COVER SHEET

AS093-8127

S. E. C. Registration Number

APC GROUP, INC.

(Company's Full Name)

G/F MYTOWN NEWYORK BLDG.
GENERAL E. JACINTO ST. CORNER
CAPAS ST. BRGY. GUADALUPE NUEVO
MAKATI CITY

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

JACKSON T. ONGSIP	662-8888
Contact Person	Company's Telephone Number

12 31	SEC Form 17Q	
Month Day	FORM TYPE	Month Day
Fiscal Year		Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Number of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

L C U

Cashier

S T A M P S

SEC Number ASO93-008127-A
File Number ____

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

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

(632) 662-8888
(Telephone Numbers)

31 March 2018
(Quarter Ending)

SEC FORM 17-Q
(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the three months ended **31 March 2018**

2. SEC identification number: **AS093-08127**

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

4. Exact name of registrant as specified in its charter: **APC Group Inc.**

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

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of registrant's principal office:
   G/F MyTown New York Bldg. General E. Jacinto St. cor. Capas St.,
   Brgy. Guadalupe Nuevo, Makati City, 1212

8. Registrant's telephone number, including area code: **(632) 662-8888**

9. Former name, former address and former fiscal year, if changed since last report:
   8th Floor, PhilCom Bldg., 8755 Paseo de Roxas, Makati City
   Postal Code 1226

10. Securities registered pursuant to Sections in Securities Regulation Code

Title of each class	Number of shares outstanding
Common Stock, ₱1.00 par value	**7,504,203,997**

11. Are any or all of the Securities listed on the Philippine Stock Exchange? **Yes**

12. Indicate whether the registrant:

    a) Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the SRC and SRC Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).
    Yes

    b) Has been subject to such filing requirements for the past 90 days.
    Yes

APC GROUP, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED

31 March 2018

APC GROUP INC.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

APC GROUP INC. AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of March 31, 2018 and December 31, 2017

		March 31 2018		December 31 2017
ASSETS				
Current Assets				
Cash and cash equivalents	P	144,316,611	P	196,586,234
Trade and other receivables - net		335,414		941,677
Available-for-sale financial assets		6,952,641		8,669,571
Other current assets		8,615,787		8,504,516
Total Current Assets		**160,220,453**		**214,701,998**
Noncurrent Assets				
Property and equipment		22,314		24,546
Investment properties		22,374,000		22,374,000
Other noncurrent assets - net		110,497,782		59,892,558
Total Noncurrent Assets		**132,894,096**		**82,291,104**
Total Assets		**293,114,549**		**296,993,102**
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables		30,394,060		31,051,650
Advances from related parties		79,978,629		80,004,536
Total Current Liabilities		**110,372,689**		**111,056,186**
Noncurrent Liabilities				
Subscriptions payable		161,959		161,959
Accrued retirement costs		2,665,286		2,665,286
Total Noncurrent Liabilities		**2,827,245**		**2,827,245**
Total Liabilities		**113,199,934**		**113,883,431**
Equity Attributable to Equity Holders of the Parent Company				
Capital Stock		6,388,078,749		6,388,078,749
Additional paid-in capital		1,613,942,096		1,613,942,096
Unrealized mark-to-market gain on available-for-sale financial assets		6,104,640		7,821,570
Gain on dilution		226,304		226,304
Remeasurement loss on defined benefit obligation		(2,237,878)		(2,237,878)
Deficit		(7,786,609,093)		(7,785,133,308)
Treasury shares		(29,435,220)		(29,435,220)
Total Equity Attributable to Equity Holders of the Parent Company		**190,069,598**		**193,262,313**
Equity Attributable to Non-controlling Interests		(10,154,983)		(10,152,642)
Total Equity		**179,914,615**		**183,109,671**
Total Liabilities and Equity	**P**	**293,114,549**	**P**	**296,993,102**

APC GROUP INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
Comparable Periods Ended March 31, 2018 and March 31, 2017

		1st Quarter 2018 (January to March)		1st Quarter 2017 (January to March)
INCOME (EXPENSES)				
General and Administrative	P	(2,674,234)	P	(8,197,546)
Dividend Income		279,224		178,688
Interest Income		916,884		73,253
LOSS BEFORE INCOME TAX		**(1,478,126)**		**(7,945,605)**
Provision for Income tax-current		-		-
NET LOSS		**(1,478,126)**		**(7,945,605)**
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized mark-to-market gain/(loss) on available-for-sale financial assets		(1,716,930)		2,543,600
TOTAL COMPREHENSIVE LOSS	**P**	**(3,195,056)**	**P**	**(5,402,005)**
Net Loss Attributable to:				
Equity holders of the Parent Company		(1,475,785)		(7,905,200)
Non-controlling interests		(2,341)		(40,406)
	P	**(1,478,126)**	**P**	**(7,945,605)**
Total Comprehensive Loss Attributable to:				
Equity holders of the Parent Company		(3,192,715)		(5,361,600)
Non-controlling interests		(2,341)		(40,406)
	P	**(3,195,056)**	**P**	**(5,402,005)**
Basic/Diluted Loss Per Common Share				
(P-1,478,126/7,504,203,997) March 31, 2018	**P**	**(0.000197)**		
(P-7,945,605/7,504,203,997) March 31, 2017			**P**	**(0.001059)**
Weighted average number of common shares:				
Total common shares		7,511,809,997		7,511,809,997
Less: Treasury shares		7,606,000		7,606,000
Weighted average common shares		**7,504,203,997**		**7,504,203,997**

APC GROUP INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
As of March 31, 2018 and March 31, 2017

	March 31, 2018		March 31, 2017	
	Number of Shares	Amount	Number of Shares	Amount
Authorized:				
Preferred stock - P1 par value	6,000,000,000	P 6,000,000,000	6,000,000,000	P 6,000,000,000
Common stock - P1 par value	14,000,000,000	14,000,000,000	14,000,000,000	14,000,000,000
	20,000,000,000	20,000,000,000	20,000,000,000	20,000,000,000
Issued	5,998,149,059	5,998,149,059	5,998,149,059	5,998,149,059
Subscribed (net of subscription receivable)	389,929,690	389,929,690	389,923,089	389,923,089
Capital stock - common	**6,388,078,749**	**6,388,078,749**	**6,388,072,148**	**6,388,078,749**
Additional paid-in capital		**1,613,942,096**		**1,613,942,096**
Gain on dilution		**226,304**		**226,304**
Unrealized mark-to-market gain/loss on available-for-sale financial assets		**6,104,640**		**9,220,550**
Remeasurement loss on defined benefit obligation		**(2,237,878)**		**(2,863,605)**
Deficit at beginning of year		(7,785,133,308)		(7,768,808,557)
Net loss		(1,475,785)		(7,905,200)
Deficit at end of year		**(7,786,609,093)**		**(7,776,713,757)**
Treasury shares (7,606,000 shares)		**(29,435,220)**		**(29,435,220)**
Minority interest		**(10,154,983)**		**(10,102,963)**
		P 179,914,615		**P 192,352,154**

APC GROUP INC.

APC GROUP INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Comparable Periods Ended March 31, 2018 and March 31, 2017

		1st Quarter 2018 (January to March)		1st Quarter 2017 (January to March)
Net cash provided by (used in) operating activities	P	(1,664,399)	P	54,813,545
Net cash used in investing activities		(50,605,224)		(256,457)
Net increase(decrease) in cash and cash equivalents		**(52,269,623)**		**54,557,088**
Cash and cash equivalents, beginning, January 1		196,586,234		138,624,426
Cash and cash equivalents, March 31	**P**	**144,316,611**	**P**	**193,181,514**

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

Consolidated Statements of Comprehensive Income

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	March 31 2018	March 31 2017	Increase (Decrease) Amount	%	March 31 2018	March 31 2017
Interest Income	**916,884**	73,253	843,631	*1152%*	*77%*	*29%*
Dividend Income	**279,224**	178,688	100,536	*56%*	*23%*	*71%*
Total Revenue	**1,196,108**	251,941	944,167	*375%*	*100%*	*100%*
General and Administrative Expenses	**(2,674,234)**	(8,197,546)	5,523,312	*-67%*	*-224%*	*-3254%*
Total Costs and Expenses	**(2,674,234)**	(8,197,546)	5,523,312	*-67%*	*-224%*	*-3254%*
Net Loss	**(1,478,126)**	(7,945,605)	6,467,479	*-81%*	*-124%*	*-3154%*
Other Comprehensive Income (Loss)						
Unrealized mark-to-market gain/(loss) on available-for-sale financial assets	**(1,716,930)**	2,543,600	(4,260,530)	*-168%*	*-144%*	*1010%*
Total Comprehensive Loss for the period	**(3,195,056)**	(5,402,005)	2,206,949	*-41%*	*-267%*	*-2144%*

APC Group, Inc. and its subsidiaries (the Company) ended the first quarter of 2018 with total revenues of ₱1.2 million, 375% higher compared to the comparable period in 2017 mainly due to higher interest income received from the money market placements during the 1st quarter of 2018. Dividend income from available-for-sale (AFS) investments also increased by 56% for the same period in 2017.

General and administrative expenses were lower by 67%. The decrease is primarily attributable to the one-time listing fee paid to the Philippine Stock Exchange (PSE) in the 1st quarter of 2017 amounting to ₱ 4.9 million and to the decrease of rent and utilities expense in 2018.

As a result of the higher income and lower expenses, net loss as of March 31, 2018 is lower by 81% or ₱6.5 million versus the net loss recorded as of March 31, 2017. This is offset by the unrealized mark-to-market loss on available-for-sale financial assets, resulting to a ₱3.2 million total comprehensive loss for the three-month period ended March 31, 2018.

As of March 31, 2018, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company for the periods ended March 31, 2018 and March 31, 2017 except those mentioned above.

Consolidated Statements of Financial Position

(Amounts in Pesos, except percentages)	March 31	December 31	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		March 31,	December 31,
	2018	2017	Amount	%	2018	2017
ASSETS						
Cash and cash equivalents	**144,316,611**	196,586,234	(52,269,623)	*-27%*	*49%*	*66%*
Trade and other receivables - net	**335,414**	941,677	(606,263)	*-64%*	*0%*	*0%*
Available-for-sale financial assets	**6,952,641**	8,669,571	(1,716,930)	*-20%*	*2%*	*3%*
Other current assets	**8,615,787**	8,504,516	111,271	*1%*	*3%*	*3%*
Property and equipment	**22,314**	24,546	(2,232)	*-9%*	*0%*	*0%*
Investment properties	**22,374,000**	22,374,000	-	*0%*	*8%*	*8%*
Other noncurrent assets - net	**110,497,782**	59,892,558	50,605,224	*84%*	*38%*	*20%*
Total Assets	**293,114,549**	296,993,102	(3,878,553)	*-1%*	*100%*	*100%*
LIABILITIES AND EQUITY						
Trade and other payables	**30,394,060**	31,051,650	(657,590)	*-2%*	*10%*	*10%*
Advances from related parties	**79,978,629**	80,004,536	(25,907)	*0%*	*27%*	*27%*
Subscriptions payable	**161,959**	161,959	-	*0%*	*0%*	*0%*
Accrued retirement costs	**2,665,286**	2,665,286	-	*0%*	*1%*	*1%*
Total Liabilities	**113,199,934**	113,883,431	(683,497)	*-1%*	*39%*	*38%*
Capital Stock	**6,388,078,749**	6,388,078,749	-	*0%*	*2179%*	*2151%*
Additional paid-in capital	**1,613,942,096**	1,613,942,096	-	*0%*	*551%*	*543%*
Unrealized mark-to-market gain on available-for-sale financial assets	**6,104,640**	7,821,570	(1,716,930)	*-22%*	*2%*	*3%*
Gain on dilution	**226,304**	226,304	-	*0%*	*0%*	*0%*
Remeasurement loss on defined benefit obligation	**(2,237,878)**	(2,237,878)	-	*0%*	*-1%*	*-1%*
Deficit	**(7,786,609,093)**	(7,785,133,308)	(1,475,785)	*0%*	*-2657%*	*-2621%*
Treasury shares	**(29,435,220)**	(29,435,220)	-	*0%*	*-10%*	*-10%*
Equity Attributable to Non-controlling Interests	**(10,154,983)**	(10,152,642)	(2,341)	*0%*	*-3%*	*-3%*
Total Equity	**179,914,615**	183,109,671	(3,195,056)	*-2%*	*61%*	*62%*
Total Liabilities and Equity	**293,114,549**	296,993,102	(3,878,553)	*-1%*	*100%*	*100%*

As of March 31, 2018, consolidated assets of the Company amounted to ₱293.1 million, ₱3.9 million or 1% lower compared to the December 31, 2017 balance of ₱297.0 million.

- Cash and cash equivalents amounted to ₱144.3 million as of March 31, 2018, 27% lower compared to ₱196.6 million as of December 31, 2017. The decrease was mainly attributable to the additional deferred exploration costs in Aragorn Power and Energy Corporation (a subsidiary) presented as part of the other noncurrent assets in the consolidated statement of financial position.
- Trade and other receivables decreased by ₱0.6 million due to the liquidation of the advances and collection of receivables from third parties during the 1st quarter of 2018.
- Available-for-sale financial assets also decreased by 20% due to the movement in the market price of the stocks held by the Company as of March 31, 2018.

The Company's consolidated liabilities decreased slightly by 1% due to the payment of the accrued and other payables.

Total equity as of March 31, 2018 and December 31, 2017 amounted to ₱179.9 million and ₱183.1 million, respectively. The decline, amounting to ₱3.2 million, is due to the unrealized mark to market loss on AFS investments as well as the additional deficit recognized for the first quarter of the year.

There were no off-balance sheet transactions.

KEY PERFORMANCE INDICATORS

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

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

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

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

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

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

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

	YTD 31 March 2018	**YTD 31 December 2017**	**YTD 31 March 2017**
Return on Assets Ratio...………………………………..	(0.01)	(0.06)	(0.03)
Return on Equity Ratio...………………………………..	(0.01)	(0.09)	(0.04)
Current Ratio ……….…………………………………..	1.45	1.93	2.04
Debt to Equity Ratio….………………………………….	0.63	0.62	0.58
Asset to Equity Ratio …………………………………....	1.63	1.62	1.58

Discussion on the key performance indicators

Return on Assets Ratio and Return on Equity Ratio

The Company's ROA and ROE as of March 31, 2018 and 2017 are negative due to the reported net loss for both years. The negative ratio improved for 2018 because of the decrease in net loss incurred in the 1st quarter of 2018 compared to the same period in 2017.

Current Ratio

Current Ratio decreased to 1.45x as of March 31, 2018 from the 1.93x as of December 31, 2017 due to decrease in cash and cash equivalents as of the 1st quarter 2018.

Debt to Equity Ratio

There is no significant change in the debt to equity ratio of the Company as of March 31, 2018 and as of December 31, 2017.

Assets to Equity Ratio

There is no significant change in the asset to equity ratio of the Company as of March 31, 2018 and as of December 31, 2017.

PART II OTHER INFORMATION

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

APC GROUP INC.

ANNEX TO THE MD&A SECTION

1. PRINCIPLES OF CONSOLIDATION

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

	Percentage of Ownership		
Subsidiaries	Direct	Indirect	Total
Aragorn Power & Energy Corporation (APEC) (1)	90%	-	90%
PRC Magma Energy Resources Inc. (PRC-Magma) (1)	-	85%	85%
APC Cement Corporation (APC Cement) (1)	100%	-	100%
APC Energy Resources, Inc. (APC Energy) (1)	100%	-	100%
APC Mining Corporation (APC Mining) (1)	83%	-	83%

(1)Still in the pre-operating stage

2. RISK EXPOSURES

Financial Risk Management

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

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

Credit Risk

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

Exposure to credit risk is monitored on an ongoing basis, credit checks are performed on all clients requesting credit over certain amounts. Credit granted is subject to regular review, to ensure it remains consistent with the customers' current credit worthiness and appropriate to the anticipated volume of business. The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. The Company's holding of cash and cash equivalents exposes the Company to credit risk, if the counterparty is unwilling or unable to fulfill its obligations and the Company consequently suffers financial loss. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The credit terms are short, with deposits and advance payments requirement before rendering the service, thus, mitigating the possibility of non-collection. In cases of non-collection, defaults of debtors are not tolerated and additional penalties are imposed by the Company.

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

Liquidity Risk

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

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

There is no material change in the financial risk exposures of the company and its subsidiaries particularly on currency, interest, credit, market and liquidity risks on its March 31, 2018 interim financial statements compared to the December 31, 2017 audited consolidated financial statements of APC Group Inc.

3. FINANCIAL INSTRUMENTS

Fair value of Financial Instruments

A comparison by category of the carrying values and estimated fair values of the Company's financial instruments that are carried in the consolidated financial statements as of March 31, 2018 and December 31, 2017 are as follows:

	March 31, 2018		December 31, 2017	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial assets:				
Loans and receivables:				
Cash and cash equivalents	144,306,611	144,306,611	196,576,234	196,576,234
Trade and other receivables	234,582	234,582	881,095	881,095
Advances to officers and employees	100,832	100,832	60,582	60,582
Deposits*	190,398	190,398	190,398	190,398
AFS financial assets	6,952,641	6,952,641	8,669,571	8,669,571
Total financial assets	**151,785,064**	**151,785,064**	**206,377,880**	**206,377,880**
Financial liabilities:				
Other financial liabilities:				
Trade and other payables**	30,378,143	30,378,143	31,011,511	31,011,511
Advances from related parties	79,978,629	79,978,629	80,004,536	80,004,536
Subscriptions payable	161,959	161,959	161,959	161,959
Total financial liabilities	**110,518,731**	**110,518,731**	**111,178,006**	**111,178,006**

** Included in "Other noncurrent assets" account*
***Excluding statutory liabilities.*

Cash and cash equivalents, trade and other receivables, advances to officers and employees, trade and other payables, and advances from related parties

Due to the short-term nature of the transactions, the carrying values approximate the fair values at reporting dates.

AFS financial assets

The fair values of quoted equity securities were determined by reference to market bid quotes as of reporting dates. The unquoted equity securities were valued at cost.

Deposits and subscription payable

Due to non-availability of definite payment terms, there is no reliable source of fair values as of comparative dates.

The following tables provide the fair value measurement hierarchy of the Company's assets and liabilities as at March 31, 2018 and December 31, 2017:

	March 31, 2018		
	Total	**Level 1**	**Level 3**
Assets measured at fair value:			
Investment property	**₱22,374,000**	**₱–**	**₱22,374,000**
AFS financial assets	**8,669,571**	**8,669,571**	**–**
Asset for which fair values are disclosed -			
Loans and receivables -			
Deposits*	**190,398**	**–**	**190,398**
Total financial assets	**₱31,233,969**	**₱8,669,571**	**₱22,564,398**

	December 31, 2017		
	Total	Level 1	Level 3
Assets measured at fair value:			
Investment property	₱22,374,000	₱–	₱22,374,000
AFS financial assets	8,669,571	8,669,571	–
Asset for which fair values are disclosed -			
Loans and receivables -			
Deposits*	190,398	–	190,398
Total financial assets	₱31,233,969	₱8,669,571	₱22,564,398

** Included in "Other noncurrent assets" account*

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements during the period ended March 31, 2018 and year ended December 31, 2017.

4. MANAGEMENT'S USE OF JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

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

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

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

5. FUTURE CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2017. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*, require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*

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

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*, address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. The amendments will not have any impact on the Company's consolidated financial statements.

- PFRS 9, *Financial Instruments*, reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Company plans to adopt the new standard on the mandatory effective date and will not restate comparative information.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the Company's impairment of financial assets. The Company is currently assessing the impact of adopting this standard.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*, address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9. The amendments are not applicable to the Company since none of the entities within the Company have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*, establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The amendments will not have any impact on the Company's consolidated financial statements.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRS* 2014 - 2016 Cycle), clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The Company is currently assessing the impact of adopting this standard.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*, clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The amendments will not have any impact on the Company's consolidated financial statements.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) - 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The amendments will not have any impact on the Company's consolidated financial statements.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*, allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Company is currently assessing the impact of adopting this standard.

- PFRS 16, *Leases*, sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will

recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.
Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Company is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*, clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Company is currently assessing the impact of adopting this standard.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*, addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

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

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

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, 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, Business Combinations. 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 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.

6. OTHER REQUIRED DISCLOSURES

A.) The attached interim financial reports were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial Statements for the period ended December 31, 2017. The adoption of PFRS 9, Financial Instruments: *Classification and Measurement,* will have an effect on the classification and measurement of the Company's financial assets but will have no impact on the classification and measurement of the Company's financial liabilities. The Company will quantify the effect in conjunction with the other phases when issued, to present a comprehensive picture. As of March 31, 2018, the Company has decided not to early adopt PFRS 9 on its consolidated financial statements.

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

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

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

E.) There were no material events that occurred subsequent to March 31, 2018 and up to the date of this report that need disclosure herein.

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

G.) There were no changes in contingent liabilities or contingent assets as at March 31, 2018.

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

APC GROUP INC.

SIGNATURES

Pursuant to the requirement of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **APC Group, Inc.**

By:

JACKSON T. ONGSIP
President and Chief Executive Officer

May 9, 2018

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

May 9, 2018

APPENDIX 1
APC GROUP INC. and SUBSIDIARIES
Aging of Accounts Receivables
As of March 31, 2018

Trade and Other Receivables	Total	1 Month	2 - 3 Months	4 - 6 Months	7 Months to 1 Year	More than 1 year
Trade receivables	193,294	62,750	82,794	5,000	-	42,750
Advances to officers and employees	100,832	9,000	56,000	-	10,000	25,832
Other receivables	41,288	-	-	-	-	41,288
	-					
TOTAL	335,414	71,750	138,794	5,000	10,000	109,870