ratio 1.69		
Return on Equity Ratio	Net income (loss) divided by Total stockholders' equity	(0.03)	(0.07)
	Net income (loss) (₱5,293,434)		
	Divide by: Total stockholders' equity 161,253,435		
	Return on Equity Ratio (0.03)		

Financial Ratios	Formula	2019	2018
Return on Assets Ratio	Net income (loss) divided by Total assets	(0.02)	(0.04)
	<div> <div>Net income (loss)</div> <div>(₱5,293,434)</div> <div>Total assets</div> <div>273,301,546</div> </div> <hr/> <div>Return on Assets Ratio</div> <div>(0.02)</div>		
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	

APC Group, Inc.

Sustainability Reporting Template

Contextual Information

Company Details	
Name of Organization	APC Group, Inc. (APC or the “Company”)
Location of Headquarters	G/F MyTown New York Bldg, General E. Jacinto St. corner Capas St., Brgy. Guadalupe Nuevo, Makati City
Location of Operations	APC’s Principal Address is at G/F MyTown New York Bldg, General E. Jacinto St. corner Capas St., Brgy. Guadalupe Nuevo, Makati City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report	Within APC only (parent only)
Business Model, including Primary Activities, Brands, Products, and Services	<p>Originally organized to engage in the oil and gas exploration and development in the Philippines, APC was incorporated in the Philippines and are registered with the Philippine Securities and Exchange Commission (SEC) on October 15, 1993. The SEC approved the change in the primary purpose of the Company to that of a holding company on April 30, 1997.</p> <p>The Company’s shares of stock are publicly traded in the Philippine Stock Exchange, Inc. (PSE).</p>
Reporting Period	January 1 to December 31, 2019
Highest Ranking Person responsible for this report	Mr. Jackson T. Ongsip, President, Chief Executive Officer, and Chief Risk Officer of the Company

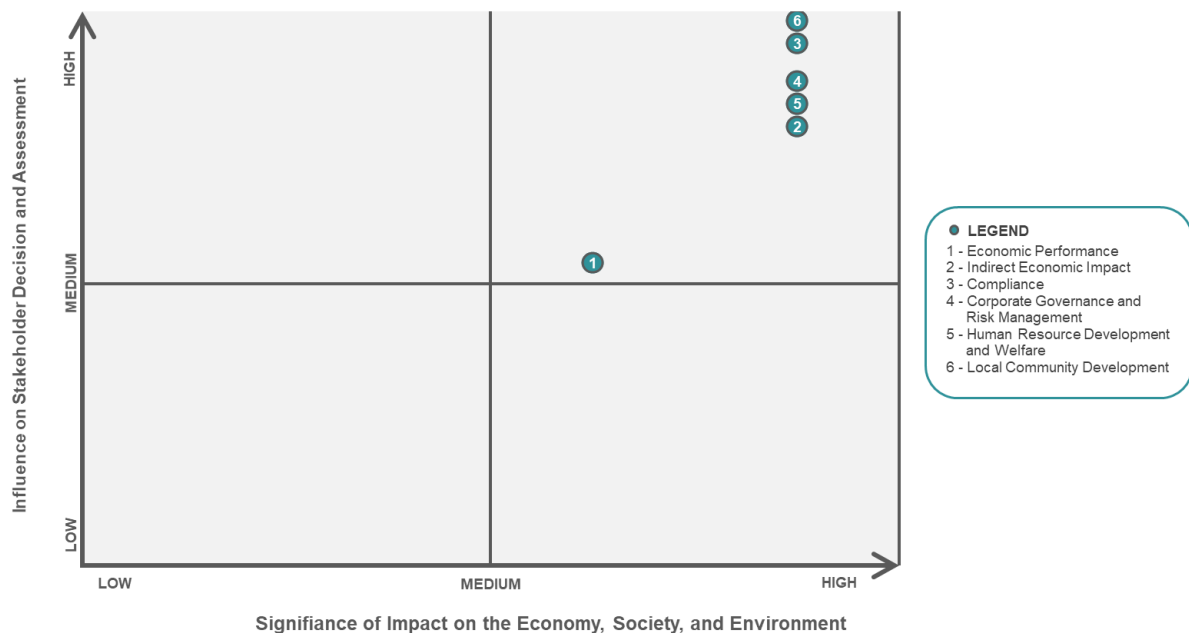
Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.

To identify our Company's material economic, environmental, social, and governance (EESG) topics, we underwent through the following process:

	1	2	3	4	5
Steps Taken	Build Corporate Capacity	Review of Business Model with Senior Management and Employees	Identify Material Topics	Prioritize Material Topics	Process Review
Description	Participation and attendance to SEC workshop on sustainability reporting, and internal training	Review of vision, operations, policies and practices, and identification of aspects which have critical impact on the EESG	Identification of material topics based on review of business	Engagement with internal and external stakeholders through dialogues and online surveys	Review of material topics and existing disclosures

Materiality Matrix



ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	₱4,968,041	PhP
Direct economic value distributed:		
a. Operating costs	2,950,183	PhP
b. Employee wages and benefits	4,897,424	PhP
c. Payments to suppliers, other operating costs	2,031,115	PhP
d. Dividends given to stockholders and interest payments to loan providers	0	PhP
e. Taxes given to government	672,940	PhP
f. Investments to community (e.g. donations, CSR)	0	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Primary business operations and supply chain caused by the organization</i>	<i>Employees, investors/shareholders, and suppliers/business partners, government</i>	<p><i>While not yet operating, the Company acknowledges the importance of sustainability to its businesses. It aims to create a direct economic impact through the economic value it will eventually distribute to its stakeholders in its primary business operations and supply chain.</i></p> <p><i>To be able to uphold its sustainable programs, APC, through its parent company, Belle Corporation ("Belle"), has adopted a global standard guiding principle aligned to the United Nations Global Compact to ensure proper implementation current practices and to seek for further developments.</i></p> <p><i>Led by our Management, the Company pursues to reach out to its stakeholders in order to recognize their interests.</i></p> <p><i>Alongside with Belle, and other co-subsidiaries, and as part of the SM Group, the Company anchored its sustainable development strategy to the seventeen</i></p>

		<p>(17) Sustainable Development Goals of the United Nations.</p> <p>This approach intends to have a strategic and diverse portfolio of businesses that delivers stable and reliable economic returns, which take into consideration social development and environmental protection.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Credit, liquidity and equity price risks; environmental risks which could hamper the exploration works, and put its employees in danger	Subsidiaries; employees; business partners; suppliers; host communities	<p>The Board and Management review and approve policies which protect the interest of the Company and that of the subsidiaries.</p> <p>Establishment of programs and policies on safety and adherence to such by the employees and business partners, as well as environment protection.</p> <p>APC shall maintain a safe, productive and conducive workplace and comply with all applicable health, safety and environmental laws.</p> <p>The Company shall endeavor to adhere to sustainable practices that ensure the protection of the environment and shall seek to deliver maximum growth with minimal and responsible consumption of natural resources.</p> <p>http://www.apcaragorn.net/index.php/corporate-governance/code-of-conduct-and-ethics</p>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Increase of APC's shareholder value for partners and investors by seeking other renewable energy development investment opportunities	Employees, host community members, suppliers/business partners, and investors/shareholders	To be open to partnerships or joint ventures as the Company pursues exploration work program for its Kalinga project, which will provide jobs to the locals

Climate-related risks and opportunities¹

Not material to the Company

Governance	Strategy	Risk Management	Metrics and Targets
Not material			
Recommended Disclosures			
Not material			
Not material			
Not material			

Procurement Practices

Proportion of spending on local suppliers

- Not material to the Company

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	<i>Not material</i>	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%

¹ Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Established anti-corruption policies, standards, and practices due to information campaigns</i>	<i>Employees, host community members, suppliers/business partners, and investors/shareholders</i>	<p><i>In order to provide continued protection to the interests of its stakeholders, the Board is regularly presented with updates on best corporate governance practices and instructs the Management to update and cascade the policies to the employees.</i></p> <p><i>The Board has approved a policy on whistle-blowing that encourages employees to participate and work towards creating an environment where concerns can be freely raised for possible violations of the Company's Code of Business Conduct and Ethics, policies and laws without fear of retaliation.</i></p> <p>http://www.apcaragorn.net/index.php/corporate-governance/company-policies</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Reputational risk</i>	<i>Employees, suppliers/business partners</i>	<i>The Company regularly reviews, updates and cascades its good governance policies. It also ensures its strict implementation, and application of sanctions as it deems fit.</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>To maintain and increase stakeholders' trust and confidence to the Company, which can possibly influence potential investors and</i>	<i>Employees, host community members, suppliers/business</i>	<i>The Company actively updates and cascades to its employees its policies, processes, and procedures, especially on</i>

<i>business partners, and be recognized a strong supporter of good governance practices.</i>	<i>partners, and investors/shareholders</i>	<i>corporate governance, particularly on anti-corruption.</i> http://www.apcaragorn.net/index.php/corporate-governance/company-policies
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Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Primary business operations and supply chain caused by the organization and through its business relationship</i>	<i>Employees, host community members, suppliers/business partners, and investors/shareholders</i>	<i>In order to provide continued protection to the interests of its stakeholders, the Board is regularly presented with updates on best corporate governance practices and instructs the Management to update and cascade the policies to the employees.</i> <i>The Board has approved a policy on whistle-blowing that encourages employees to participate and work towards creating an environment where concerns can be freely raised for possible violations of the Company's Code of Business Conduct and Ethics, policies and laws without fear of retaliation.</i> http://www.apcaragorn.net/index.php/corporate-governance/company-policies
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Reputational risk</i>	<i>Employees, suppliers/business</i>	<i>The Company regularly reviews, updates and cascades its good governance</i>

	<i>partners, investors, shareholders</i>	<i>policies. It also ensures its strict implementation, and application of sanctions as it deems fit.</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>To maintain and increase stakeholders' trust and confidence to the Company, which can possibly influence potential investors and business partners, and be recognized a strong supporter of good governance practices</i>	<i>Employees, host community members, suppliers/business partners, and investors/shareholders</i>	<i>The Company actively updates and cascades to its employees its policies, processes, and procedures, especially on corporate governance, particularly on anti-corruption.</i> http://www.apcaragorn.net/index.php/corporate-governance/company-policies

ENVIRONMENT

Resource Management

Energy consumption within the organization:

- Not material to the Company

Disclosure	Quantity	Units
Energy consumption (renewable sources)	<i>Not material</i>	GJ
Energy consumption (gasoline)	<i>Not material</i>	GJ
Energy consumption (LPG)	<i>Not material</i>	GJ
Energy consumption (diesel)	<i>Not material</i>	GJ
Energy consumption (electricity)	<i>Not material</i>	kWh

Reduction of energy consumption

- Not material to the Company

Disclosure	Quantity	Units
Energy reduction (gasoline)	Not material	GJ
Energy reduction (LPG)	Not material	GJ
Energy reduction (diesel)	Not material	GJ
Energy reduction (electricity)	Not material	kWh
Energy reduction (gasoline)	Not material	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		

Water consumption within the organization

- Not material to the Company

Disclosure	Quantity	Units
Water withdrawal	<i>Not material</i>	Cubic meters
Water consumption	<i>Not material</i>	Cubic meters
Water recycled and reused	<i>Not material</i>	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		

Materials used by the organization

- Not material to the Company

Disclosure	Quantity	Units
Materials used by weight or volume		
• renewable	<i>Not material</i>	kg/liters
• non-renewable	<i>Not material</i>	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	<i>Not material</i>	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

- Not material to the Company

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	<i>(identify all sites)</i> <i>Not material</i>	
Habitats protected or restored	<i>Not material</i>	Ha
IUCN3 Red List species and national conservation list species with habitats in areas affected by operations	<i>(list)</i> <i>Not material</i>	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		

³ International Union for Conservation of Nature

Environmental impact management

Air Emissions

GHG

- Not material to the Company

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	<i>Not material</i>	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	<i>Not material</i>	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	<i>Not material</i>	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		

Air pollutants

- Not material to the Company

Disclosure	Quantity	Units
NOx	<i>Not material</i>	kg
SOx	<i>Not material</i>	kg
Persistent organic pollutants (POPs)	<i>Not material</i>	kg
Volatile organic compounds (VOCs)	<i>Not material</i>	kg
Hazardous air pollutants (HAPs)	<i>Not material</i>	kg
Particulate matter (PM)	<i>Not material</i>	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		

Solid and Hazardous Wastes

Solid Waste

- Not material to the Company

Disclosure	Quantity	Units
Total solid waste generated	<i>Not material</i>	kg
Reusable	<i>Not material</i>	kg
Recyclable	<i>Not material</i>	kg
Composted	<i>Not material</i>	kg
Incinerated	<i>Not material</i>	kg
Residuals/Landfilled	<i>Not material</i>	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		

Hazardous Waste

- Not material to the Company

Disclosure	Quantity	Units
Total weight of hazardous waste generated	<i>Not material</i>	kg
Total weight of hazardous waste transported	<i>Not material</i>	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		

Effluents

- Not material to the Company

Disclosure	Quantity	Units
Total volume of water discharges	<i>Not material</i>	Cubic meters
Percent of wastewater recycled	<i>Not material</i>	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		

Environmental compliance

Non-compliance with Environmental Laws and Regulations

- Not material to the Company

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	<i>Not material</i>	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	<i>Not material</i>	#
No. of cases resolved through dispute resolution mechanism	<i>Not material</i>	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Not material</i>		

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ⁴	3	
a. Number of female employees	1	#
b. Number of male employees	2	#
Attrition rate ⁵	25%	rate
Ratio of lowest paid employee against minimum wage	1 : 2.19	ratio

⁴ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

⁵ Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100%	50%
PhilHealth	Y	0%	50%
Pag-ibig	Y	0%	50%
Parental leaves	Y	0%	0%
Vacation leaves	Y	100%	100%
Sick leaves	Y	100%	100%
Medical benefits (aside from PhilHealth))	Y	100%	100%
Housing assistance (aside from Pag-ibig)	N	-	-
Retirement fund (aside from SSS)	Y	0%	0%
Further education support	N	-	-
Company stock options	N	-	-
Telecommuting	N	-	-
Flexible-working Hours	Y	0%	100%
(Others)	N	-	-

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Primary business operations caused by the organization – Having an average of 7 years of retention among the employees</i>	<p>APC values and gives importance to its employees by empowering them and fulfilling their career aspirations to help progress their capabilities, and to encourage loyalty, dedication, passion and productivity at work. The Company also believes that investing in its people and developing a diverse talent pool are critical to its success and growth. APC provides resources, services and facilities to equip its employees with the necessary knowledge and skills to better perform their duties as well as offer them various opportunities to continuously enhance their professional knowledge and skills, and to improve themselves as individuals and as members of the community.</p> <p>The Company also exerts its best efforts to maintain a climate conducive to working and provides a substantial level of job security, benefits and personal rewards for their employees. The performance evaluation system</p>

	<i>has been designed and established to provide a common and equitable basis for evaluating the performance of individual employees. It also implements policies on promotions and salary adjustments in support of APC's aim to empower and fulfill career aspirations of employees.</i>
What are the Risk/s Identified?	Management Approach
<i>Higher attrition rate which could affect the business operations and delivery of services; additional costs to be incurred due to the need to train employees</i>	<i>APC treats its employees fairly by providing them with opportunities for career development and advancement based on merit, regardless of gender, age, religion.</i> http://www.apcaragorn.net/index.php/corporate-governance/code-of-conduct-and-ethics
What are the Opportunity/ies Identified?	Management Approach
<i>To motivate talents, and to assure internal equity in pay</i>	<i>Constant exploration of human resource developments and enhancements, particularly on employment, benefits and other perquisites.</i>

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	4	hours
b. Male employees	0	hours
Average training hours provided to employees		
a. Female employees	4	hours/employee
b. Male employees	0	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Primary business operations caused by the organization – having a pool of specialized team players</i>	<i>APC values and gives importance to its employees by empowering them and fulfilling their career aspirations to help progress their capabilities, and to encourage loyalty, dedication, passion and productivity at work. The Company also believes that investing in its people and developing a diverse talent pool are critical to its success and growth. APC provides resources, services and facilities to equip its employees with the necessary knowledge and skills to better perform</i>

	<p><i>their duties as well as offer them various opportunities to continuously enhance their professional knowledge and skills, and to improve themselves as individuals and as members of the community.</i></p> <p><i>Upon being hired, an employee undergoes induction and orientation as may be determined by the Company. Each newly hired employee is introduced to the organization and is oriented on the personnel policies, guidelines and benefits through a Corporate Orientation Program. An annual mandated Corporate Training is also done to refresh employees on Company Codes and Policies. Specific technical training and compliance to Continuing Professional Development are among Management's approach to ensure learning and development of employees.</i></p>
What are the Risk/s Identified?	Management Approach
<i>Higher attrition rate which could affect the business operations and delivery of services; additional costs to be incurred due to the need to train employees</i>	<p><i>APC treats its employees fairly by providing them with opportunities for career development and advancement based on merit, regardless of gender, age, religion.</i></p> <p>http://www.apcaragorn.net/index.php/corporate-governance/code-of-conduct-and-ethics</p>
What are the Opportunity/ies Identified?	Management Approach
<i>Obtaining home-grown professionals equipped for career advancement/succession</i>	<i>Constant exploration of human resource developments and enhancements, particularly on employee training and development</i>

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Primary business operations caused by the organization and through the business relationship – effective cooperation between the management and labor workforce</i>	<p><i>Open communication lines amongst the Company's directors and management, and management and employees are maintained.</i></p> <p><i>It is also a goal and part of the mission of the Company to enhance the positive atmosphere of open communication and the maintenance of a productive work environment conducive to high performance and harmonious employer-employee relationship.</i></p>
What are the Risk/s Identified?	Management Approach
<i>Disagreements between management and employees leading to disruption of business operations and ultimately suspension of services</i>	<p><i>Code of Conduct is established to serve as a guideline for employee discipline and forms the grounds for disciplinary actions.</i></p> <p><i>The Code of Business Conduct and Ethics was also put in place to serve as a guide for directors, management, employees and other concerned stakeholders relative to the performance of their duties and responsibilities, as well as for all business dealings with the Company.</i></p> <p>http://www.apcaragorn.net/index.php/corporate-governance/code-of-conduct-and-ethics</p>
What are the Opportunity/ies Identified?	Management Approach
<i>A clear and unified impartment of directions to attain the Company's goals</i>	<i>Preserved communication mechanisms, and continuous look-out improvement</i>

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	33%	%
% of male workers in the workforce	67%	%
Number of employees from indigenous communities and/or vulnerable sector*	0	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p><i>Primary business operations caused by the organization – Variety of equally-treated individuals with diverse approach and viewpoint to realize a common goal</i></p>	<p><i>The Company provides equal opportunities for its employees, regardless of age, gender, or creed and adopted policies, which promote and observe diversity to and equality throughout the organization.</i></p> <p>http://www.apcaragorn.net/index.php/corporate-governance/company-policies</p> <p><i>APC encourages respect amongst its employees by setting policies and codes that support diversity in the workplace. It adheres to labor standards that support vulnerable sectors of the community (RA 9710), (RA 9262), and etc.</i></p>
What are the Risk/s Identified?	Management Approach
<p><i>Discrimination in the workplace</i></p>	<p><i>Whether in selection of the countries and markets where the Company operates, hiring and promotion of employees, selection of suppliers and contractors – the Company decides on the basis of merit and value to shareholders and does not discriminate on the basis of race, ethnicity, religion, or gender.</i></p> <p><i>All board members, officers, and employees are prohibited from practicing any form of discrimination or harassment in the workplace. This obligation to refrain from such behavior extends to contractors, vendors, suppliers, or visitors, to the extent that their conduct affects the work environment.</i></p> <p>http://www.apcaragorn.net/index.php/corporate-governance/code-of-conduct-and-ethics</p>
What are the Opportunity/ies Identified?	Management Approach
<p><i>Capturing different perspectives and ideas, with equal appreciation, with the intention of achieving the Company's goals</i></p>	<p><i>Interminable improvement of the Company's policies on governance, particularly on diversity and equality</i></p>

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	5,832	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	2	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Primary business operations caused by the organization – having active and fit employees, and harm-free working environment</i>	<p><i>Strict compliance of the Company's safety, health and welfare policy</i></p> <p><i>The Company provides medical/clinical benefits to all employees. Employees are entitled to a free standard check up in the Medical Clinic and are provided the available medicine supplies at the Company Clinic.</i></p> <p><i>The Company also implements and conducts various health-related activities and programs including but not limited to Drug-Free Workplace, Family Welfare Program, HIV and AIDS Prevention and Control in the Workplace Program, Workplace Policy on Hepatitis B, Program on Tuberculosis Prevention and Control in the Workplace, and the like.</i></p>
What are the Risk/s Identified?	Management Approach
<i>Due to the nature of our operations, the risk of injury is minimal.</i>	<i>While there is nominal risk identified, continuous review and updating, as needed, of requirements to compliance is done</i>
What are the Opportunity/ies identified?	Management Approach
<i>A more motivating and secured working atmosphere for the employees</i>	<i>Continuing feedback mechanisms to consider/acknowledge insights from employees</i>

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	<i>The Company's Code of Business Conduct and Ethics espouses the adherence to compliance with best corporate governance practices and standards, and applicable laws, rules and regulations. This covers ethical practices such as but not limited to support for diversity and non-discrimination, employee welfare, among others. The Company also has policies, which are regularly updated and uploaded in its website.</i> http://www.apcaragorn.net/index.php/corporate-governance/code-of-conduct-and-ethics http://www.apcaragorn.net/index.php/corporate-governance/company-policies
Child labor	Y	
Human Rights	Y	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Good standing for moral values for recognizing labor laws and human rights</i>	<i>Pursue observance to pertinent rules, and regular look-out for relevant issuances.</i> http://www.apcaragorn.net/index.php/corporate-governance/manual-on-corporate-governance
What are the Risk/s Identified?	Management Approach
<i>Risk of violation of labor laws leading to possible filing of lawsuits; loss of confidence from investors; demoralized employees</i>	<i>APC adheres to labor laws and protection of human rights as much as violations done by employees are not tolerated.</i> http://www.apcaragorn.net/index.php/corporate-governance/manual-on-corporate-governance
What are the Opportunity/ies Identified?	Management Approach
<i>To further the employees and other stakeholders' certainty and optimism towards the Management's labor laws and human rights initiatives</i>	<i>Issuance of certification of full compliance, and confirmation of data with zero complaints, through various reports</i>

Supply Chain Management

- Not material to the Company

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	<i>Not material</i>	
Forced labor	<i>Not material</i>	
Child labor	<i>Not material</i>	
Human rights	<i>Not material</i>	
Bribery and corruption	<i>Not material</i>	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Not material</i>	
What are the Risk/s Identified?	Management Approach
<i>Not material</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Not material</i>	

Relationship with Community

Significant Impacts on Local Communities

Not material to the Company

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Not material					

*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____

Certificates	Quantity	Units
FPIC process is still undergoing	Not material	#
CP secured	Not material	#

What are the Risk/s Identified?	Management Approach
Not material	
What are the Opportunity/ies Identified?	Management Approach
Not material	

Customer Management

Customer Satisfaction

- Not material to the Company

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	Not material	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Not material</i>	
What are the Risk/s Identified?	Management Approach
<i>Not material</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Not material</i>	

Health and Safety

- Not material to the Company

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	<i>Not material</i>	#
No. of complaints addressed	<i>Not material</i>	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Not material</i>	
What are the Risk/s Identified?	Management Approach
<i>Not material</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Not material</i>	

Marketing and labelling

- Not material to the Company

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	<i>Not material</i>	#
No. of complaints addressed	<i>Not material</i>	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Not material</i>	
What are the Risk/s Identified?	Management Approach
<i>Not material</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Not material</i>	

Customer privacy

- Not material to the Company

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	<i>Not material</i>	#
No. of complaints addressed	<i>Not material</i>	#
No. of customers, users and account holders whose information is used for secondary purposes	<i>Not material</i>	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Not material</i>	
What are the Risk/s Identified?	Management Approach
<i>Not material</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Not material</i>	

Data Security

- Not material to the Company

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	<i>Not material</i>	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Not material</i>	
What are the Risk/s Identified?	Management Approach
<i>Not material</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Not material</i>	

Compliance

Non-compliance with Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Full compliance with the Company's Manual on Corporate Governance, which that adheres compliance with best corporate governance practices and standards, and applicable laws, rules and regulations.</i>	<i>Employees, host community members, suppliers/business partners, investors/shareholders, and regulators</i>	<i>The Board has been identifying areas of continuing education on corporate governance topics. To keep the Board and key officers well-informed of good governance practices and standards, regular annual education programs are conducted in coordination with its parent company and training providers duly accredited by the SEC, while employees and business partners are being informed of the Company's governance-related policies and practices upon on-boarding and timely updates.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Although laws and regulations are enacted for the common benefit,</i>	<i>Employees, host community members,</i>	<i>In order to mitigate, the Company continues to exercise fiscal prudence and</i>

<i>changes to these laws and regulations may create negative effects to the operating and financial condition of APC.</i>	<i>suppliers/business partners, investors/shareholders, and regulators</i>	<i>adopts what it considers conservative financial and operational controls.</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>To maintain and increase stakeholders' trust and confidence to the Company, which can possibly influence potential investors and business partners, and be recognized as one of leading companies for its compliance and good governance practices.</i>	<i>Employees, host community members, suppliers/business partners, and investors/shareholders</i>	<i>The Company continues to seek for improvements on its policies, processes, procedures on corporate governance and sustainability as it affirms its commitment to the enhancement of its stakeholder value.</i>

Local Community Development

Not material to the Company

Disclosure	Quantity	Units
Number of direct beneficiaries of corporate social responsibility initiative/s	<i>Not material</i>	#
Number of communities benefitted from corporate social responsibility initiative/s	<i>Not material</i>	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Not material</i>	
What are the Risk/s Identified?	Management Approach
<i>Not material</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Not material</i>	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Please refer to the Business Model, including Primary Activities, Brands, Products, and Services, under Contextual Information of this Report	<i>SDG 1: No Poverty</i> <i>P672,942 taxes paid in 2019</i>	<i>In spite the Company's contributions, it can only cover limited areas</i>	<i>To pay taxes which help provide sustainable and inclusive growth.</i>
	<i>SDG 8: Decent Work and Economic Growth</i> <i>P4.97M revenues generated in 2019</i>	<i>Insufficient opportunities for vulnerable sector</i>	<i>The Company prioritizes the welfare of its employees, recognizes its top performers and provides a safe and healthy working environment. It also aspires to be an employer of choice by providing benefits, career growth, training and work-life balance, engagement programs, among others.</i> <i>APC also developed various policies (please refer to the following links) to implement and ensure that overall employee and other stakeholders' welfare and interests are being valued.</i>

* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.