

# 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  
Sep 30, 2020
2. SEC Identification Number  
AS93008127
3. BIR Tax Identification No.  
002-834-075-000
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. JACINTO ST. COR. CAPAS ST., BRGY.  
GUADALUPE NUEVO, MAKATI CITY  
Postal Code  
1212
8. Issuer's telephone number, including area code  
8662-8888
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	Sep 30, 2020
Currency (indicate units, if applicable)	Philippine Peso

#### Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2020	Dec 31, 2019
Current Assets	26,871,640	139,079,119
Total Assets	266,228,548	273,301,564
Current Liabilities	107,927,651	108,606,432
Total Liabilities	111,369,348	112,048,129
Retained Earnings/(Deficit)	-12,767,563	-7,801,877,958
Stockholders' Equity	154,859,200	161,253,435
Stockholders' Equity - Parent	161,719,138	168,106,183
Book Value per Share	0.02	0.02

#### 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	40,007.	1,170,997	1,215,813	3,995,032
Non-Operating Expense	1,043,071	2,232,053	5,956,706	7,066,358

Income/(Loss) Before Tax	-1,003,064	-1,061,056	-4,740,893	-3,071,326
Income Tax Expense	0	0	0	0
Net Income/(Loss) After Tax	-1,003,064	-1,061,056	-4,740,893	-3,071,326
Net Income Attributable to Parent Equity Holder	-1,004,720	-1,059,021	-4,733,704	-3,061,160
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

SEC Number AS93008127  
File Number \_\_\_\_\_

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

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

**(632) 8662-8888**  
(Telephone Numbers)

**30 September 2020**  
(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 nine months ended **30 September 2020**
2. SEC identification number: **AS93008127**
3. BIR Tax Identification No. **002-834-075-000**
4. Exact name of registrant as specified in its charter: **APC Group Inc.**
5. Province, country or other jurisdiction of incorporation or organization: **Philippines**
6. Industry Classification Code:  (SEC Use Only)
7. Address of registrant's principal office:  
**G/F MyTown New York Bldg. General E. Jacinto St. cor. Capas St.,  
Brgy. Guadalupe Nuevo, Makati City, 1212**
8. Registrant's telephone number, including area code: **(632) 8662-8888**
9. Former name, former address and former fiscal year, if changed since last report:  
**n/a**
10. Securities registered pursuant to Sections in Securities Regulation Code

<u>Title of each class</u>	<u>Number of shares outstanding</u>
<b>Common Stock, ₱0.01 par value</b>	<b>7,504,203,997</b>

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.

**APC GROUP, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**FOR THE NINE MONTHS ENDED**

**30 September 2020**





# PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P 22,758,250	P 137,491,340
Trade and other receivables - net	4,101,876	1,585,194
Other current assets	11,514	2,585
Total Current Assets	26,871,640	139,079,119
<b>Noncurrent Assets</b>		
Property and equipment	39,919	62,234
Investment property	10,028,870	10,028,870
Financial assets at fair value through other comprehensive income	1,971,290	3,624,630
Deferred exploration costs and other noncurrent assets	227,316,829	120,506,711
Total Noncurrent Assets	239,356,908	134,222,445
	P 266,228,548	P 273,301,564
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables	P 27,949,020	P 28,627,801
Advances from a related party	79,978,631	79,978,631
Total Current Liabilities	107,927,651	108,606,432
<b>Noncurrent Liabilities</b>		
Accrued retirement costs	3,441,697	3,441,697
Total Noncurrent Liabilities	3,441,697	3,441,697
Total Liabilities	111,369,348	112,048,129
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock	63,880,787	6,388,078,749
Additional paid-in capital	144,295,958	1,613,942,096
Unrealized gain on financial assets at fair value through other comprehensive income	1,123,289	2,776,629
Remeasurement loss on defined benefit obligation	(2,237,878)	(2,237,878)
Equity reserves	(3,140,235)	(3,140,235)
Deficit	(12,767,563)	(7,801,877,958)
Treasury shares - 7,606,000 shares	(29,435,220)	(29,435,220)
Total Equity Attributable to Equity Holders of the Parent Company	161,719,138	168,106,183
Equity Attributable to Non-controlling Interests	(6,859,938)	(6,852,748)
Total Equity	154,859,200	161,253,435
	P 266,228,548	P 273,301,564





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

	2020		2019	
	3rd Quarter (July to September)	Year-to-date (January to September)	3rd Quarter (July to September)	Year-to-date (January to September)
<b>INCOME</b>				
Interest income	P 40,007	P 896,337	P 1,170,997	P 3,675,556
Dividend income	-	319,476	-	319,476
	40,007	1,215,813	1,170,997	3,995,032
<b>EXPENSES</b>				
General and administrative expenses	(1,043,071)	(5,956,706)	(2,232,053)	(7,066,358)
<b>NET LOSS BEFORE AND AFTER INCOME TAX</b>	(1,003,064)	(4,740,893)	(1,061,056)	(3,071,326)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Unrealized loss on financial assets at fair value through other comprehensive income	(31,795)	(1,653,340)	(635,900)	(635,900)
<b>TOTAL COMPREHENSIVE LOSS</b>	P (1,034,859)	P (6,394,233)	P (1,696,956)	P (3,707,226)
<b>Net Loss Attributable to:</b>				
Equity holders of the Parent Company		(4,733,704)		(3,061,160)
Non-controlling interests		(7,189)		(10,166)
	P	(4,740,893)	P	(3,071,326)
<b>Total Comprehensive Loss Attributable to:</b>				
Equity holders of the Parent Company		(6,387,044)		(3,697,060)
Non-controlling interests		(7,189)		(10,166)
	P	(6,394,233)	P	(3,707,226)
<b>Basic/Diluted Loss Per Common Share</b>				
(P-4,740,893/7,504,203,997) September 30, 2020		P (0.000632)		
(P-3,071,326/7,504,203,997) September 30, 2019			P	(0.000409)
<b>Weighted average number of common shares:</b>				
Total common shares		7,511,809,997		7,511,809,997
Less: Treasury shares		7,606,000		7,606,000
<b>Weighted average common shares</b>		7,504,203,997		7,504,203,997





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

	For the Nine Months Ended September 30			
	2020		2019	
	(Unaudited)		(Unaudited)	
Authorized:				
Preferred stock - P0.1 par value		6,000,000,000 shares		6,000,000,000 shares
Common stock - P0.01 par value		14,000,000,000 shares		14,000,000,000 shares
Issued	P	59,981,491	P	5,998,149,059
Subscribed (net of subscription receivable)		3,899,297		389,929,690
<b>Capital stock</b>		<b>63,880,787</b>		<b>6,388,078,749</b>
<b>Additional paid-in capital</b>		<b>144,295,958</b>		<b>1,613,942,096</b>
<b>Unrealized gain/loss on financial assets at fair value through other comprehensive income</b>				
Balance at the beginning of period		2,776,629		3,688,220
Other comprehensive income		(1,653,340)		(635,900)
Balance at the end of period		<b>1,123,289</b>		<b>3,052,320</b>
<b>Remeasurement loss on defined benefit obligation</b>		<b>(2,237,878)</b>		<b>(2,237,878)</b>
<b>Equity Reserves</b>		<b>(3,140,235)</b>		<b>(3,140,235)</b>
<b>Deficit</b>				
Balance at the beginning of period		(7,801,877,958)		(7,796,603,339)
Adjustment from quasi-reorganization		7,793,844,099		-
Net loss		(4,733,704)		(3,061,160)
Balance at the end of period		<b>(12,767,563)</b>		<b>(7,799,664,499)</b>
<b>Treasury shares - 7,606,000 shares</b>		<b>(29,435,220)</b>		<b>(29,435,220)</b>
<b>Minority interest</b>		<b>(6,859,938)</b>		<b>(6,844,099)</b>
	<b>P</b>	<b>154,859,200</b>	<b>P</b>	<b>163,751,234</b>





APC GROUP INC.

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

	For the Nine Months Ended September 30	
	2020	2019
	(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	P (4,740,893)	P (2,010,270)
Adjustments for:		
Interest income	(896,337)	(2,504,559)
Dividend income	(319,476)	(319,476)
Depreciation and amortization	22,315	4,463
Operating loss before working capital changes	(5,934,391)	(4,829,842)
Decrease (increase) in:		
Trade and other receivables	(2,516,682)	(1,144,397)
Other current assets	(8,929)	(163,897)
Decrease in:		
Trade and other payables	(678,781)	(441,836)
Advances from a related party	-	(68,750)
Cash used in operations	(9,138,783)	(6,648,722)
Interest received	896,337	2,504,559
Dividends received	319,476	319,476
<b>Net cash used in operating activities</b>	<b>(7,922,970)</b>	<b>(3,824,687)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in deferred exploration costs and noncurrent assets	(106,810,120)	(311,923)
<b>Net cash used in investing activities</b>	<b>(106,810,120)</b>	<b>(311,923)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(114,733,090)</b>	<b>(4,136,610)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>137,491,340</b>	<b>144,787,138</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>P 22,758,250</b>	<b>P 140,650,528</b>





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

### Consolidated Statements of Financial Position

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2020 %	2019 %
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	P 22,758,250	P 137,491,340	(114,733,090)	-83%	9%	50%
Trade and other receivables - net	4,101,876	1,585,194	2,516,682	159%	1%	1%
Other current assets	11,514	2,585	8,929	345%	0%	0%
Total Current Assets	26,871,640	139,079,119	(112,207,479)	-81%	10%	51%
<b>Noncurrent Assets</b>						
Property and equipment	39,919	62,234	(22,315)	-36%	0%	0%
Investment property	10,028,870	10,028,870	-	0%	4%	4%
Financial assets at fair value through other comprehensive income	1,971,290	3,624,630	(1,653,340)	-46%	1%	1%
Deferred exploration costs and other noncurrent assets	227,316,829	120,506,711	106,810,118	89%	86%	44%
Total Noncurrent Assets	239,356,908	134,222,445	105,134,463	78%	90%	49%
	P 266,228,548	P 273,301,564	(7,073,016)	-3%	100%	100%
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade and other payables	P 27,949,020	P 28,627,801	(678,781)	-2%	11%	10%
Advances from a related party	79,978,631	79,978,631	-	0%	30%	29%
Total Current Liabilities	107,927,651	108,606,432	(678,781)	-1%	40%	40%
<b>Noncurrent Liabilities</b>						
Accrued retirement costs	3,441,697	3,441,697	-	0%	1%	1%
Total Noncurrent Liabilities	3,441,697	3,441,697	-	0%	1%	1%
Total Liabilities	111,369,348	112,048,129	(678,781)	-1%	42%	41%
<b>Equity Attributable to Equity Holders of the Parent Company</b>						
Capital stock	63,880,787	6,388,078,749	(6,324,197,962)	-99%	24%	2337%
Additional paid-in capital	144,295,958	1,613,942,096	(1,469,646,138)	-91%	53%	591%
Unrealized gain on financial assets at fair value through other comprehensive income	1,123,289	2,776,629	(1,653,340)	-60%	0%	1%
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	(12,767,563)	(7,801,877,958)	7,789,110,395	-100%	-4%	-2855%
Treasury shares - 7,606,000 shares	(29,435,220)	(29,435,220)	-	0%	-11%	-11%
Total Equity Attributable to Equity Holders of the Parent Company	161,719,138	168,106,183	(6,387,045)	-4%	61%	62%
<b>Equity Attributable to Non-controlling Interests</b>	(6,859,938)	(6,852,748)	(7,190)	0%	-3%	-3%
Total Equity	154,859,200	161,253,435	(6,394,235)	-4%	58%	59%
	P 266,228,548	P 273,301,564	(7,073,016)	-3%	100%	100%

As of September 30, 2020, consolidated assets of APC Group, Inc. and its subsidiaries (the Company) amounted to P266.2 million, P7.1 million lower compared to the December 31, 2019 balance of P273.3 million.

- Cash decreased substantially mainly due to the increase in contributed funds to the Kalinga Geothermal Project (KGP) of its subsidiary, Aragorn Power and Energy Corporation (APEC). The KGP is a project of APEC in partnership with Guidance Management Corporation (GMC) and AllFirst Kalinga Ltd. (AKL, formerly Chevron Kalinga Ltd.), a wholly owned subsidiary of AllFirst Geothermal Philippines Holdings, Inc., (formerly Chevron Geothermal Philippines Holdings, Inc.) for the exploration, development and exploitation of geothermal resources covering a total area of 26,139 hectares located in the Province of Kalinga.
- In relation to this, the Company's deferred exploration costs under other noncurrent assets increased accordingly.





The Company's consolidated liabilities amounted to ₱111.4 million. The movement in this account pertains to the payment of the accrued and other payables.

Total equity as of September 30, 2020 and December 31, 2019 amounted to ₱154.9 million and ₱161.3 million, respectively. The decline, amounting to ₱7.1 million, is attributable to the comprehensive loss incurred during the period.

- On February 20, 2020, the SEC approved the Company's application for the decrease in par value of its common shares from ₱1.00 to ₱0.01. This resulted to a decrease in capital stock by ₱6.32 billion and an increase in additional paid-in capital for the same amount. On the same date, the SEC also approved the Company's application for equity restructuring, allowing the Company to wipe out the deficit of ₱7.80 billion as of December 31, 2018 against APIC. As a result, deficit for the third quarter of 2020 decreased from ₱7.80 billion as of December 31, 2019 to ₱11.8 million.

There were no off-balance sheet transactions.

### Consolidated Statements of Comprehensive Income

	2020		2019		Horizontal Analysis		Vertical Analysis	
	3rd Quarter (July to September)	Year-to-date (January to September)	3rd Quarter (July to September)	Year-to-date (January to September)	Better / (Worse) Amount	%	2020 %	2019 %
<b>INCOME</b>								
Interest income	₱ 40,007	₱ 896,337	₱ 1,170,997	₱ 3,675,556	(2,779,219)	-76%	74%	92%
Dividend income	-	319,476	-	319,476	-	0%	26%	8%
	40,007	1,215,813	1,170,997	3,995,032	(2,779,219)	-70%	100%	100%
<b>EXPENSES</b>								
General and administrative expenses	(1,043,071)	(5,956,706)	(2,232,053)	(7,066,358)	1,109,652	-16%	-49%	-177%
<b>NET LOSS BEFORE AND AFTER INCOME TAX</b>	(1,003,064)	(4,740,893)	(1,061,056)	(3,071,326)	(1,669,567)	54%	-39%	-77%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>								
Unrealized loss on financial assets at fair value through other comprehensive income	(31,795)	(1,653,340)	(635,900)	(635,900)	(1,017,440)	0%	-136%	-16%
<b>TOTAL COMPREHENSIVE LOSS</b>	₱ (1,034,859)	₱ (6,394,233)	₱ (1,696,956)	₱ (3,707,226)	(2,687,007)	72%	-526%	-93%

The Company ended the third quarter of 2020 with total net loss of Php4.7 million. This higher net loss versus that in the same period in 2019 is attributable mainly to the decline in interest income from its cash and cash equivalents because of the decline in its cash balance, offset partially by the decrease in general and administrative expenses of the Company.

Unrealized mark-to-market loss on its investments at FVOCI contributed to bringing the Company's comprehensive loss to ₱6.3 million as of September 30, 2020.

As of September 30, 2020, 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 September 30, 2020 and September 30, 2019 except those mentioned above.

## KEY PERFORMANCE INDICATORS

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

1. **Return on Assets Ratio (ROA).** Return on Assets is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings and is calculated by dividing the Company's annual earnings by its total assets.
2. **Return on Equity Ratio (ROE).** Return on Equity measures how much profit is generated with the money shareholders have invested in the Company. It is expressed as a percentage and calculated by dividing net income by total Stockholders' Equity.
3. **Current Ratio.** Current ratio is computed by dividing current assets by current liabilities. This indicates the liquidity of the Company in the short term and measures the peso amount of current asset available to cover a peso amount of current liability.
4. **Debt-to-Equity Ratio (DER).** DER gives an indication of the Company's leverage position and is computed by dividing total liabilities with total stockholders' equity.
5. **Asset-to-Equity Ratio (AER).** Asset-to-Equity Ratio is computed using total assets divided by the total stockholders' equity. This ratio shows the relationship of the total assets of the firm owned by shareholders and an indicator of the leverage used to finance the Company.

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

	YTD September 30, 2020	YTD December 31, 2019	YTD September 30, 2019
Return on Assets Ratio	(0.02)	(0.02)	(0.01)
Return on Equity Ratio	(0.03)	(0.03)	(0.02)
Current Ratio	0.25	1.28	1.45
Debt to Equity Ratio	0.72	0.69	0.67
Asset to Equity Ratio	1.72	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 as of September 30, 2020 and 2019 are negative due to the reported net loss for both years. There is no significant change in the ROA and ROE of the Company as of September 30, 2020 and 2019.

#### **Current Ratio**

Current ratio declined from 1.28 as of December 31, 2019 to 0.25 as of September 30, 2020 due to the decline in the cash balance of the Company as discussed above.

#### **Debt to Equity Ratio**

There is no significant change in the debt to equity ratio of the Company as of September 30, 2020 and as of December 31, 2019.





APC GROUP INC.

### **Assets to Equity Ratio**

There is no significant change in the asset to equity ratio of the Company as of September 30, 2020 and as of December 31, 2019.

### **PART II OTHER INFORMATION**

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





## ANNEX TO THE MD&amp;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) <sup>(1)</sup>	95.6%	-	95.6%
PRC Magma Energy Resources Inc. (PRC-Magma) <sup>(2)</sup>	-	85.0%	85.0%
APC Cement Corporation (APC Cement) <sup>(2)</sup>	100.0%	-	100.0%
APC Energy Resources, Inc. (APC Energy) <sup>(2)</sup>	100.0%	-	100.0%
APC Mining Corporation (APC Mining) <sup>(2)</sup>	83.0%	-	83.0%

(1) Still in exploration stage

(2) 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. Other financial instruments consist of financial assets at fair value through other comprehensive income (FVOCI) and advances from a related party.

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

**Credit Risk**

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

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

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

**Liquidity Risk**

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

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



Equity Price Risk

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

There is no material change in the financial risk exposures of the company and its subsidiaries particularly on currency, interest, credit, market and liquidity risks on its September 30, 2020 interim financial statements compared to the December 31, 2019 audited consolidated financial statements of APC Group Inc.

Fair value of Financial Instruments

A comparison by category of the carrying values and estimated fair values of the Company's financial instruments that are carried in the consolidated financial statements as of September 30, 2020 and December 31, 2019 are as follows:

	September 30, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Loans and receivables:				
Cash and cash equivalents	22,758,250	22,758,250	137,491,340	137,491,340
Trade and other Receivables	4,101,876	4,101,876	1,585,194	1,585,194
Deposits*	190,398	190,398	190,398	190,398
AFS financial assets	1,971,290	1,971,290	3,624,630	3,624,630
<b>Total financial assets</b>	<b>29,021,814</b>	<b>29,021,814</b>	<b>142,891,562</b>	<b>142,891,562</b>
Financial liabilities -				
Other financial liabilities:				
Trade and other payables**	27,869,605	27,869,605	36,531,489	36,531,489
Advances from related parties	79,978,631	79,978,631	79,978,631	79,978,631
<b>Total current financial liabilities</b>	<b>107,848,236</b>	<b>107,848,236</b>	<b>116,510,120</b>	<b>116,510,120</b>

\*Excluding cash on hand amounting to ₱10,000 as at September 30, 2020 and December 31, 2019

\*\* Included in "Other noncurrent assets" account

\*\*\*Excluding statutory liabilities.

Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables and Advances from Related Parties

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

Financial Assets at FVOCI

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

Deposits and Subscription Payable

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





The following tables provide the fair value measurement hierarchy of the Company's assets and liabilities as at September 30, 2020 and December 31, 2019:

	September 30, 2020		
	Total	Level 1	Level 3
Assets measured at fair value:			
Investment properties	P 10,028,870	P –	P 10,028,870
Financial assets at FVOCI	1,971,290	1,971,290	–
Total financial assets	P 15,200,991	P 5,172,121	P 10,028,870

	December 31, 2019		
	Total	Level 1	Level 3
Assets measured at fair value:			
Investment properties	P 10,028,870	P –	P 10,028,870
Financial assets at FVOCI	3,624,630	3,624,630	–
Total financial assets	P 15,200,991	P 5,172,121	P 10,028,870

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements during the period ended September 30, 2020 and year ended December 31, 2019.

### 3. OTHER REQUIRED DISCLOSURES

- A.) The attached interim financial reports were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial Statements for the period ended December 31, 2019.
- 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 September 30, 2020 and up to the date of this report that need disclosure herein.
- F.) There were no changes in the composition of the Company during the interim period such as business combinations, acquisition or disposals of subsidiaries and long-term investments, restructuring and discontinued operations.
- G.) There were no changes in contingent liabilities or contingent assets since December 31, 2019 and as of September 30, 2020.
- H.) There exist no material contingencies and other material events or transactions affecting the current interim period.





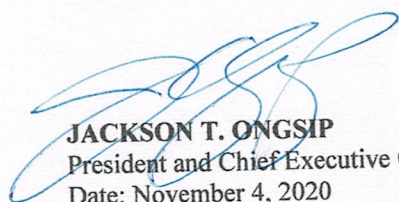
APC GROUP INC.

## SIGNATURES

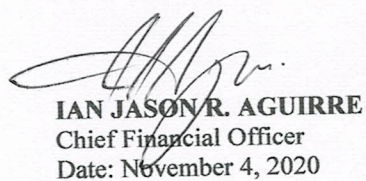
Pursuant to the requirement of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **APC Group, Inc.**

By:



**JACKSON T. ONGSIP**  
President and Chief Executive Officer  
Date: November 4, 2020



**IAN JASON R. AGUIRRE**  
Chief Financial Officer  
Date: November 4, 2020

APPENDIX 1  
APC GROUP INC. and SUBSIDIARIES  
Aging of Accounts Receivables  
As of September 30, 2020

Trade and Other Receivables	Total	1 Month	2 - 3 Months	4 - 6 Months	7 Months to 1 Year	More than 1 year
Trade receivables	3,620,481	-	1,209,166	2,360,599	5,274	45,442
Advances to officers and employees	440,107	-	434,840	-	-	5,267
Other receivables	41,288	-	-	-	-	41,288
<b>TOTAL</b>	<b>4,101,876</b>	<b>-</b>	<b>1,644,006</b>	<b>2,360,599</b>	<b>5,274</b>	<b>91,997</b>