

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 quarterly period ended
Jun 30, 2018
2. SEC Identification Number
AS-093-8127
3. BIR Tax Identification No.
002-834-075
4. Exact name of issuer 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. Jacitno St. cor. Capas St., Brgy. Guadalupe
Nuevo, Makati City
Postal Code
1212
8. Issuer's telephone number, including area code
(632) 662-8888
9. Former name or former address, and former fiscal year, if changed since last report
NA
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	7,504,203,997

11. Are any or all of registrant's securities listed on a Stock Exchange?

☒ Yes ☐ No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange / Common Stock

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (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 ninety (90) days

☒ Yes ☐ No

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



APC Group, Inc.

APC

PSE Disclosure Form 17-2 - Quarterly Report

*References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules*

For the period ended	Jun 30, 2018
Currency (indicate units, if applicable)	Philippine Peso

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2018	Dec 31, 2017
Current Assets	153,886,265	214,701,998
Total Assets	286,802,742	296,993,102
Current Liabilities	107,705,670	111,056,186
Total Liabilities	110,532,915	113,883,431
Retained Earnings/(Deficit)	-7,788,884,169	-7,785,133,308
Stockholders' Equity	176,269,827	183,109,671
Stockholders' Equity - Parent	186,459,132	193,262,313
Book Value per Share	0.2	0.2

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	0	0	0	0
Gross Expense	0	0	0	0
Non-Operating Income	751,287	2,134,645	1,947,395	2,386,586
Non-Operating Expense	3,060,685	6,023,446	5,734,919	14,220,992
Income/(Loss) Before Tax	-2,309,398	-3,888,801	-3,787,524	-11,834,406
Income Tax Expense	0	0	0	0
Net Income/(Loss) After Tax	-2,309,398	-3,888,801	-3,787,524	-11,834,406
Net Income Attributable to Parent Equity Holder	-2,275,076	-3,863,092	-3,750,861	-11,768,292
Earnings/(Loss) Per Share (Basic)	0	0	0	0
Earnings/(Loss) Per Share (Diluted)	0	0	0	0

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0	0
Earnings/(Loss) Per Share (Diluted)	0	0

Other Relevant Information

None.

Filed on behalf by:

Name	Maria Neriza Banaria
Designation	Controller



108082018002208

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Mark Anthony R. Osen
Receiving Branch : SEC Head Office
Receipt Date and Time : August 08, 2018 02:08:17 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. AS93008127
Company Name APC GROUP INC.
Industry Classification
Company Type Stock Corporation

Document Information

Document ID	108082018002208
Document Type	17-Q (FORM 11-Q: QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	June 30, 2018
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

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

S. E. C. Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

JACKSON T. ONGSIP

Contact Person

1	2		3	1
---	---	--	---	---

Month Day

Fiscal Year

SEC Form 17Q

SEC Form 17Q

FORM TYPE

Secondary License Type, If Applicable

662-8888

662-8888

Company's Telephone Number

--	--

Month

--	--

Day

Annual Meeting

--	--	--

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Number of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

LCU

[illegible]

Cashier

STAMPS

STAMPS

SEC Number AS093-008127-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)

30 June 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 **30 June 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:
n/a
10. Securities registered pursuant to Sections in Securities Regulation Code

<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 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

30 June 2018

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

APC GROUP INC. AND SUBSIDIARIES Consolidated Statements of Financial Position As of June 30, 2018 and December 31, 2017

	June 30 2018 (Unaudited)	December 31 2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	P 139,228,088	P 196,586,234
Trade and other receivables - net	391,229	941,677
Available-for-sale financial assets	5,617,251	8,669,571
Other current assets	8,649,697	8,504,516
Total Current Assets	153,886,265	214,701,998
Noncurrent Assets		
Property and equipment	20,083	24,546
Investment properties	22,374,000	22,374,000
Deferred exploration costs and other noncurrent assets	110,522,394	59,892,558
Total Noncurrent Assets	132,916,477	82,291,104
Total Assets	286,802,742	296,993,102
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	27,727,039	31,051,650
Advances from related parties	79,978,631	80,004,536
Total Current Liabilities	107,705,670	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	110,532,915	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	4,769,250	7,821,570
Gain on dilution	226,304	226,304
Remeasurement loss on defined benefit obligation	(2,237,878)	(2,237,878)
Deficit	(7,788,884,169)	(7,785,133,308)
Treasury shares	(29,435,220)	(29,435,220)
Total Equity Attributable to Equity Holders of the Parent Company	186,459,132	193,262,313
Equity Attributable to Non-controlling Interests	(10,189,305)	(10,152,642)
Total Equity	176,269,827	183,109,671
Total Liabilities and Equity	P 286,802,742	P 296,993,102



APC GROUP INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
Comparable Periods Ended June 30, 2018 and June 30, 2017

	2nd Quarter 2018 (April to June)		YTD 2018 (January to June)		2nd Quarter 2017 (April to June)		YTD 2017 (January to June)	
INCOME (EXPENSES)								
General and Administrative	P	(3,060,685)	P	(5,734,919)	P	(6,023,446)	P	(14,220,992)
Dividend Income		-		279,224		-		178,688
Interest Income		751,287		1,668,171		2,092,845		2,166,098
Other Income		-		-		41,800		41,800
LOSS BEFORE INCOME TAX		(2,309,398)		(3,787,524)		(3,888,801)		(11,834,406)
Provision for Income tax-current		-		-		-		-
NET LOSS		(2,309,398)		(3,787,524)		(3,888,801)		(11,834,406)
OTHER COMPREHENSIVE INCOME (LOSS)								
Unrealized mark-to-market gain/(loss) on available-for-sale financial assets		(1,335,390)		(3,052,320)		(127,180)		2,416,420
TOTAL COMPREHENSIVE LOSS	P	(3,644,788)	P	(6,839,844)	P	(4,015,981)	P	(9,417,986)
Net Loss Attributable to:								
Equity holders of the Parent Company				(3,750,861)				(11,768,292)
Non-controlling interests				(36,663)				(66,114)
			P	(3,787,524)		P		(11,834,406)
Total Comprehensive Loss Attributable to:								
Equity holders of the Parent Company				(6,803,181)				(9,351,872)
Non-controlling interests				(36,663)				(66,114)
			P	(6,839,844)		P		(9,417,986)
Basic/Diluted Loss Per Common Share								
(P-3,787,524/7,504,203,997) June 30, 2018			P	(0.000505)				
(P-11,834,406/7,504,203,997) June 30, 2017						P		(0.001577)
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 June 30, 2018 and June 30, 2017

	June 30, 2018		June 30, 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	389,929,690	389,929,690
Capital stock - common	6,388,078,749	6,388,078,749	6,388,078,749	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		4,769,250		9,093,370
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		(3,750,861)		(11,768,292)
Deficit at end of year		(7,788,884,169)		(7,780,576,849)
Treasury shares (7,606,000 shares)		(29,435,220)		(29,435,220)
Minority interest		(10,189,305)		(10,128,671)
	P	176,269,827	P	188,336,174



APC GROUP INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Comparable Periods Ended June 30, 2018 and June 30, 2017

		2nd Quarter		YTD		2nd Quarter		YTD
		2018		2018		2017		2017
		(April to June)		(January to June)		(April to June)		(January to June)
Net cash provided by (used in) operating activities	P	(5,063,911)	P	(6,728,310)	P	(6,749,677)	P	48,063,868
Net cash used in investing activities		(24,612)		(50,629,836)		2,279,153		2,022,696
Net increase(decrease) in cash and cash equivalents	P	(5,088,523)		(57,358,146)	P	(4,470,524)		50,086,564
Cash and cash equivalents, beginning, January 1				196,586,234				138,624,426
Cash and cash equivalents, June 30			P	139,228,088			P	188,710,990

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	
	June 30	June 30	Increase (Decrease)		June 30	June 30
	2018	2017	Amount	%	2018	2017
Interest Income	1,668,171	2,166,098	(497,927)	-23%	86%	91%
Dividend Income	279,224	178,688	100,536	56%	14%	7%
Other Income	-	41,800	(41,800)	-100%	0%	2%
Total Revenue	1,947,395	2,386,586	(439,191)	-18%	100%	100%
General and Administrative Expenses	(5,734,919)	(14,220,992)	8,486,073	-60%	-294%	-596%
Total Costs and Expenses	(5,734,919)	(14,220,992)	8,486,073	-60%	-294%	-596%
Net Loss	(3,787,524)	(11,834,406)	8,046,882	-68%	-194%	-496%
Other Comprehensive Income (Loss)						
Unrealized mark-to-market gain/(loss)						
on available-for-sale financial assets	(3,052,320)	2,416,420	(5,468,740)	-226%	-157%	101%
Total Comprehensive Loss for the period	(6,839,844)	(9,417,986)	2,578,142	-27%	-351%	-395%

APC Group, Inc. and its subsidiaries (the Company) ended the second quarter of 2018 with total revenues of ₱1.9 million, 18% lower compared to the revenues for the same period in 2017 mainly due to lower interest income received from the money market placements during the first half of 2018. On the other hand, dividend increased by 56% for the same period in 2017 due to higher dividends declared and paid from the Company's available-for-sale (AFS) investments.

General and administrative expenses were lower by 60% for the period ending June 30, 2018. The decrease is primarily attributable to the one-time expenses incurred by the Company in 2017 comprising of the listing fee paid in the 1st quarter amounting to ₱ 4.9 million and the professional fees paid in the 2nd quarter amounting to P2.9 million.

Net loss of P3.8 million as of June 30, 2018 was 68% lower than the reported net loss for the same period in 2017. Unrealized mark to market loss from AFS investments was at Php3.1 million as of June 30, 2018, contributing to the Company's total comprehensive loss of Php6.8 million for the first half of 2018.

As of June 30, 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 June 30, 2018 and June 30, 2017 except those mentioned above.

Consolidated Statements of Financial Position

(Amounts in Pesos, except percentages)	June 30 2018	December 31 2017	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		June 30 2018	December 31 2017
			Amount	%		
ASSETS						
Cash and cash equivalents	139,228,088	196,586,234	(57,358,146)	-29%	49%	66%
Trade and other receivables - net	391,229	941,677	(550,448)	-58%	0%	0%
Available-for-sale financial assets	5,617,251	8,669,571	(3,052,320)	-35%	2%	3%
Other current assets	8,649,697	8,504,516	145,181	2%	3%	3%
Property and equipment	20,083	24,546	(4,463)	-18%	0%	0%
Investment properties	22,374,000	22,374,000	-	0%	8%	8%
Other noncurrent assets - net	110,522,394	59,892,558	50,629,836	85%	39%	20%
Total Assets	286,802,742	296,993,102	(10,190,360)	-3%	100%	100%
LIABILITIES AND EQUITY						
Trade and other payables	27,727,039	31,051,650	(3,324,611)	-11%	10%	10%
Advances from related parties	79,978,631	80,004,536	(25,905)	0%	28%	27%
Subscriptions payable	161,959	161,959	-	0%	0%	0%
Accrued retirement costs	2,665,286	2,665,286	-	0%	1%	1%
Total Liabilities	110,532,915	113,883,431	(3,350,516)	-3%	39%	38%
Capital Stock	6,388,078,749	6,388,078,749	-	0%	2227%	2151%
Additional paid-in capital	1,613,942,096	1,613,942,096	-	0%	563%	543%
Unrealized mark-to-market gain on available-for-sale financial assets	4,769,250	7,821,570	(3,052,320)	-39%	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	(7,788,884,169)	(7,785,133,308)	(3,750,861)	0%	-2716%	-2621%
Treasury shares	(29,435,220)	(29,435,220)	-	0%	-10%	-10%
Equity Attributable to Non-controlling Interests	(10,189,305)	(10,152,642)	(36,663)	0%	-4%	-3%
Total Equity	176,269,827	183,109,671	(6,839,844)	-4%	61%	62%
Total Liabilities and Equity	286,802,742	296,993,102	(10,190,360)	-3%	100%	100%

As of June 30, 2018, consolidated assets of the Company amounted to ₱286.8 million, ₱10.2 million or 3% lower compared to the December 31, 2017 balance of ₱297.0 million.

- Cash and cash equivalents amounted to ₱139.2 million as of June 30, 2018, 29% 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) and the release of the 2nd tranche funds for community development scholarships for the school year 2017-2018.
- Available-for-sale financial assets also decreased by 35% due to the mainly due to the movement in share prices of the stocks held by the Company as of June 30, 2018.

The Company's consolidated liabilities decreased slightly by 3% due to the payment of the accrued and other payables.

Total equity as of June 30, 2018 and December 31, 2017 amounted to ₱176.3 million and ₱183.1 million, respectively. The decline, amounting to ₱6.8 million, is attributable to the unrealized mark to market loss on AFS investments as well as the additional deficit recognized as of the second 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 June 2018	YTD 31 December 2017	YTD 31 June 2017
Return on Assets Ratio.....	(0.01)	(0.06)	(0.05)
Return on Equity Ratio.....	(0.02)	(0.09)	(0.06)
Current Ratio	1.43	1.93	2.01
Debt to Equity Ratio.....	0.63	0.62	0.59
Asset to Equity Ratio	1.63	1.62	1.59

Discussion on the key performance indicators

Return on Assets Ratio and Return on Equity Ratio

The Company's ROA and ROE as of June 30, 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 as of the 2nd quarter of 2018 compared to the same period in 2017.

Current Ratio

Current Ratio decreased to 1.43x as of June 30, 2018 from the 1.93x as of December 31, 2017 due to decrease in cash and cash equivalents as of the 2nd quarter 2018.

Debt to Equity Ratio

There is no significant change in the debt to equity ratio of the Company as of June 30, 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 June 30, 2018 and as of December 31, 2017.

PART II OTHER INFORMATION

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

ANNEX TO THE MD&A SECTION

1. PRINCIPLES OF CONSOLIDATION

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

Subsidiaries	Percentage of Ownership		
	Direct	Indirect	Total
Aragorn Power & Energy Corporation (APEC) ⁽¹⁾	95.6%	-	95.6%
PRC Magma Energy Resources Inc. (PRC-Magma) ⁽¹⁾	-	85.0%	85.0%
APC Cement Corporation (APC Cement) ⁽¹⁾	100.0%	-	100.0%
APC Energy Resources, Inc. (APC Energy) ⁽¹⁾	100.0%	-	100.0%
APC Mining Corporation (APC Mining) ⁽¹⁾	83.0%	-	83.0%

(1) Still in the pre-operating stage

2. RISK EXPOSURES

Financial Risk Management

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

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

Credit Risk

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

Exposure to credit risk is monitored on an ongoing basis, credit checks are performed on all clients requesting credit over certain amounts. Credit granted is subject to regular review, to ensure it remains consistent with the customers’ current credit worthiness and appropriate to the anticipated volume of business.

The investment of the Company’s cash resources is managed so as to minimize risk while seeking to enhance yield. The Company’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 June 30, 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 June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Loans and receivables:				
Cash and cash equivalents*	139,218,088	139,218,088	196,576,234	196,576,234
Trade and other receivables	231,647	231,647	881,095	881,095
Advances to officers and employees	159,582	159,582	60,582	60,582
Deposits**	23,821	23,821	190,398	190,398
AFS financial assets	5,617,251	5,617,251	8,669,571	8,669,571
Total financial assets	145,250,389	145,250,389	206,377,880	206,377,880
Financial liabilities:				
Other financial liabilities:				
Trade and other payables***	27,708,527	27,708,527	31,011,511	31,011,511
Advances from related parties	79,978,631	79,978,631	80,004,536	80,004,536
Subscriptions payable	161,959	161,959	161,959	161,959
Total financial liabilities	107,849,117	107,849,117	111,178,006	111,178,006

*Excluding cash on hand amounting to ₱10,000 as at June 30, 2018 and December 31, 2017.

** 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 June 30, 2018 and December 31, 2017:

	June 30, 2018		
	Total	Level 1	Level 3
Assets measured at fair value:			
Investment property	₱22,374,000	₱—	₱22,374,000
AFS financial assets	5,617,251	5,617,251	—
Asset for which fair values are disclosed -			
Loans and receivables -			
Deposits*	23,821	—	23,821
Total financial assets	₱28,015,072	₱5,617,251	₱22,397,821

	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 June 30, 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 June 30, 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 June 30, 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 June 30, 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

August 8, 2018


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

August 8, 2018

APPENDIX 1**APC GROUP INC. and SUBSIDIARIES****Aging of Accounts Receivables****As of June 30, 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	179,339	13,329	123,260	-	-	42,750
Advances to officers and employees	159,582	5,000	74,413	56,000	10,000	14,169
Other receivables	52,307	11,020	-	-	-	41,288
	-					
TOTAL	391,229	29,349	197,673	56,000	10,000	98,207