

## COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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JACKSON T. ONGSIP

Contact Person

845-0614

Company's Telephone Number

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Month	Day
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Fiscal Year

20-15

FORM TYPE

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Secondary License Type, If Applicable

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Month

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Day

Annual Meeting

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Dept. Requiring this Doc.		

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Amended Articles Number/Section

\_\_\_\_\_

Total Number of Stockholders

\_\_\_\_\_

Domestic

\_\_\_\_\_

Foreign

To be accomplished by SEC Personnel concerned

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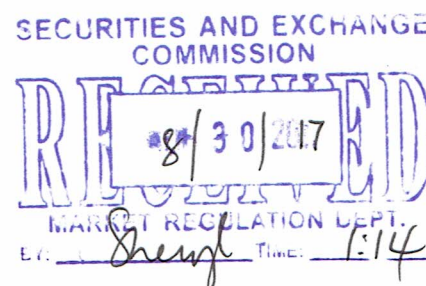
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Cashier

## STAMPS

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**Notice of Annual Stockholders' Meeting**  
**September 27, 2017 | 3:00 p.m.**  
**SMX Convention Center**  
**Seashell Lane, Mall of Asia Complex, Pasay City**

**TO: ALL STOCKHOLDERS**

Please take notice that the annual meeting of the stockholders of **APC GROUP INC.** will be held on September 27, 2017 at 3:00 p.m. at the Meeting Room 10, SMX Convention Center, Seashell Lane, Mall of Asia Complex, Pasay City.

1. Call To Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the Previous Meeting of Stockholders
5. Approval of 2016 Operations and Results
6. Ratification of All Acts and Proceedings of the Board of Directors, Executive Committee and Management from the date of the last Annual Stockholders Meeting to the date of this meeting.
7. Approval for quasi-reorganization through an amendment of the Seventh Article of the Articles of Incorporation reducing the par value of common and preferred shares from P1.00 to P0.01
8. Election of Directors for 2017-2018
9. Appointment of External Auditors
10. Other Matters/Adjournment

In accordance with the rules of the Philippine Stock Exchange, the close of business on August 29, 2017 has been fixed as the record date for the determination of the stockholders entitled to notice and vote at said meeting and any adjournment thereof.

Registration for those who are personally attending the meeting will start at 2:00 p.m. and end promptly at 2:45 p.m. In case you cannot personally attend the meeting, you may accomplish a proxy form (which need not be notarized) and file the same to the office of the Corporate Secretary at the 23rd Floor, Philippine Stock Exchange Centre, East Tower Exchange Road, Ortigas Center, Pasig City 1605 at least three (3) business days before the date of the meeting, or on or before **September 24, 2017**. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

For your convenience in registering your attendance, please bring some form of identification such as passport, driver's license, or company I.D.

City of Makati City, August 30, 2017.

**RICHARD ANTHONY D. ALCAZAR**  
 Corporate Secretary

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

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



1. Check the appropriate box:  
☐ Preliminary Information Statement  
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter **APC GROUP, INC.**
3. Province, country or other jurisdiction of incorporation **Philippines**
4. SEC Identification Number **AS093-008127**
5. BIR Tax Identification Number **002-834-075**
6. Address of principal office **8<sup>th</sup> Floor, PhilCom Building, 8755 Paseo de Roxas, Makati City** Postal Code **1226**
7. Registrant's telephone number, including area code **(632) 662-8888**  
**Fax: (632)-8898**
8. Date, time and place of the meeting of security holders  
**September 27, 2017; 3:00 PM; Meeting room 10, SMX Convention Center, Seashell Lane, Mall of Asia Complex, Pasay City**
9. Approximate date on which the Information Statement is first to be sent or given to security holders:  
**September 6, 2017**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the SRC
 

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	<b>7,504,203,997 shares (As of July 31, 2017)</b>
11. Are any or all of these securities listed on a stock exchange?  

Yes ( ☒ )                      No ( ☐ )
12. If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**Philippine Stock Exchange- Common Shares**

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

## GENERAL INFORMATION

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

- (a) Date- **September 27, 2017**  
 Time- **3:00 PM**  
 Place- **Meeting Room 10, SMX Convention Center, Seashell Lane, Mall of Asia Complex, Pasay City**

The approximate date on which the Information Statement is first to be sent or given to security holders is on **September 6, 2017**.

- (b) The complete mailing address of the principal office of **APC Group, Inc.** ("the Company") is:  
**8<sup>th</sup> Floor, PhilCom Building, 8755 Paseo de Roxas, Makati City**

### Item 2. Dissenters' Right of Appraisal

The matters to be voted upon in the Annual Stockholders' Meeting on September 27, 2017 are not among the instances enumerated in Sections 81, 42, and 105 of the Corporation Code whereby the right of any stockholder to dissent and demand payment of the fair value of his shares may be exercised. The instances where the right of appraisal may be exercised are as follows:

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences to any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other dispositions of all or substantially all of the corporate property and assets as provided in this Code;
3. In case of merger or consolidation;
4. In case of the investment of the corporate funds in another corporation or business or for any purpose other than its primary purpose; and
5. In a close corporation under Section 105 of the Corporation Code.

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

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

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



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

- (a) No person who has been a director or officer or a nominee for election as director of the Company or associate of such persons, has a substantial interest, direct or indirect, in any matter to be acted upon other than the election of directors for the year 2017-2018.
- (b) The Company is not aware of any director or security holder who intends to oppose any action to be taken by the Registrant during the stockholders' meeting.

### CONTROL AND COMPENSATION INFORMATION

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

- (a) As of **July 31, 2017**, the Registrant had 7,504,203,997 common shares outstanding and each share is entitled to one vote. As of **July 31, 2017**, out of the outstanding capital stock of the Corporation, **715,769,564** common shares or **9.54%** is owned by foreigners.
- (b) The record date with respect to the determination of the stockholders entitled to notice of and vote at the Annual Stockholders' Meeting is **August 29, 2017**.
- (c) With respect to the election of directors of seven (7) directors, each stockholder may vote such number of shares for as many as seven (7) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by seven (7) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by seven (7).
- (d) Security ownership of certain record and beneficial owners and management.

#### 1. Security Ownership of Certain Record and Beneficial Owners

The persons or groups identified in the table below are known to the Company as directly or indirectly the record or beneficial owners of more than five percent (5%) of the Company's voting securities as of **July 31, 2017**:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizen-ship	No. of Shares Held	Percent
Common	Belle Corporation (Belle) *  5/F Tower A, Two E-Com Center Palm Coast Ave., Mall of Asia Complex, CPB-1A Pasay City	Belle Corporation (affiliate shareholder)	Filipino	3,500,000,000	46.64
Common	PCD Nominee Corp. (Filipino) **  G/F Makati Stock Exchange, 6767 Ayala Avenue, Makati City	(please see footnote)	Filipino	2,176,888,165	28.93

\*Belle Corporation is an affiliate of APC Group Inc. The shares held by Belle Corporation, being a corporate shareholder, shall be voted or disposed of, by the persons who shall be duly authorized by Belle for the purpose. The natural person/s that has/have the power to vote on the shares of Belle shall be determined upon the submission of its

proxy form to the Company, which is not later than three (3) days before the date of the meeting.

**\*\*PCD Nominee Corporation (“PCDNC”)** is a wholly-owned subsidiary of Philippine Central Depository, Inc. (“PCD”). The beneficial owners of such shares registered under the name of PCDNC are PCD’s participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares; instead the participants have the power to decide how the PCD shares in APC Group, Inc. are to be voted. As of July 31, 2017, there are no PCD participants owning more than 5% of the Company’s outstanding capital.

As of July 31, 2017, 715,769,564 common shares of the Company are owned by non-Filipinos, constituting 9.54% of the Company’s outstanding capital stock.

## 2. Security Ownership of Management

The following table shows the shareholdings beneficially held by the directors and officers of the Company as of July 31, 2017:

1) Title of Class	(2) Name of Beneficial Owner	(3) Amount and nature of beneficial ownership (direct)	(4) Citizenship	(5) Percent of Class
Common Stock	Willy N. Ocier	310,001	Filipino	0-
Common Stock	Jackson T. Ongsip	1	Filipino	0-
Common Stock	Bernardo D. Lim	1,000	Filipino	0-
Common Stock	Edmundo L. Tan	1	Filipino	0-
Common Stock	Tomas D. Santos	1	Filipino	0-
Common Stock	Virginia A. Yap	10,001	Filipino	0-
Common Stock	Laurito E. Serrano	1	Filipino	0-
Common Stock	Ian Jason R. Aguirre	0	Filipino	0-
	<b>Total</b>	<b>321,006</b>		

## 3. Voting Trust Holders of 5% or More

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

## 4. Changes in Control

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

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

All incumbent directors, elected on June 30, 2016 are to serve for a term of one (1) year until their successors shall have been duly elected and qualified. The names and ages of Directors and the executive officers of the Registrant are:

Name	Age/yrs.	Position	Nationality
Willy N. Ocier	60	Chairman	Filipino
Jackson T. Ongsip	44	President/Director	Filipino
Edmundo L. Tan	71	Director	Filipino
Bernardo D. Lim	69	Director	Filipino
Virginia A. Yap	66	Director	Filipino
Tomas D. Santos	65	Director-independent	Filipino

Laurito E. Serrano	57	Director-independent	Filipino
Richard Anthony D. Alcazar	47	Corporate Secretary	Filipino
Ian Jason R. Aguirre	42	EVP-CFO	Filipino

The Company's Board of Directors is vested, by the by-laws of the Company, over-all responsibility for the management of the Company's business. The Board of Directors elects the executive officers of the Company.

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

In compliance with SEC SRC Rule 38, the Corporations' Nomination Committee of the Corporate Governance Committee has adopted the following rules governing the nomination and election of independent directors:

1. Period. The Committee shall accept nominations for independent directors before the stockholders' meeting.
2. Form and Contents. The nominations shall be in writing signed by the nominating stockholder with the acceptance and conformity of the would-be nominee. It shall be indicated whether a nominee is intended to be an independent director, and must contain the nominee's age, educational attainment, work and/or business experience or affiliations.
3. Qualifications. The nominee for independent director must meet the minimum requirements and qualifications prescribed by law.
4. Evaluation. Copies of the nomination letters from the shareholders are circulated to the members of the Committee. The Committee sets a meeting to evaluate the nominations in accordance with the qualifications of the nominees and set policies and parameters for screening.
5. List of Candidates. The Committee prepares a final list of all candidates including a summary of relevant information about them. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Directors. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

The Nomination Committee is composed of the following:

Edmundo L. Tan	-	Chairman
Tomas D. Santos	-	Member
Virginia A. Yap	-	Member

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

**Willy N. Ocier**  
**Chairman**

**Mr. Willy N. Ocier** is Chairman of the Board of APC Group and has been a Director of the Company since 1999. He is also the Chairman of the Board and Director of Premium Leisure Corp and Premium Leisure and Amusement, Inc. He is one of the Co-Vice Chairman of Belle Corporation since June 1999. He is also the Vice Chairman of Highlands Prime, Inc. and Tagaytay Highlands International Golf Club, Inc. He is the Chairman, Chief Executive Officer and President of Philippine Global Communications, Inc. and likewise the Chairman and President of Pacific Online Systems Corporation. He is also the Chairman of Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc. and The Spa and Lodge Inc. He sits as Director of Leisure and Resorts World Corporation, IVantage Equities, and Toyota Corporation Batangas. He was the former President and Chief Operating Officer of Eastern

Securities Development Corporation. He graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics.

**Jackson T. Ongsip**  
**Director/ President/ CEO/Chief Risk Officer**

**Mr. Jackson T. Ongsip** is a Director and appointed as the President and CEO of the Company effective August 13, 2015. He is a Certified Public Accountant with an extensive audit and finance background accumulated from 5 years in external audit with Sycip, Gorres, Velayo & Co. (SGV) and 11 years with Globe Telecom. He concurrently holds the position of Vice President for Portfolio Investments of SM Investments Corporation, CFO of Belle Corporation and CFO of Premium Leisure Corp. He graduated from the University of Santo Tomas with a Bachelor of Science in Accountancy.

**Edmundo L. Tan**  
**Director**

**Atty. Edmundo L. Tan** is a Director of APC Group, Inc. from 2000 up to the present. He serves as Director of Philippine Global Communications, Inc. from 2000 up to the present and as Corporate Secretary from 2000 until 2010. He is a director of Aragorn Power and Energy Corporation from 2005 up to the present and as Corporate Secretary from 2005 up to 2012. He is currently a Director of PRC MAGMA Resources, Inc. (2010 up to the present). He is a director of OCP Holdings, Inc. from July 2012 up to the present. He was elected as director of Sagittarius Mines, Inc. in March 2016. He was elected President of Philippine Dispute Resolution Center, Inc. (PDRCI) last July 2017. He serves as Corporate Secretary of BDO Unibank, Inc. from July 2007 up to the present and BDO Private Bank from February 2012 up to the present. He was formerly a Director of BDO Leasing & Finance, Inc. and now serves as Adviser of the Board.

Atty. Tan is the Managing Partner of Tan, Acut Lopez & Pison Law Offices (1993 up to present). He was formerly Senior Partner in Ponce Enrile Cayetano Reyes & Manalastas Law Offices, a Partner in Angara Abello Concepcion, Regala & Cruz Law Offices, and an Associate in Cruz Villarin Ongkiko Academia & Durian Law Offices.

**Bernardo D. Lim**  
**Director**

**Mr. Bernardo D. Lim**, before he joined APC Group, was the General Manager for Finance of P.T. Bakrie Sumatra Plantations in Indonesia. He also assumed various positions in the firms he joined earlier: Vice President for Finance and Administration of Westinghouse Asia Controls Corporation and Cellophil Resources Corporation; Vice President and Treasurer of Atlantic Gulf & Pacific Company of Manila and AG&P Industrial Corporation; Vice President for Finance of Trans-Philippines Investment Corporation; Treasurer of Fluor Daniel/AG&P, Inc., Technoserve International Corporation, and Wire Rope Corporation of the Philippines; Director of Philippine Global Communications. D. Mr. Lim was also Controller of Philippine Iron Mines. He was previously the President of Aragorn Power and Energy Corp., Aragorn Coal and APC Mining.

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

Mr. Lim has been a Director since 2001. He retired from APC Group on March 31, 2014.

**Virginia A. Yap**  
**Director**

**Ms. Virginia A. Yap**, Filipino, is also a director of Belle Corporation. She holds key positions in the SM Group of Companies including being Treasurer of SM Development Corporation (SMDC), and Vice President-Office of the Chairman of the Board of Directors of SM Investments Corporation, SM Land, Inc. (formerly Shoemart, Inc.) and SM Retail, Inc. She has been connected with the SM Group of Companies for the last twenty-nine years. She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao.

**Tomas D. Santos**  
**Independent Director**

**Mr. Tomas D. Santos** is an independent director of the Company from 6 June 2012 up to the present. He is also the President of Irvine Construction Corporation from 1994 to present. He is the owner of Shamu Marketing and the President of Filipino Chinese Youth Volunteer Fire Department, Inc. from 2011 to present.

Mr. Santos holds a Bachelor of Science in Business Administration degree from the University of the East.

Atty. Maritoni Z. Liwanag, no relation to the nominee, nominated Mr. Santos.

**Laurito E. Serrano**  
**Independent Director**

**Mr. Laurito E. Serrano** an independent director of the Company from 18 June 2013 up to the present. He is a Certified Public Accountant with a Master in Business Administration degree from the Harvard Graduate School of Business. His area of specialization is Financial Advisory and Corporate Finance. Mr. Serrano currently serves as independent director and Chairman of the Audit and Risk Management Committee of Atlas Consolidated Mining Development Corporation. He also serves as a director at Philippine Veterans Bank and a member of its Credit, Corporate Governance, and Audit Committees; an independent director of Travellers International Hotel Group and MJC Investments, Inc.; and a director of MRT Development Corporation, among others. Mr. Serrano is also a former partner of the Corporate Finance Consulting Group of SGV & Co.

Atty. Israel L. Pison, no relation to the nominee, nominated Mr. Laurito E. Serrano.

**Richard Anthony D. Alcazar**  
**Corporate Secretary**

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

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

**Ian Jason R. Aguirre**  
**Executive Vice President/ CFO/Compliance Officer**

**Mr. Ian Jason R. Aguirre** was appointed as the Executive Vice President and Chief Financial Officer of the Company effective August 13, 2015. Mr. Aguirre is concurrently a Vice President of SM Investments Corporation (“SMIC”). He has worked in various management positions over a 16-year career that included local and international experience in strategic planning, operations and business development. His last stint prior to joining SMIC was as a Director for CEMEX Asia Pte. Ltd. Mr. Aguirre holds a Bachelor of Science degree in Industrial Engineering from the University of the Philippines and a Master’s degree in Business Management from the Asian Institute of Management.



### **Independent Directors**

Mr. Tomas D. Santos was re-elected and Mr. Laurito E. Serrano was elected as independent directors during the 30 June 2016 annual stockholders meeting to comply with the requirements set forth in Section 38 of the Securities Regulation Code.

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

The nomination, pre-screening and election of independent directors were made in compliance with the requirements of the Code of Corporate Governance and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors which have been adopted and made part of the Corporation's By-Laws.

### **Nominees for Independent Directors**

On 9 August 2017, the Nomination Committee constituted by the Company's Board of Directors, indorsed the nomination by Maritoni Z. Liwanag and Martin Israel L. Pison in favor of Mr. Tomas D. Santos and Mr. Laurito E. Serrano, respectively, for their re-election as independent directors.

The Nomination Committee, composed of Edmundo L. Tan, Tomas D. Santos and Virginia A. Yap have determined that the nominees for independent director possess all the qualifications and has none of the disqualifications for independent director as set forth in the Company's Manual on Corporate Governance and Rule 38 of the Implementing Rules of the Securities Regulation Code (SRC). Mr. Santos took no part in the qualification of his nomination.

### **Family Relationships**

None

### **Significant employee**

There is no significant employee.

### **Involvement in Certain Legal Proceedings**

As of the date of this information statement, the Company is not aware of any if the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years up to August 29, 2017:

- (a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time.
- (b) Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding.
- (c) Any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities or banking activities; and,
- (d) Any finding by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended or vacated.

### **Parent of Registrant and Basis of Control**

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

### Certain Relationships and Related Transactions

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

The related party transactions are described in Note 17 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

Compensation and benefits of key management personnel of the Company for the year ended December 31, 2016 and 2015 consists of the following:

	2016	2015
Salaries	<b>₱3,640,000</b>	₱3,360,000
Retirement costs	<b>198,800</b>	198,800
	<b>₱3,838,800</b>	₱3,558,800

### Summary Compensation Table (Annual Compensation – In Pesos)

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

#### Name and Principal Position

1. Jackson T. Ongsip<sup>1</sup>  
CEO & President
2. Ian Jason Aguirre<sup>1</sup>  
CFO & Executive Vice-President

Summary of Compensation Table	Year	Salary/Per Allowance	Diem	Other Compensation	Annual Compensation
CEO & Most Highly Compensated Executive Officers	2015 (actual)	₱1,888,000		₱194,000	
	2016 (actual)	1,404,000		1,066,000	
	2017 (estimate)	1,404,000		1,066,000	
All Other officers as a group unnamed	2015 (actual)	—		—	
	2016 (actual)	—		—	
	2017 (estimate)	—		—	

<sup>1</sup>CEO and Most Highly Compensated Executive Officers

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

### Compensation and Remuneration Committee

Willy N. Ocier	-	Chairman
Edmundo L. Tan	-	Member
Virginia A. Yap	-	Member

### Compensation of Directors

Each director is entitled to a transportation allowance of Php5,000 per board meeting attended to cover transportation expenses.

There is no employment contract between the Company and any of its executive officers. In addition, there are no compensatory plans or arrangements with any executive officer/director that resulted in or will result from the resignation, retirement or termination of such executive officer/director or from change-in-control in the Company.

### **Warrants and Options Outstanding**

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

### **No Action on Compensation Plans**

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

### **Independent Public Accountants**

- a. The Company's external auditors for 2015-2016 is SyCip, Gorres, Velayo & Co. (SGV), with Mr. Sherwin V. Yason as the partner-in-charge.
- b. Representatives of SGV are expected to be present at the Annual Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire.
- c. There was no event in the past five (5) years where SGV and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.
- d. In compliance with SRC Rule 68 3 (b) (iv), the assignment of SGV's engagement partner for the Company shall not exceed five (5) consecutive years.
- e. The aggregate fees paid by the Company for professional services rendered by the external auditor for the audit of financial statements for the years ended December 31, 2016 and 2015 are as follows:

	(P000's omitted)
2016	P455.0
2015	455.0

- f. There were no other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements.
- g. The Audit Committee, composed of Mr. Laurito E. Serrano (Chairman), Mr. Bernardo D. Lim and Ms. Virginia A. Yap, recommends the re-appointment of SGV to the Board of Directors the appointment of the external auditors. The Board of Directors and the stockholders approve the Audit Committee's recommendation. The Executive Committee approves the audit fees as recommended by the Management.

## **OTHER MATTERS**

### **Action With Respect To Reports**

The Registrant will seek the approval by the stockholders of the minutes of the previous stockholders' meeting during which the following were taken up: (1) call to order; (2) proof of notice of meeting; (3) certification of quorum; (4) approval of the minutes of the previous meeting of stockholders; (5) approval of 2015 operations and results and Financial Statements; (6) ratification of all acts and proceedings of the Board of Directors, Executive Committee and management; (7) election of directors; (8) appointment of SGV as external auditors; (9) other matters /adjournment.

The Company will also seek approval by the stockholders of the 2016 operating and financial reports contained and discussed in the annual report and made part of this Information Statement. Approval of

the reports will constitute approval and ratification of the acts of management and of the Board of Directors for the past year.

#### **Ratification of All Acts, Decisions and Proceedings of the Board of Directors and Management since the Last Annual Meeting.**

As a matter of corporate policy, Management seeks the approval and ratification by the stockholders of all the acts, contracts, investments and resolutions of the Board of Directors and Management since 30 June 2016, the last annual meeting. These are reflected in the minutes of the meeting of the Board of Directors in their regular reports and disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange. The following enumerates some of the resolutions passed and acted upon by the Board, Officers and Management.

1. Election of officers, appointment of Chairman and members of the Executive Committee, creation of Corporate Governance Committees consisting of the Audit Committee, Compensation and Remuneration Committee and Nomination Committee.
2. Approval of the Deed of Partition of a parcel of land located in Ginatilan, Cebu and covered by Tax Declaration No. 23-0008-05545;
3. Approval of the sale of parcels of land in Ginatilan, Cebu and the assignment of rights to the Mineral Production Sharing Agreement (MPSA) to Eagle Cement Corporation.
4. Designation of authorized signatories to the Memorandum of Agreement and Deeds of Absolute Sale in connection with the sale of the Company's Ginatilan property and the assignment of the rights to the MPSA to Eagle Cement Corporation.
5. Approval, Confirmation and Authorization for the release of the Corporation's Annual Audited Financial Report for the period ended 31 December 2016.
6. Postponements of the Annual Stockholder's Meeting.
7. Approval of the record date of 29 August 2017 for the stockholder's meeting on 27 September 2017.
8. Authority to process and receive reports from PDTC.
9. Approval of the Company's Revised Manual on Corporate Governance.
10. Establishment of a Corporate Governance Committee.
11. Designation and Appointment of Lead Director and Chief Risk Officer in accordance with the Revised Code of Corporate Governance.
12. Appointment of new Corporate Secretary and new Compliance Officer.
13. Approval of the financial results for the second quarter of 2017.
14. Approval for quasi-reorganization through an amendment of the Seventh Article of the Articles of Incorporation reducing the par value of common and preferred shares from P1.00 to P0.01

#### **Other Proposed Actions**

The following are to be proposed for approval during the stockholders meeting:

1. Minutes of the Previous Meeting of Stockholders;
2. 2016 Operations and Results;
3. Ratification of All Acts and Proceedings of the Board of Directors, Executive Committee and Management;
4. Approval for quasi-reorganization through an amendment of the Seventh Article of the Articles of Incorporation reducing the par value of common and preferred shares from P1.00 to P0.01
5. Election of Directors;
6. Appointment of External Auditor;
7. Other Matters.

#### **Voting Procedures**

- (a) Except for the ratification of the quasi-reorganization which will require the approval of two-thirds (2/3) of the Company's outstanding capital stock, the other actions to be taken at the

Annual Stockholders' Meeting shall require the vote of the stockholders representing at least a majority of the Company's outstanding capital stock.

- (b) Each stockholder shall be entitled to vote in person and by proxy and, unless otherwise provided by law, he shall have one vote for each share of stock entitled to vote and recorded in his name in the books of the Company. Elections and all questions shall be decided by the plurality of vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present, except in cases where other provision is made by statute. Unless required by law, or demanded by a stockholder present in person or by proxy, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting or in his name by proxy if there be such proxy, and shall state the number of shares voted by him.
- (c) In case of election of directors and independent directors, cumulative voting is allowed. Each stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

The top seven nominees garnering the highest number of votes will be deemed elected as members of the Board of Directors. The Chairman of the meeting shall count the votes and shall cause the Corporate Secretary to record the same in the minutes of the meeting.

- (d) The Canvassing Committee, chaired by the Corporate Secretary, will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are presented by proxies in the Annual Meeting of the Stockholders.

### **Corporate Governance**

APC has been monitoring compliance with SEC Memorandum Circular No. 2, Series of 2002 as amended by SEC Memorandum Circular No. 6, Series of 2009, as well as other relevant SEC circulars and rules on good corporate governance. On 31 July 2014, APC submitted its Revised Corporate Governance Manual in compliance with SEC directive of 26 January 2011. All directors, officers, and employees complied with all the leading practices and principles of good governance as embodied in the Company's Manual of Corporate Governance. The Company complied with the appropriate performance self-rating assessment and performance evaluation system to determine and measure compliance with the Manual of Corporate Governance.

The Company is unaware of any non-compliance with or deviation from its Manual of Corporate Governance by any of its directors, officers and employees during the previous year. The Company will continue to monitor compliance with the SEC Rules of Corporate Governance, and shall remain committed in ensuring the adoption of other systems and practices of good corporate governance to enhance its value to its shareholders.

In a meeting of the Board of Directors held July 23, 2014, the Board approved the creation of the Risk Management Committee. The Board likewise approved the Company's Code of Ethics, Guidelines on Acceptance of Gifts, Guidelines on Travel Sponsored by Business Partner, Guidelines on Placement of Advertisements, Insider Trading Policy, and Policy on Accountability, Integrity and Vigilance.

In 31 May 2017, the Company posted in its website its Annual Corporate Governance Report in compliance with SEC Memorandum Circular No. 12 Series of 2014 in relation to SEC Memorandum Circular No. 11 Series of 2014.

On 31 May 2017, in compliance with SEC Memorandum Circular No. 20 Series of 2016, the Board approved the (1) Company's Revised Manual on Corporate Governance; (2) establishment of the Corporate Governance Committee; and (3) appointment of Lead Director and Chief Risk Officer of the



Company. The Company's Revised Manual on Corporate Governance was submitted to the SEC on 31 May 2017.

#### **Amendment of Charter, By-laws and Other Documents**

APC Group, Inc. is seeking approval from its shareholder for a quasi-reorganization through the amendment of Article Seventh of its Amended Articles of Incorporation that will decrease the par value of its common and preferred stock from One Peso (Php1.00) to One Centavo (Php0.01).

Such amendment of Article Seventh of the Articles of Incorporation will decrease the company's capital stock from twenty billion pesos (Php20,000,000,000.00) to two hundred million pesos (Php200,000,000.00), divided into fourteen billion (14,000,000,000) common shares and six billion (6,000,000,000) preferred shares. The decrease in par will generate sufficient additional paid-in capital (APIC) to wipe out the corporation's capital deficit.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This is signed in the City of Pasig this 30<sup>th</sup> day of August, 2017.

APC GROUP, INC.



**RICHARD ANTHONY D. ALCAZAR**  
Corporate Secretary

## MANAGEMENT REPORT

### APC GROUP, INC.

**APC GROUP, INC. (APC or the Company)** was registered with the Securities & Exchange Commission (SEC) on October 15, 1993 for the primary purpose of engaging in oil and gas exploration and development in the Philippines. The Company's shares of stock were approved for listing with the Manila Stock Exchange on February 16, 1994. The Company is 46.59% owned by Belle Corporation, another publicly-listed company.

On April 30, 1997, the Securities and Exchange Commission approved the change of the Company's primary purpose from oil and gas exploration to that of a holding company.

On April 30, 1997, the Securities and Exchange Commission approved the change of the Company's primary purpose from oil and gas exploration to that of a holding company.

In 2005, the Company created new companies, namely, Aragorn Power and Energy Corporation (Aragorn Power), APC Energy Resources, Inc. (APCERI - formerly Aragorn Coal Resources, Inc.) These companies were established in line with the government's thrust in developing the country's energy sectors. The prospects in these subsidiaries are bolstered by the government's decision to open up the energy sector to foreign investors. Thus, the Company will concentrate in energy resource exploration and development. The government's thrust to encourage investments in the energy sector augurs well with the Company's investment direction.

The subsidiaries of the Company, which are all incorporated in the Philippines, are as follows:

Company	Date of Incorporation	Percentage of Ownership
Aragorn Power and Energy Corporation (Aragorn Power)	January 6, 2005	90%
APC Energy Resources, Inc. (APCERI - formerly Aragorn Coal Resources, Inc.)	January 31, 2005	100%
APC Mining Corporation (APC Mining)	March 17, 2005	85%
APC Cement Corporation (APC Cement)	November 15, 1994	100%
PRC-Magma Energy Resources Inc. (PRC - Magma)	June 10, 2009	85%

### Employees

APC Group and subsidiaries had a total of 6 employees as of June 30, 2017.

## SUBSIDIARIES

### Aragorn Power and Energy Corporation

Aragorn Power is still in the pre-operating stage. It was established to engage in energy resource exploration and development.

#### *Kalinga Apayao Geothermal Service Contract*

In 2008, Aragorn Power was granted a Geothermal Service Contract (GSC) by the Department of Energy (DOE) located in the Province of Kalinga. The GSC was granted after a Certificate Precondition from the National Commission of Indigenous People, covering a major portion of the geothermal service area, was secured. The GSC was converted into a Geothermal Renewable Energy Service Contract (GRESO) in late March 2010 to avail of the incentives provided under the Renewable Energy (RE) Act of 2008. As at March 31, 2017, the consent of nine (9) out of eleven (11) ancestral domains has been secured covering 85% of the geothermal service contract area.

In November 2010, APEC and its partner Guidance Management Corporation (GMC) formed a partnership with Chevron Kalinga Ltd. (Chevron), 100% subsidiary of Chevron Geothermal Philippines Holdings, Inc. in developing the geothermal area. The parties signed a Farm-out Agreement which gives Aragorn Power and GMC the option to take an equity position of up to 40% in the geothermal project. The parties also signed a Joint Operating Agreement. Under the agreement, Chevron will be responsible for the exploration, development and operation of the steam field and power activities. The effectivity of the two agreements hinges on the approval by the government of the application for a Financial and Technical Assistance Agreement (FTAA).

Under the RE Act of 2008, a foreign company can own majority interest in a renewable energy company provided the service contract is converted into an FTAA. The application for an FTAA has been filed with the DOE.

The project involves the development of steam fields that can generate around 100 megawatts (MW) of new capacity, providing an additional source of clean, indigenous and reliable baseload power to the Luzon grid. A 100 MW geothermal project will approximately cost more than US\$300 million. This GRESC will be the first major international investment in the country under the RE Act of 2008.

In September 2016, the Company's GRESC has expired and as at March 31, 2017, the Company's application for renewal is still pending approval by the DOE.

In terms of the project's Work Program, geochemical and geophysical surveys have been completed covering Sub-phases 1 and 2. As at March 31, 2017, Aragorn Power is already in the preliminary stage of Sub-Phase 3. In line with this, Aragorn Power has already secured a Certificate of Non-Coverage for the access roads construction, improvement of existing roads and drilling of well-pads from the Department of Environment and Natural Resources (DENR). The surveys for the detailed engineering design of these roads and well pads have been completed. Accordingly, activities such as right-of-way negotiations, supplier bidding and contract preparations related to the road construction and drilling will follow.

The following companies are still in the pre-operating stage and currently have no operations:

**PRC-MAGMA Energy Resources Inc. (PRC-Magma)**

**APC Energy Resources, Inc. (APCERI- formerly Aragorn Coal Resources, Inc.)**

**APC Mining Corporation (APCM)**

**APC Cement Corporation (APCC)**

## **MARKET INFORMATION**

The principal market where the registrant's common equity is traded is the **Philippine Stock Exchange**.

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

Quarter	2017		2016		2015	
	High	Low	High	Low	High	Low
<b>First Quarter</b>	<b>0.49</b>	<b>0.57</b>	0.61	0.36	.73	.68
<b>Second Quarter</b>	<b>0.70</b>	<b>0.48</b>	0.83	0.62	.83	.62
<b>Third Quarter</b>			0.65	0.50	.65	.50
<b>Fourth Quarter</b>			0.62	0.45	.62	.45

The price information as of the close of the latest practicable trading date, 29 August 2017, is Php0.58.

## SECURITY HOLDERS

As of July 31, 2017, Registrant had 595 shareholders of common equity. On the said date, the following were the Top 20 registered shareholders of the common equity of the Company:

	No. of Common Shares Held	Percentage owned out of Total outstanding common shares
1. Belle Corporation	3,500,000,000	46.64
2. PCD Nominee Corporation- <i>Filipino/Others</i>	2,176,888,165	28.93
3. Dominion Equities, Inc.	340,000,000	4.53
4. Compact Holdings, Inc.	281,000,000	3.74
5. Eastern Sec. Dev. Corp.	230,000,000	3.06
6. Integrated Holdings, Inc.	180,000,000	2.40
7. Elite Holdings, Inc.	168,500,000	2.25
8. Parallax Resources, Inc.	165,722,334	2.21
9. Equinox International Resources Corp.	100,000,000	1.33
10. Richold Investor Corporation	100,000,000	1.33
11. Gilt-Edged Properties, Inc.	68,616,665	0.91
12. Headland Holdings Corporation	55,500,000	0.74
13. Eastern Sec. Dev. Corp.	23,869,114	0.32
14. Lim Siew Kim	18,000,000	0.24
15. Tak Chang Investments Co., Ltd.	18,000,000	0.24
16. Coscolluela, William V.	10,000,000	0.13
17. Reyes, Vicente O. ITF: Peter Paul Phil. Cor	8,332,000	0.11
18. Dharmala Sec. (Phils), Inc.	5,050,000	0.07
19. Singson, Evelyn R. ITF: Gilt-Edged Prop.	3,933,333	0.05
20. Singson, Evelyn R. ITF: Jaime F. Singson	3,000,000	0.04

## DIVIDENDS

Dividends shall be declared only from the surplus profit and shall be payable at such time and in such manner and in such amounts as the Board of Directors shall determine. No dividends shall be declared which would impair the capital of the Corporation. There is no legal restriction that limits or would likely limit the Company's ability to pay dividends, aside from its retained earnings available for such.

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

## RECENT SALE OF UNREGISTERED OR EXEMPT SECURITIES

There was no recent sale of unregistered or exempt securities.

## FINANCIAL AND OTHER INFORMATION

### Financial Statements

The audited Consolidated Financial Statements and Supplementary Schedules for the year 2016 are filed as part of this Form 20IS.

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

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



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

### **External Audit Fees and Services**

1. Audit fees for the audit of the Company's annual financial statements amounted to P455,000 in 2016 and 2015.
2. a. No other assurance and related services were rendered in 2016 and 2015.
- b. No tax services were rendered by the external auditor in 2016 and 2015.
- c. There were no other fees paid to the external auditor in 2016 and 2015.
- d. The audit committee approved the policies and procedures of the above services. The Board of Directors has established an audit committee to provide oversight of the external audit function and review of the internal audit function of the company.

Among the policies and procedures of the audit committees are:

- a. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations.
- b. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities.
- c. Perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.
- d. Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources, and budget necessary to implement it;
- e. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- f. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- g. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security, to ensure the integrity of the financial reports and protection of assets of the Company for the benefit of all shareholders and other stakeholders.
- h. Review the reports submitted by the internal and external auditors.
- i. Review the quarterly, half-year, and annual financial statements before their submission to the Board, with particular focus on the following matters:
  - i. Any change/s in accounting policies and practices
  - ii. Major judgmental areas
  - iii. Significant adjustments resulting from the audit
  - iv. Going concern assumptions

- v. Compliance with accounting standards
  - vi. Compliance with tax, legal, and regulatory requirements.
- j. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- k. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report;
- l. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

## For The Financial Year Ended 2016 compared to Year Ended 2015

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME						
(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2016	Dec 31 2015	Increase (Decrease)		2016	2015
			Amount	%		
Interest Income	1,568,837	2,350,520	(781,683)	-33%	92%	94%
Dividend Income	136,719	139,898	(3,179)	-2%	8%	6%
<b>Total Revenue</b>	<b>1,705,556</b>	<b>2,490,418</b>	<b>(784,862)</b>	<b>-32%</b>	<b>100%</b>	<b>100%</b>
General and Administrative Expenses	(21,848,917)	(20,103,133)	(1,745,784)	9%	1281%	807%
Write-off and Provisions	(13,326,313)	(1,416,139)	(11,910,174)	841%	781%	57%
<b>Total Costs and Expenses</b>	<b>(35,175,230)</b>	<b>(21,519,272)</b>	<b>(13,655,958)</b>	<b>63%</b>	<b>2062%</b>	<b>864%</b>
Loss on Sale of Investment Property	(18,689,020)	-	(18,689,020)	100%	1096%	0%
Loss on Impairment of Goodwill	(5,992,907)	-	(5,992,907)	100%	351%	0%
Gain (Loss) on Fair Value Change in Investment Property	7,515,020	(27,438,106)	34,953,126	-127%	-441%	1102%
Other Income	3,571,832	16,960	3,554,872	20960%	209%	-1%
<b>Other Income (Expenses)</b>	<b>(13,595,075)</b>	<b>(27,421,146)</b>	<b>13,826,071</b>	<b>-50%</b>	<b>797%</b>	<b>1101%</b>
<b>Net Income (Loss)</b>	<b>(47,064,749)</b>	<b>(46,450,000)</b>	<b>(614,749)</b>	<b>1%</b>	<b>-2759%</b>	<b>-1865%</b>

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

The Group recorded consolidated revenues of ₱1.7 million in the year ended 2016, which declined by 32% primarily due to lower interest income earned during the year.

The Group recorded consolidated costs and expenses of ₱35.2 million in 2016, with an increase of 63% from ₱21.5 million in 2015, as a result of higher taxes and licenses paid during the year due to the capital gains taxes paid on the investment properties sold and the write-off of deferred exploration costs related to discontinued projects.

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

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2016	Dec 31 2015	Increase (Decrease)		2016	2015
			Amount	%		
<b>Net Income (Loss)</b>	<b>(47,064,749)</b>	<b>(46,450,000)</b>	<b>(614,749)</b>	<b>1%</b>	<b>-2759%</b>	<b>-1865%</b>
<b>Other Comprehensive Income (Loss)</b>						
Unrealized mark-to-market gain/(loss) on available-for-sale financial assets	3,370,270	(9,474,910)	12,845,180	-136%	198%	-380%
Remeasurement gain/(loss) on defined benefit obligation	-	(138,200)	138,200	-100%	0%	-6%
<b>Total Comprehensive income (loss) for the period</b>	<b>(43,694,479)</b>	<b>(56,063,110)</b>	<b>12,368,631</b>	<b>-22%</b>	<b>-2562%</b>	<b>-2251%</b>

### *Comprehensive Income (Loss)*

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

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

### *Assets*

The Group recorded consolidated assets of ₱317.2 million as at December 31, 2016, a decrease of 10% from ₱353.1 million in 2015, primarily due to the following:

- Cash and cash equivalents increased by 4% from ₱133.8 million in 2015 to ₱138.6 million in 2016, mainly due to partial collection on the sale of investment property amounting to ₱20.0 million and receipt of funds related to the scholarship program of Aragorn Power amounting to ₱4.3 million, which was offset by disbursements for general and administrative expenses amounting to ₱ 21.0 million.
- Trade and other receivables increased by ₱81.0 million from prior year mainly due to the receivables from a third party arising from the sale of investment property.
- Available-for-sale financial assets increased by 81% from ₱4.2 million in 2015 to ₱7.5 million in 2016, mainly due to the improvement in market price of stocks held by the Company in 2016.

- Investment properties, which is measured at fair value, declined by 83% and stood at ₱22.4 million as of December 31, 2016. The decline was due to sale of properties amounting ₱114.7 million and partially offset by a ₱7.5 million increase in fair market value of the remaining properties.
- Other noncurrent assets decreased by 24% from ₱77.5 million in 2015 to ₱59.2 million in 2016 due to the write-off of deferred exploration costs and goodwill.

### ***Liabilities***

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

### ***Equity***

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

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

There were no off-balance sheet transactions.

As of December 31, 2016, except for what have been mentioned in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditure;
- Known trends, events or uncertainties that are expected to have a material impact on revenues from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations aside from those mentioned in this report;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company from the year ended December 31, 2016 to December 31, 2015.

### **KEY PERFORMANCE INDICATORS**

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

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



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

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

Financial Ratios	YTD 31 December 2016	YTD 31 December 2015
Return on Assets Ratio	(0.15)	(0.13)
Return on Equity Ratio	(0.24)	(0.19)
Current Ratio	2.02	1.34
Debt to Equity Ratio	0.60	0.46
Asset to Equity Ratio	1.60	1.46

Discussion on the key performance indicators

**Return on Assets Ratio**

The Company posted negative consolidated ROA for the period ended December 31, 2016 as the Company reported a consolidated net loss of ₱47.1 million.

**Return on Equity Ratio**

The Company posted negative consolidated ROE due to the net loss reported in 2016.

**Current Ratio**

Current Ratio improved by 51% as the Company reported a ₱4.8 million increase in cash and cash equivalents and ₱81.1 million increase in trade and other receivables.

**Debt to Equity Ratio**

DER increased to 0.60x as of end-December 2016 as total liabilities increased by 7% and stockholders' equity decreased by 18% due to the reported net loss in 2016.

**Assets to Equity Ratio**

AER increased to 1.60x due to the 18% decline in stockholders' equity.

The Company does not foresee any cash flow or liquidity problems over the next 12 months.

There are no known events that will trigger direct or contingent financial obligations that is material to the Company, including any default or acceleration of obligation.

No material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons were created during the reporting period.

**For The Financial Year Ended 2015 compared to Year Ended 2014**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2015	Dec 31 2014	Increase (Decrease)		2015	2014
			Amount	%		
Interest Income	2,350,520	960,530	1,389,990	145%	94%	1%
Dividend Income	139,898	-	139,898	100%	6%	0%
Gain on sale of available-for-sale financial assets	-	144,924,050	(144,924,050)	-100%	0%	93%
Other Income	16,960	10,444,512	(10,427,552)	-100%	1%	7%
<b>Total Revenue</b>	<b>2,507,378</b>	<b>156,329,092</b>	<b>(153,821,714)</b>	<b>-98%</b>	<b>100%</b>	<b>100%</b>
General and Administrative Expenses	(20,103,133)	(17,608,577)	(2,494,556)	14%	802%	11%
Loss on Decline of Fair Value of Investments	(27,438,106)	-	(27,438,106)	100%	1094%	0%
Provisions and Other Expenses	(1,416,139)	(17,937,682)	16,521,543	-92%	56%	11%
<b>Total Costs and Expenses</b>	<b>(48,957,378)</b>	<b>(35,546,259)</b>	<b>(13,411,119)</b>	<b>38%</b>	<b>1953%</b>	<b>23%</b>
<b>Net Income (Loss)</b>	<b>(46,450,000)</b>	<b>120,782,833</b>	<b>(167,232,833)</b>	<b>-138%</b>	<b>-1853%</b>	<b>77%</b>

The Company ended the year ending December 31, 2015 with a consolidated net loss of ₱46.5 million compared to a normalized net loss in 2014 of ₱24.1 million, which excludes a one-time gain on sale of available-for-sale financial assets in 2014.

Total costs and expenses for 2015 amounted to ₱49.0 million, 38% higher compared to the prior year mainly due to the following:

- Recognition of loss on the decline of fair market value of investments held amounting to ₱27.4 million.
- Higher general and administrative expenses due to professional fees incurred related to on-going projects.
- This was offset by lower provision for impairment losses in 2015 on deferred exploration costs.

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2015	Dec 31 2014	Increase (Decrease)		2015	2014
			Amount	%		
<b>Net Income (Loss)</b>	<b>(46,450,000)</b>	<b>120,782,833</b>	<b>(167,232,833)</b>	<b>-138%</b>	<b>-1853%</b>	<b>77%</b>
<b>Other Comprehensive Income (Loss)</b>						
Unrealized mark-to-market gain/(loss) on available-for-sale financial assets	(9,474,910)	122,152,320	(131,627,230)	-108%	-378%	78%
Realized gain on available-for-sale financial assets	-	(124,370,730)	124,370,730	-100%	0%	-80%
Remeasurement gain/(loss) on defined benefit obligation	(138,200)	(91,200)	(47,000)	52%	-6%	0%
<b>Total Comprehensive income (loss) for the period</b>	<b>(56,063,110)</b>	<b>118,473,223</b>	<b>(174,536,333)</b>	<b>-147%</b>	<b>-2236%</b>	<b>76%</b>

Total comprehensive net loss for 2015 amounted to ₱56.1 million resulting from operating net loss of ₱46.5 million and a ₱9.5 million decline in market value of available-for-sale financial assets.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Pesos, except percentages)	December 31	December	Horizontal Analysis		Vertical Analysis	
	2015	2014	Increase (Decrease)		2015	2014
			Amount	%		
<b>ASSETS</b>						
Cash and cash equivalents	133,801,121	157,411,732	(23,610,611)	-15%	38%	38%
Trade and other receivables - net	650,242	619,406	30,836	5%	0%	0%
Available-for-sale financial assets	4,154,681	13,629,591	(9,474,910)	-70%	1%	3%
Other current assets	7,308,995	6,307,661	1,001,334	16%	2%	2%
Property and equipment	196,003	114,436	81,567	71%	0%	0%
Investment properties	129,548,000	156,986,106	(27,438,106)	-17%	37%	38%
Other noncurrent assets - net	77,488,181	77,071,321	416,860	1%	22%	19%
<b>Total Assets</b>	<b>353,147,223</b>	<b>412,140,253</b>	<b>(58,993,030)</b>	<b>-14%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
Trade and other payables	29,406,279	32,801,044	(3,394,765)	-10%	8%	8%
Income tax payable	342	251,642	(251,300)	-100%	0%	0%
Advances from related parties	79,772,006	79,629,961	142,045	0%	23%	19%
Subscriptions payable	161,959	161,959	-	0%	0%	0%
Accrued retirement costs	2,364,600	1,790,500	574,100	32%	1%	0%
<b>Total Liabilities</b>	<b>111,705,186</b>	<b>114,635,106</b>	<b>(2,929,920)</b>	<b>-3%</b>	<b>32%</b>	<b>28%</b>
Capital Stock	6,388,072,148	6,388,072,148	-	0%	1809%	1550%
Additional paid-in capital	1,613,942,096	1,613,942,096	-	0%	457%	392%
Unrealized mark-to-market gain on available-for-sale financial assets	3,306,680	12,781,590	(9,474,910)	-74%	1%	3%
Gain on dilution	226,304	226,304	-	0%	0%	0%
Remeasurement loss on defined benefit obligation	(2,863,605)	(2,725,405)	(138,200)	5%	-1%	-1%
Deficit	(7,722,678,819)	(7,676,711,115)	(45,967,704)	1%	-2187%	-1863%
Treasury shares	(29,435,220)	(29,435,220)	-	0%	-8%	-7%
Equity Attributable to Non-controlling Interests	(9,127,547)	(8,645,251)	(482,296)	6%	-3%	-2%
<b>Total Equity</b>	<b>241,442,037</b>	<b>297,505,147</b>	<b>(56,063,110)</b>	<b>-19%</b>	<b>68%</b>	<b>72%</b>
<b>Total Liabilities and Equity</b>	<b>353,147,223</b>	<b>412,140,253</b>	<b>(58,993,030)</b>	<b>-14%</b>	<b>100%</b>	<b>100%</b>

APC Group's consolidated assets stood at ₱353.1 million as of December 31, 2015 compared to ₱412.1 million as of end 2014.

- Consolidated cash and cash equivalents amounted to ₱133.8 million at the end of 2015, 15% lower than the ₱157.4 million as of end-December 2014. The decline is mostly due to the disbursements for general and administrative expenses (₱20.1 million).
- Available-for-sale financial assets was at ₱4.2 million as of December 31, 2015, 70% lower compared to the ₱13.6 million in 2014 due to the decline in market price of stocks held by the Company.
- Investments properties, which is measured at fair value, stood at ₱129.5 million, ₱27.4 million lower year-on-year as the appraised value of the properties was lower compared to reported value in prior years.
- Other non-current assets increased by ₱0.4 million due to disbursements for the existing exploration projects booked under deferred exploration costs.

Consolidated liabilities decreased by 3% or ₱2.9 million from ₱114.6 million as of December 31, 2014 to ₱111.7 million as of December 31, 2015. The decrease was mainly attributable to the payment of income tax due for year 2014 and the disbursement of funds related to the scholarship program of Aragorn Power (₱4.5 million), which was partially offset by the increase in accrued retirement costs. Stockholders' equity as of December 31, 2015 and December 31, 2014 amounted to ₱241.4 million and ₱297.5 million, respectively. The 19% decline was due to ₱56.1 million comprehensive net loss recognized in 2015.

The Company does not foresee any cash flow problems during the next twelve months. The Company has enough cash to meet cash requirements in 2016.

There were no off-balance sheet transactions.

As of December 31, 2015, except for what have been mentioned in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the company;
- Material commitments for capital expenditure;
- Known trends, events or uncertainties that are expected to have a material impact on revenues from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations aside from those mentioned in this report;
- Seasonal aspects that had a material impact on the company's results of operations; and
- Material changes in the financial statements of the Company from the year ended December 31, 2015 to December 31, 2014.

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

Financial Ratios	YTD	YTD
	31 December 2015	31 December 2014
Return on Assets Ratio	(0.13)	0.29
Return on Equity Ratio	(0.19)	0.41
Current Ratio	1.34	1.58
Debt to Equity Ratio	0.46	0.39
Asset to Equity Ratio	1.46	1.39

Discussion on the key performance indicators

**Return on Assets Ratio**

The Company posted negative consolidated Return on Assets Ratio for the period ended December 2015 compared to year-end 2014 due to the reported net loss in 2015 amounting to ₱52.4 million.

**Return on Equity Ratio**

Return on Equity Ratio was at -0.19x due to the net loss of 2015 compared to the net income reported in 2014 amounting to ₱120.8 million.

**Current Ratio**

Current Ratio declined by 15% year-on-year due to the reported lower cash and cash equivalents and available for sale financial assets.

**Debt to Equity Ratio**

Debt to Equity Ratio increased to 0.46x as of end-December 2015 as total Stockholders' Equity declined on the incurred net loss for the year.

**Assets to Equity Ratio**

Assets to Equity Ratio increased to 1.46x due to the decline in Stockholders' Equity as the Company recorded net loss of ₱46.5 million for the period ending December 31, 2015 compared to the net income of 2014 amounting to ₱120.8 million.

## 2nd Quarter 2017 Management's Discussion and Analysis

### Item 1. Financial Statements

#### **APC GROUP INC. AND SUBSIDIARIES** **Consolidated Statements of Financial Position** **as at June 30, 2017 and December 31, 2016**

		<b>June 30 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	P	188,710,990	P 138,624,426
Trade and other receivables - net		10,906,789	81,769,879
Available-for-sale financial assets		9,941,371	7,524,951
Other current assets		8,384,069	7,533,539
<b>Total Current Assets</b>		<b>217,943,219</b>	<b>235,452,795</b>
<b>Noncurrent Assets</b>			
Property and equipment		66,823	125,585
Investment properties		22,374,000	22,374,000
Other noncurrent assets - net		59,551,340	59,203,236
<b>Total Noncurrent Assets</b>		<b>81,992,163</b>	<b>81,702,821</b>
<b>Total Assets</b>	<b>P</b>	<b>299,935,382</b>	<b>P 317,155,616</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	P	28,754,932	P 36,595,555
Income tax payable		836	71,437
Advances from related parties		79,772,007	79,772,006
<b>Total Current Liabilities</b>		<b>108,527,775</b>	<b>116,438,998</b>
<b>Noncurrent Liabilities</b>			
Subscriptions payable		161,959	161,959
Accrued retirement costs		2,909,475	2,800,500
<b>Total Noncurrent Liabilities</b>		<b>3,071,434</b>	<b>2,962,459</b>
<b>Total Liabilities</b>	<b>P</b>	<b>111,599,208</b>	<b>P 119,401,457</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital Stock	P	6,388,078,749	P 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		9,093,370	6,676,950
Gain on dilution		226,304	226,304
Remeasurement loss on defined benefit obligation		(2,863,605)	(2,863,605)
Deficit		(7,780,576,849)	(7,768,808,557)
Treasury shares		(29,435,220)	(29,435,220)
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>		<b>198,464,845</b>	<b>207,816,717</b>
Equity Attributable to Non-controlling Interests		(10,128,671)	(10,062,558)
<b>Total Equity</b>		<b>188,336,173</b>	<b>197,754,159</b>
<b>Total Liabilities and Equity</b>	<b>P</b>	<b>299,935,382</b>	<b>P 317,155,616</b>

**APC GROUP INC. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**Comparable periods ended June 30, 2017 and June 30, 2016**

	2nd Quarter 2017 (April to June)	YTD 2017 (January to June)	2nd Quarter 2016 (April to June)	YTD 2016 (January to June)
<b>INCOME (EXPENSES)</b>				
General and Administrative	P (6,023,446)	P (14,220,992)	P (3,501,252)	P (7,289,855)
Dividend Income	-	178,688	-	136,719
Interest Income	2,101,279	2,192,112	534,878	1,160,622
Other Income (loss)	41,800	41,800	-	-
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(3,880,367)</b>	<b>(11,808,392)</b>	<b>(2,966,374)</b>	<b>(5,992,514)</b>
Provision for Income tax-current	8,434	26,014	116,063	252,933
<b>NET INCOME (LOSS)</b>	<b>(3,888,801)</b>	<b>(11,834,406)</b>	<b>(3,082,437)</b>	<b>(6,245,447)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Unrealized mark-to-market gain/(loss) on available-for-sale financial assets	2,416,420	2,416,420	1,716,930	3,370,270
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>P (1,472,381)</b>	<b>P (9,417,986)</b>	<b>P (1,365,507)</b>	<b>P (2,875,177)</b>
<b>Income/(loss) attributable to:</b>				
Equity holders of the Parent Company		(11,768,292)		(6,162,469)
Non-controlling interests		(66,114)		(82,978)
		<b>P (11,834,406)</b>		<b>P (6,245,447)</b>
<b>Total comprehensive income/(loss) attributable to:</b>				
Equity holders of the Parent Company		(9,351,872)		(2,792,199)
Non-controlling interests		(66,114)		(82,978)
		<b>P (9,417,986)</b>		<b>P (2,875,177)</b>
<b>Basic/Diluted Earnings (Loss) Per common Share</b>				
(P-11,834,406/7,504,203,997) June 30, 2017		<b>P (0.001577)</b>		
(P-6,245,447/7,504,203,997) June 30, 2016				<b>P (0.000830)</b>
<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>		<b>7,504,203,997</b>		<b>7,504,203,997</b>

**APC GROUP INC. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**as of June 30, 2017 and June 30, 2016**

	June 30, 2017		June 30, 2016	
	Number of Shares	Amount	Number of Shares	Amount
<b>CAPITAL STOCK</b>				
P 1 par value				
<b>Authorized</b>				
Preferred shares	6,000,000,000	P 6,000,000,000	6,000,000,000	P 6,000,000,000
Common shares	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
<b>Issued</b>				
Common				
Balance at end of quarter	5,998,149,059	5,998,149,059	5,998,149,059	5,998,149,059
<b>Subscribed (net of subscription receivable)</b>				
Common				
Balance at end of quarter	389,929,690	389,929,690	389,923,089	389,923,089
<b>Capital Stock</b>				
Common				
Balance at end of quarter	6,388,078,749	6,388,078,749	6,388,072,148	6,388,072,148
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		9,093,370		6,676,950
Remeasurement loss on defined benefit obligation		(2,863,605)		(2,863,605)
Deficit				
Balance at beginning of year		(7,768,808,557)		(7,722,678,819)
Net income(loss)		(11,768,292)		(6,162,469)
Balance at end of year		(7,780,576,849)		(7,728,841,288)
Less cost of 7,606,000 shares held by a subsidiary		(29,435,220)		(29,435,220)
Minority interest		(10,128,671)		(9,210,525)
	<b>P</b>	<b>188,336,173</b>	<b>P</b>	<b>238,566,859</b>



**APC GROUP INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**comparable periods ended June 30, 2017 and June 30, 2016**

		<b>2nd Quarter 2017 (April to June)</b>		<b>YTD 2017 (January to June)</b>		<b>2nd Quarter 2016 (April to June)</b>		<b>YTD 2016 (January to June)</b>
Net cash provided by (used in) operating activities	P	(6,749,677)	P	48,063,868	P	(3,591,640)	P	(7,196,072)
Net cash provided by (used in) investing activities		2,279,153		2,022,696		(413,088)		(726,553)
Net cash provided by (used in) financing activities		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>
Net increase(decrease) in cash and cash equivalents	<b>P</b>	<b>(4,470,524)</b>	<b>P</b>	<b>50,086,565</b>	<b>P</b>	<b>(4,004,728)</b>	<b>P</b>	<b>(7,922,625)</b>
Cash and cash equivalents, beginning, January 1				<u>138,624,426</u>				<u>133,801,121</u>
<b>Cash and cash equivalents, March 31</b>			<b>P</b>	<b><u>188,710,991</u></b>			<b>P</b>	<b><u>125,878,496</u></b>

## 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
	2017	2016	Amount	%	2017	2016
Interest Income	2,192,112	1,160,622	1,031,490	89%	91%	89%
Dividend Income	178,688	136,719	41,969	31%	7%	11%
Other Income	41,800	-	41,800	100%	2%	0%
<b>Total Revenue</b>	<b>2,412,600</b>	<b>1,297,341</b>	<b>1,115,259</b>	<b>86%</b>	<b>100%</b>	<b>100%</b>
General and Administrative Expenses	(14,247,006)	(7,542,788)	(6,704,218)	89%	-591%	-581%
<b>Total Costs and Expenses</b>	<b>(14,247,006)</b>	<b>(7,542,788)</b>	<b>(6,704,218)</b>	<b>89%</b>	<b>-591%</b>	<b>-581%</b>
<b>Net Income (Loss)</b>	<b>(11,834,406)</b>	<b>(6,245,447)</b>	<b>(5,588,959)</b>	<b>89%</b>	<b>-491%</b>	<b>-481%</b>
<b>Other Comprehensive Income (Loss)</b>						
Unrealized mark-to-market gain/(loss) on available-for-sale financial assets	2,416,420	3,370,270	(953,850)	-28%	100%	260%
<b>Total Comprehensive income (loss) for the period</b>	<b>(9,417,986)</b>	<b>(2,875,177)</b>	<b>(6,542,809)</b>	<b>228%</b>	<b>-390%</b>	<b>-222%</b>

APC Group, Inc. and its subsidiaries (the Company) ended the first half of 2017 with total revenues of ₱2.4 million, 86% higher compared to the same period in 2016 mainly due to higher interest and dividend income received in 2017. General and administrative expenses were higher by 89% due to listing fees paid to PSE amounting to ₱4.9 million during the first quarter of 2017. Compared to the same period last year, this year's net loss was higher by ₱5.6 million, which was slightly tempered by the unrealized mark-to-market gain on available-for-sale financial assets, resulting to a total comprehensive loss for the six-month period ending June 30, 2017 amounting to ₱9.4 million.

As of June 30, 2017, 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, 2017 and June 30, 2016 except those mentioned above.

## Consolidated Statements of Financial Position

(Amounts in Peso, except percentages)	June 30	December 31	Horizontal Analysis		Vertical Analysis	
	2017	2016	Increase (Decrease)		March	Dec 31,
			Amount	%	31, 2017	2016
<b>ASSETS</b>						
Cash and cash equivalents	188,710,990	138,624,426	50,086,564	36%	63%	44%
Trade and other receivables - net	10,906,789	81,769,879	(70,863,090)	-87%	4%	26%
Available-for-sale financial assets	9,941,371	7,524,951	2,416,420	32%	3%	2%
Other current assets	8,384,069	7,533,539	850,530	11%	3%	2%
Property and equipment	66,823	125,585	(58,762)	-47%	0%	0%
Investment properties	22,374,000	22,374,000	-	0%	7%	7%
Other noncurrent assets - net	59,551,340	59,203,236	348,104	1%	20%	19%
<b>Total Assets</b>	<b>299,935,382</b>	<b>317,155,616</b>	<b>(17,220,234)</b>	<b>-5%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
Trade and other payables	28,754,932	36,595,555	(7,840,623)	-21%	10%	12%
Income tax payable	836	71,437	(70,601)	-99%	0%	0%
Advances from related parties	79,772,007	79,772,006	1	0%	27%	25%
Subscriptions payable	161,959	161,959	-	0%	0%	0%
Accrued retirement costs	2,909,475	2,800,500	108,975	4%	1%	1%
<b>Total Liabilities</b>	<b>111,599,209</b>	<b>119,401,457</b>	<b>(7,802,248)</b>	<b>-7%</b>	<b>37%</b>	<b>38%</b>
Capital Stock	6,388,078,749	6,388,078,749	-	0%	2130%	2014%
Additional paid-in capital	1,613,942,096	1,613,942,096	-	0%	538%	509%
Unrealized mark-to-market gain on AFS financial assets	9,093,370	6,676,950	2,416,420	36%	3%	2%
Gain on dilution	226,304	226,304	-	0%	0%	0%
Remeasurement loss on defined benefit obligation	(2,863,605)	(2,863,605)	-	0%	-1%	-1%
Deficit	(7,780,576,849)	(7,768,808,557)	(11,768,292)	0%	-2594%	-2450%
Treasury shares	(29,435,220)	(29,435,220)	-	0%	-10%	-9%
Equity Attributable to Non-controlling Interests	(10,128,672)	(10,062,558)	(66,114)	1%	-3%	-3%
<b>Total Equity</b>	<b>188,336,173</b>	<b>197,754,159</b>	<b>(9,417,986)</b>	<b>-5%</b>	<b>63%</b>	<b>62%</b>
<b>Total Liabilities and Equity</b>	<b>299,935,382</b>	<b>317,155,616</b>	<b>(17,220,234)</b>	<b>-5%</b>	<b>100%</b>	<b>100%</b>

As of June 30, 2017, consolidated assets of the Company amounted to ₱299.9 million, ₱17.2 million or 5% lower compared to the December 31, 2016 balance of ₱317.2 million.

- Consolidated cash and cash equivalents amounted to ₱188.7 million as of June 30, 2017, 36% higher compared to ₱138.6 million as of December 31, 2016. The increase was mainly attributable to the collection of receivables from a third party arising from the sale of investment property (₱70 million), which was partially offset by payments for general and administrative expenses (₱14.2 million), disbursement of funds for the scholarship program (₱4.4 million) and payment of other payables.
- Trade and other receivables decreased by ₱7.8 million due to the collection of receivables from a third party in the 1<sup>st</sup> quarter of 2017.
- The decrease in total assets was partially offset by an increase in available-for-sale financial assets amounting to ₱2.4 million due to an improvement in market price of stocks held by the Company as of June 30, 2017.
- Non-current Assets increased by ₱0.3 million due to the increase in deferred exploration costs.

APC Group's consolidated liabilities decreased from ₱119.4 million as at December 31, 2016 to ₱111.6 million as at June 30, 2017 due to the disbursement of funds payable to the scholars under Aragorn Power's Community Development Scholarship Program and payment of other payables.

Total equity as of June 30, 2017 and December 31, 2016 amounted to ₱188.3 million and ₱197.8 million, respectively. The decline amounted ₱9.4 million which was due to the 2017 first half net loss of ₱11.8 million, partially offset by the unrealized mark-to-market gains of ₱2.4 million on available-for-sale financial assets.

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 30-Jun 2017	YTD 31-Dec 2016	YTD 30-Jun 2016
Return on Assets Ratio.....	(0.05)	(0.15)	(0.02)
Return on Equity Ratio.....	(0.06)	(0.24)	(0.03)
Current Ratio.....	2.01	2.02	1.31
Debt to Equity Ratio.....	0.59	0.60	0.47
Asset to Equity Ratio .....	1.59	1.60	1.47

### Discussion on the key performance indicators

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

Return on asset and return on equity ratios both increased as of June 30, 2017 versus the ratios for the same period in 2016. This is mostly due to the decrease in total assets and total equities of the company for the first half in 2017.

#### **Current Ratio**

Current Ratio is at 2.01 as of June 30, 2017, higher than the current ratio during the same period in 2016 which was at 1.31. This indicates that the company is capable of paying off its liabilities and payables as they fall due.

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

Debt to Equity Ratio was 0.59x, which increased by 25% versus the prior year due to lower consolidated stockholders' equity.

**Assets to Equity Ratio**

There is no significant change in the company's assets to equity ratio as of June 30, 2017 and as of December 31, 2016.

**PART II OTHER INFORMATION**

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

## ANNEX TO THE MD&A SECTION

### 1. PRINCIPLES OF CONSOLIDATION

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

	Percentage of Ownership
APC Cement Corporation (ACC)	100.00 (1)
APC Energy Resources, Inc. (APCERI) – Previously Aragorn Coal Resources, Inc.)	100.00 (1)
Aragorn Power & Energy Corporation (Aragorn Power)	90.00 (1)
APC Mining Corporation	83.00 (1)

*(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 June 30, 2017 interim financial statements compared to the December 31, 2016 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, 2017 and December 31, 2016 are as follows:*

	June 30, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Loans and receivables:				
Cash and cash equivalents	188,710,990	188,710,990 ✓	138,624,426	138,624,426
Trade and other receivables	10,906,789	10,906,789 ✓	81,769,879	81,769,879
Deposits*	29,213	29,213	29,213	29,213
AFS financial assets	9,941,371	9,941,371 ✓	7,524,951	7,524,951
<b>Total financial assets</b>	<b>209,588,363</b>	<b>209,588,363</b>	<b>227,948,469</b>	<b>227,948,469</b>
Financial liabilities -				
Other financial liabilities:				
Trade and other payables**	28,639,507	28,639,507	36,531,489	36,531,489
Advances from related parties	79,772,007	79,772,007 ✓	79,772,006	79,772,006
Subscriptions payable	161,959	161,959	161,959	161,959
<b>Total current financial liabilities</b>	<b>108,573,472</b>	<b>108,573,472</b>	<b>116,465,454</b>	<b>116,465,454</b>

\* Included in "Other noncurrent assets" account

\*\*Excluding statutory liabilities.

#### Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables, Loans Payable 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 Other Noncurrent Liabilities

Estimated fair value of deposits is based on the discounted value of future cash flows using the prevailing interest rates that are specific to the tenor of the instruments' cash flows as of reporting dates.

The company has no investments in foreign securities.

## **4. FAIR VALUE HIERARCHY**

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

## **5. 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.

## **6. 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, 2016. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*



- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*
- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*
- Annual Improvements to PFRS 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

*Effective beginning on or after January 1, 2017*

- Amendment to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRS 2014 - 2016 Cycle*), clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments will not have any impact on the Company's financial statements.
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*, require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. The Company is currently assessing the impact of adopting this standard.
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*, clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.  
Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. The Company is currently assessing the impact of adopting this standard.

*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 financial statements.

- 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 forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. The amendments are not applicable to the Company since the Company has no 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 or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The amendments will not have any impact on the Company's 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. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. 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 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 Company is currently assessing the impact of adopting this standard.

- 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 financial statements.
- Philippine Interpretation 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. The interpretation may be applied on a fully retrospective basis. Entities 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 financial statements.

#### *Effective beginning on or after January 1, 2019*

- PFRS 16, *Leases*, under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Company is currently assessing the impact of adopting PFRS 16.

#### *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 FRSC postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed 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.

## **7. 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, 2016. 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, 2017, 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, 2017 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, 2017.
- H. There exist no material contingencies and other material events or transactions affecting the current interim period.

## **Plan of Operation for 2017**

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

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

APPENDIX 1  
APC GROUP INC. and SUBSIDIARIES  
Aging of Accounts Receivables  
As of June 30, 2017

COMPANY	TOTAL	1 Month	2 - 3 Months	4 - 6 Months	7 Months to 1 Year	more than 1 year
<b>Type of Accounts Receivables</b>						
<b>Non - Trade Receivables</b>	P 25,540,126					25,540,126
Less: Allowance for Doubtful Accounts	25,511,756					25,511,756
<b>Net Non - Trade Receivables</b>	P 28,370	-	-	-	-	28,370
<b>Advances to Officers and Employees</b>	225,734	215,734				10,000
<b>Receivables - Others</b>	10,652,685	102,611	55,000	10,403,598	-	91,476
APC	10,386,808	18,091		10,368,718		
APCERI	-	-				
Cement	16,950					16,950
APEC	248,927	84,521	55,000	34,881		74,526
PRCMagma	-					
	-					
<b>TOTAL</b>	10,906,789	318,345	55,000	10,403,598	-	129,846

## FINANCIAL STATEMENTS

The audited Financial Statements and Supplementary Schedules for the year 2016 are filed as part of Form 17A.

### APC GROUP AND SUBSIDIARIES

#### INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES FORM 17-A, Item 7

#### Consolidated Financial Statements

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Consolidated Statement of Financial Position as of December 31, 2015 and 2014	CSFP
Consolidated Statements Comprehensive Income for the years ended December 31, 2015, 2014 and 2013	CSCI
Consolidated Statements of Changes in Equity for the years ended December 31, 2015, 2014 and 2013	CSCE
Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013	CCFS
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#### Supplementary Schedules

##### Report of Independent Auditors on Supplementary Schedules

A. Financial Assets	Attached
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)	Attached
C. Amount Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	Attached
D. Intangible Assets and Other Assets	Attached
E. Long-term Debt	Not Applicable
F. Indebtedness to Related Parties (Long-term Loans from Related Companies)	Not Applicable
G. Guarantees of Securities of Other Issuers	Not Applicable
H. Capital Stock	Attached
I. Schedule of all the effective standards and interpretation	Attached
J. Reconciliation of retained earnings available for dividend declaration	Not applicable
K. Map of the relationship of the Company within the Group	Attached

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

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



**RICHARD ANTHONY D. ALCAZAR**  
**APC GROUP, INC.**  
8<sup>th</sup> Floor, PhilCom Building  
8755 Paseo de Roxas, Makati City

### CERTIFICATE OF INDEPENDENT DIRECTOR

I, **TOMAS D. SANTOS**, Filipino, of legal age and a resident of No. 8, Harding Street, San Juan City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **APC Group Inc.** and have been its independent director since June 6, 2012.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Irvine Construction Corporation	President	1994 to present
Shamu Marketing	Owner	1990 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of APC Group Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
6. I shall inform the Corporate Secretary of APC Group, Inc. of any changes in the above mentioned information within five days from its occurrence.

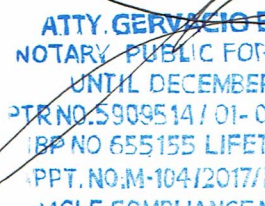
Done, this **JUL 26 2017** day of **MAKATI CITY**.

  
**TOMAS D. SANTOS**  
Affiant

**JUL 26 2017**

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_, Affiant personally appeared before me and exhibited to me his/her \_\_\_\_\_ Issued at \_\_\_\_\_ on \_\_\_\_\_

Doc. No. 19 ;  
Page No. 5 ;  
Book No. XI ;  
Series of 2017 ;

  
**ATTY. GERVACIO B. ORTIZ, JR.**  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31/2018  
PTR NO. 5909514 / 01-03-2017/MAKATI  
IBP NO 655155 LIFETIME MEMBER  
PPT. NO. M-104/2017/ROLL NO. 4009  
MCLE COMPLIANCE NO. V-0006934  
UNIT 102 PENINSULA COURT BLDG  
735 MAKATI AVE., MAKATI CITY



## CERTIFICATE OF INDEPENDENT DIRECTOR

I, **LAURITO E. SERRANO**, Filipino, of legal age and a resident of 4205C Madras St., Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **APC Group Inc.** and have been its independent director since June 18, 2013.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Philippine Veterans Bank	Director	Since June 2012
Atlas Consolidated Mining and Development Corporation	Independent Director	Since August 2012
Pacific Online Systems Corp.	Independent Director	Since May 2014
Travellers Intl. Hotel Group, Inc.	Independent Director	Since November 2013
MJC Investments Corporation	Independent Director	Since May 2014
MRT Dev. Corporation	Director	Since July 2013
United Paragon Mining Corporation	Independent Director	Since November 2016
Axelum Resources Corp.	Director	Since April 2017
Negros Navigation Co. Inc.	Director	Since April 2017
2GO Group, Inc.	Independent Director	Since April 2017


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of APC Group Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
6. I shall inform the Corporate Secretary of APC Group, Inc. of any changes in the above mentioned information within five days from its occurrence.

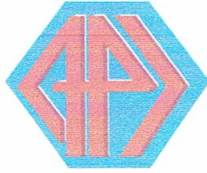
Done, this JUL 26 2017 day of MAKATI CITY.

  
**LAURITO E. SERRANO**  
Affiant

SUBSCRIBED AND SWORN to before me this JUL 26 2017 day of MAKATI CITY, Affiant personally appeared before me and exhibited to me his Philippine passport issued at DFA Manila on January 27, 2017.

Doc. No. 18;  
Page No. 3;  
Book No. XI;  
Series of 2017.

  
**ATTY. GERVACIO B. ORTIZ, JR.**  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31/2018  
RNO 5809514 / 01-03-2017/MAKATI  
BP NO 655155 LIFETIME MEMBER  
APPT. NO. M-104/2017/ROLL NO. 4009  
MCLE COMPLIANCE NO. V-0006934  
UNIT 102 PENINSULA COURT BLDG  
735 MAKATI AVE., MAKATI CITY



APC GROUP INC.

August 26, 2017

**Securities and Exchange Commission**  
SEC-PICC Pasay City, Metro Manila


Attention: Mr. Vicente Graciano P. Felizmenio, Jr.  
*Director, Markets & Securities Regulation Department*

Sir:

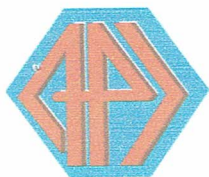
This is to certify that none of the current APC Group, Inc.'s Board of Directors, including Independent Directors, and officers mentioned in the attached 2017 Preliminary Information Statement holds any position in the Philippine Government or in any government agency.

Thank you.

Very truly yours,

  
**Jackson T. Ongsip**  
President and CEO - APC Group, Inc.





APC GROUP INC.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of APC Group, Inc. and Subsidiaries ("APC Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**WILLY N. OCIER**  
Chairman of the Board

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

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

March 31, 2017

SUBSCRIBED AND SWORN to before me this **APR 04 2017** at **MAKATI CITY** City, affiants who are personally known to me or identified through competent evidence of identity, to wit:

Name	Passport or ID No.	Date of Issue	Place of Issue
Willy N. Ocier	EB6130282	August 14, 2012	Manila
Jackson T. Ongsip	N03-90-097042	July 21, 2014	Manila
Ian Jason R. Aguirre	EB7204576	January 21, 2013	Manila

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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## COMPANY NAME

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E	S																								

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

8	t	h	F	l	o	o	r	,	P	h	i	l	C	o	m	B	u	i	l	d	i	n	g	,	8
7	5	5	P	a	s	e	o	d	e	R	o	x	a	s	,	M	a	k	a	t	i	C	i	t	
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Form Type

A	A	P	F	S
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Department requiring the report

S	E	C
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Secondary License Type, If Applicable

N	A		
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## COMPANY INFORMATION

Company's Email Address

apc\_group\_inc@yahoo.com

Company's Telephone Number

845-0614

Mobile Number

—

No. of Stockholders

599

Annual Meeting (Month / Day)

Last Thursday of June

Fiscal Year (Month / Day)

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Jackson T. Ongsip

Email Address

jackson.ongsip@sminvestments.com

Telephone Number/s

840-5465

Mobile Number

—

## CONTACT PERSON'S ADDRESS

8<sup>th</sup> Floor, PhilCom Building, 8755 Paseo de Roxas, Makati City

**NOTE 1 :** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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



## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
APC Group, Inc.  
8th Floor, PhilCom Building  
8755 Paseo de Roxas, Makati City

### Opinion

We have audited the consolidated financial statements of APC Group, Inc. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Key Audit Matters

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

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



### *Recoverability of Deferred Exploration Costs*

Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, the Company is required to assess whether there are facts and circumstances indicating that the carrying amounts of its deferred exploration costs exceed the recoverable amounts. Should such indicators exist, the Company is required to conduct an impairment test on the deferred exploration costs.

As at December 31, 2016, the carrying value of the Company's deferred exploration costs amounted to ₱59 million. These deferred exploration costs pertain to its participating interest in the Kalinga Geothermal Renewable Energy Service Contract (GRESK), which provides for certain minimum work and expenditure obligations as well as the rights and benefits of a consortium member. The Company's GRESK is under the exploration phase. In September 2016, the Company's GRESK has expired and as at March 31, 2017, the Company's application for renewal is still pending approval from the Philippine Department of Energy (DOE). The substantial amount of this account and the significant management judgment required when assessing the potential outcome of the GRESK renewal make this a key audit matter.

The Company's disclosures regarding the status of the GRESK are presented in Note 1 to the consolidated financial statements.

### *Audit response*

Our audit procedures included understanding the Company's processes and controls involved in determining whether there are impairment indicators under PFRS 6. We obtained the summary of the status of the exploration project as of December 31, 2016, as certified by the Company's technical head and compared it with the disclosures submitted to regulatory agencies. We also obtained an understanding of the renewal process and management's assessments on the potential outcome of the GRESK renewal. In addition, we inspected the documents submitted to the DOE for the renewal of GRESK. We then evaluated management's assessment of the potential outcome of the GRESK's renewal by considering the historical evidence of GRESK renewals granted by the DOE, renewal documents submitted to the DOE and the results of management's discussions with DOE. We also read the minutes of the meetings of the Company's Board of Directors for the discussion of management plans and significant developments on the GRESK.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

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

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



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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to



the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Sherwin V. Yason.

SYCIP GORRES VELAYO & CO.



Sherwin V. Yason

Partner

CPA Certificate No. 104921

SEC Accreditation No. 1514-A (Group A),

October 6, 2015, valid until October 5, 2018

Tax Identification No. 217-740-478

BIR Accreditation No. 08-001998-112-2015,

March 4, 2015, valid until March 3, 2018

PTR No. 5908780, January 3, 2017, Makati City

March 31, 2017





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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 5, 19 and 20)	<b>₱138,624,426</b>	₱133,801,121
Trade and other receivables (Notes 6, 19 and 20)	<b>81,769,879</b>	650,242
Available-for-sale financial assets (Notes 7, 19 and 20)	<b>7,524,951</b>	4,154,681
Other current assets	<b>7,533,539</b>	7,308,995
Total Current Assets	<b>235,452,795</b>	145,915,039
<b>Noncurrent Assets</b>		
Property and equipment (Note 8)	<b>125,585</b>	196,003
Investment property (Notes 9 and 20)	<b>22,374,000</b>	129,548,000
Deferred exploration costs and other noncurrent assets (Notes 10, 19 and 20)	<b>59,203,236</b>	77,488,181
Total Noncurrent Assets	<b>81,702,821</b>	207,232,184
	<b>₱317,155,616</b>	₱353,147,223
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 11, 19 and 20)	<b>₱36,595,555</b>	₱29,406,279
Advances from related parties (Notes 17, 19 and 20)	<b>79,772,006</b>	79,772,006
Income tax payable	<b>71,437</b>	342
Total Current Liabilities	<b>116,438,998</b>	109,178,627
<b>Noncurrent Liabilities</b>		
Accrued retirement costs (Note 14)	<b>2,800,500</b>	2,364,600
Subscriptions payable (Notes 19 and 20)	<b>161,959</b>	161,959
Total Noncurrent Liabilities	<b>2,962,459</b>	2,526,559
Total Liabilities	<b>119,401,457</b>	111,705,186
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock (Notes 12 and 19)	<b>6,388,078,749</b>	6,388,072,148
Additional paid-in capital (Notes 12 and 19)	<b>1,613,942,096</b>	1,613,942,096
Unrealized mark-to-market gain on available-for-sale financial assets (Note 7)	<b>6,676,950</b>	3,306,680
Remeasurement loss on defined benefit obligation (Note 14)	<b>(2,863,605)</b>	(2,863,605)
Gain on dilution	<b>226,304</b>	226,304
Deficit	<b>(7,768,808,557)</b>	(7,722,678,819)
Treasury shares - 7,606,000 shares (Notes 12 and 18)	<b>(29,435,220)</b>	(29,435,220)
Total Equity Attributable to Equity Holders of the Parent Company	<b>207,816,717</b>	250,569,584
<b>Non-controlling Interests</b>	<b>(10,062,558)</b>	(9,127,547)
Total Equity	<b>197,754,159</b>	241,442,037
	<b>₱317,155,616</b>	₱353,147,223

*See accompanying Notes to Consolidated Financial Statements.*



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

	Years Ended December 31		
	2016	2015	2014
<b>REVENUE</b>			
Interest income (Note 5)	₱1,568,837	₱2,350,520	₱960,530
Dividend income	136,719	139,898	–
	<b>1,705,556</b>	<b>2,490,418</b>	<b>960,530</b>
<b>EXPENSES</b>			
General and administrative expenses (Note 13)	(21,848,917)	(20,103,133)	(17,608,577)
Write-off/provision for impairment of deferred exploration costs and mining rights (Note 10)	(12,911,061)	(945,000)	(16,270,018)
	<b>(34,759,978)</b>	<b>(21,048,133)</b>	<b>(33,878,595)</b>
<b>OTHER INCOME (EXPENSES)</b>			
Loss on:			
Sale of investment property (Note 9)	(18,689,020)	–	–
Impairment of goodwill (Note 10)	(5,992,907)	–	–
Gain (loss) on fair value change in investment property (Note 9)	7,515,020	(27,438,106)	–
Foreign exchange gain	403	1,616	160
Gain on sale of available-for-sale financial assets and investment in a subsidiary - net (Note 7)	–	–	144,924,050
Write-off on available-for-sale financial assets (Note 7)	–	–	(1,185,100)
Other income - net (Note 15)	3,571,429	15,344	10,444,352
	<b>(13,595,075)</b>	<b>(27,421,146)</b>	<b>154,183,462</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(46,649,497)</b>	<b>(45,978,861)</b>	<b>121,265,397</b>
<b>PROVISION FOR INCOME TAX</b> (Note 16)	<b>415,252</b>	<b>471,139</b>	<b>482,564</b>
<b>NET INCOME (LOSS)</b>	<b>(47,064,749)</b>	<b>(46,450,000)</b>	<b>120,782,833</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Items to be reclassified to profit or loss in subsequent periods-			
Unrealized mark-to-market gain (loss) on available-for-sale financial assets (Note 7)	3,370,270	(9,474,910)	122,152,320
Realized gain on available-for-sale financial assets	–	–	(124,370,730)
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement loss on defined benefit obligation (Note 14)	–	(138,200)	(91,200)
	<b>3,370,270</b>	<b>(9,613,110)</b>	<b>(2,309,610)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(₱43,694,479)</b>	<b>(₱56,063,110)</b>	<b>₱118,473,223</b>
<b>Net Income (Loss) Attributable to:</b>			
Equity holders of the Parent Company (Note 18)	(₱46,129,738)	(₱45,967,704)	₱122,888,619
Non-controlling interests	(935,011)	(482,296)	(2,105,786)
	<b>(₱47,064,749)</b>	<b>(₱46,450,000)</b>	<b>₱120,782,833</b>
<b>Total Comprehensive Income (Loss) Attributable to:</b>			
Equity holders of the Parent Company	(₱42,759,468)	(₱55,580,814)	₱120,579,009
Non-controlling interests	(935,011)	(482,296)	(2,105,786)
	<b>(₱43,694,479)</b>	<b>(₱56,063,110)</b>	<b>₱118,473,223</b>
<b>Basic/Diluted Earnings (Loss) Per Common Share</b> (Note 18)	<b>(₱0.006147)</b>	<b>(₱0.006126)</b>	<b>₱0.016376</b>

See accompanying Notes to Consolidated Financial Statements.



# APC GROUP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock (Notes 12 and 19)	Additional Paid-in Capital (Notes 12 and 19)	Unrealized Mark-to-Market Gain (Loss) on Available- for-Sale Financial Assets (Note 7)	Remeasurement Loss on Defined Benefit Obligation (Note 14)	Gain on Dilution	Deficit	Treasury Shares (Notes 12 and 18)	Total	Non-controlling Interests	Total
Balances at January 1, 2016	₱6,388,072,148	₱1,613,942,096	₱3,306,680	(₱2,863,605)	₱226,304	(₱7,722,678,819)	(₱29,435,220)	₱250,569,584	(₱9,127,547)	₱241,442,037
Collection of subscription receivables	6,601	—	—	—	—	—	—	6,601	—	6,601
Net loss during the year	—	—	—	—	—	(46,129,738)	—	(46,129,738)	(935,011)	(47,064,749)
Other comprehensive income	—	—	3,370,270	—	—	—	—	3,370,270	—	3,370,270
Total comprehensive income (loss)	—	—	3,370,270	—	—	(46,129,738)	—	(42,759,468)	(935,011)	(43,694,479)
Balances at December 31, 2016	₱6,388,078,749	₱1,613,942,096	₱6,676,950	(₱2,863,605)	₱226,304	(₱7,768,808,557)	(₱29,435,220)	₱207,816,717	(₱10,062,558)	₱197,754,159
Balances at January 1, 2015	₱6,388,072,148	₱1,613,942,096	₱12,781,590	(₱2,725,405)	₱226,304	(₱7,676,711,115)	(₱29,435,220)	₱306,150,398	(₱8,645,251)	₱297,505,147
Net loss during the year	—	—	—	—	—	(45,967,704)	—	(45,967,704)	(482,296)	(46,450,000)
Other comprehensive loss	—	—	(9,474,910)	(138,200)	—	—	—	(9,613,110)	—	(9,613,110)
Total comprehensive loss	—	—	(9,474,910)	(138,200)	—	(45,967,704)	—	(55,580,814)	(482,296)	(56,063,110)
Balances at December 31, 2015	₱6,388,072,148	₱1,613,942,096	₱3,306,680	(₱2,863,605)	₱226,304	(₱7,722,678,819)	(₱29,435,220)	₱250,569,584	(₱9,127,547)	₱241,442,037
Balances at January 1, 2014	₱6,388,012,148	₱1,613,942,096	₱15,000,000	(₱2,634,205)	₱226,304	(₱7,799,599,734)	(₱29,435,220)	₱185,511,389	(₱6,539,465)	₱178,971,924
Net income during the year	—	—	—	—	—	122,888,619	—	122,888,619	(2,105,786)	120,782,833
Other comprehensive loss	—	—	(2,218,410)	(91,200)	—	—	—	(2,309,610)	—	(2,309,610)
Total comprehensive income (loss)	—	—	(2,218,410)	(91,200)	—	122,888,619	—	120,579,009	(2,105,786)	118,473,223
Collection of subscription receivables	60,000	—	—	—	—	—	—	60,000	—	60,000
Balances at December 31, 2014	₱6,388,072,148	₱1,613,942,096	₱12,781,590	(₱2,725,405)	₱226,304	(₱7,676,711,115)	(₱29,435,220)	₱306,150,398	(₱8,645,251)	₱297,505,147

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax:	(P46,649,497)	(P45,978,861)	P121,265,397
Adjustments for:			
Loss on:			
Sale of investment property (Note 9)	18,689,020	—	—
Impairment of goodwill (Note 10)	5,992,907	—	—
Write-off/provision for impairment of deferred exploration costs and mining rights (Note 10)	12,911,061	945,000	16,270,018
Loss (gain) on fair value change in investment property (Note 9)	(7,515,020)	27,438,106	—
Interest income (Note 5)	(1,568,837)	(2,350,520)	(960,530)
Retirement costs (Note 14)	435,900	435,900	635,200
Dividend income	(136,719)	(139,898)	—
Depreciation and amortization (Note 13)	70,418	43,023	463,296
Gain on sale of available-for-sale financial assets and investment in a subsidiary - net (Note 7)	—	—	(144,924,050)
Loss on write off of property and equipment	—	—	144,017
Write-off of available-for-sale financial assets (Note 7)	—	—	1,185,100
Operating loss before working capital changes	(17,770,767)	(19,607,250)	(5,921,552)
Decrease (increase) in:			
Trade and other receivables	(4,319,637)	(30,836)	10,727,276
Other current assets	(224,544)	(1,001,334)	(501,807)
Increase (decrease) in trade and other payables	7,189,276	(3,394,765)	(566,033)
Cash generated from (used for) operations	(15,125,672)	(24,034,185)	3,737,884
Interest received	1,568,837	2,350,520	960,530
Income taxes paid	(344,157)	(722,439)	(328,938)
Dividend received	136,719	139,898	—
Net cash provided by (used in) operating activities	(13,764,273)	(22,266,206)	4,369,476
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property and equipment (Note 8)	—	(124,590)	(34,822)
Proceeds from sale of:			
Available-for-sale financial assets and investment in a subsidiary (Note 7)	—	—	156,160,970
Investment property (Notes 9 and 21)	19,200,000	—	—
Increase in deferred exploration costs and other noncurrent assets	(619,023)	(1,361,860)	(2,120,913)
Net cash provided by (used in) investing activities	18,580,977	(1,486,450)	154,005,235
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from collection of subscription receivables	6,601	—	60,000
Payment of subscriptions payable (Note 7)	—	—	(75,000,000)
Increase in advances from related parties	—	142,045	223,014
Cash provided by (used in) financing activities	6,601	142,045	(74,716,986)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,823,305</b>	<b>(23,610,611)</b>	<b>83,657,725</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>133,801,121</b>	<b>157,411,732</b>	<b>73,754,007</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)</b>	<b>P138,624,426</b>	<b>P133,801,121</b>	<b>P157,411,732</b>

See accompanying Notes to Consolidated Financial Statements.



# APC GROUP, INC. AND SUBSIDIARIES

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. General Information

#### Corporate Information

APC Group, Inc. (the Parent Company or APC) and subsidiaries (collectively referred to as the Company) were all incorporated in the Philippines and are registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated in the Philippines on October 15, 1993 and was originally organized to engage in the oil and gas exploration and development in the Philippines. On April 30, 1997, the Philippine SEC approved the change in the primary purpose of the Parent Company to that of a holding company. The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The registered office address of the Parent Company is 8th Floor, PhilCom Building, 8755 Paseo de Roxas, Makati City.

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 31, 2017.

#### Status of Operations

In 2005, the Company created new companies, namely Aragorn Power and Energy Corporation (Aragorn Power), and APC Energy Resources, Inc. (APC Energy). These companies were established in line with the government's thrust in developing the country's energy sector. The prospects in these subsidiaries are bolstered by the government's decision to open up the energy sector to foreign investors. Thus, the Company will concentrate in energy resource exploration and development. The government's thrust to encourage investments in the energy sector augurs well with the Company's investment direction. Other subsidiaries are in the pre-operating stage.

As at December 31, 2016, the following are the status of operations of the Company.

#### a. Aragorn Power

Aragorn Power is still in the pre-operating stage. It was established to engage in energy resource exploration and development.

In 2008, Aragorn Power was granted a Geothermal Service Contract (GSC) by the Department of Energy (DOE) located in the Province of Kalinga. The GSC was granted after a Certificate Precondition from the National Commission of Indigenous People, covering a major portion of the geothermal service area, was secured. The GSC was converted into a Geothermal Renewable Energy Service Contract (GRES-C) in late March 2010 to avail of the incentives provided under the Renewable Energy (RE) Act of 2008. As at March 31, 2017, the consent of nine (9) out of eleven (11) ancestral domains has been secured covering 85% of the geothermal service contract area.

In November 2010, Aragorn Power and its partner Guidance Management Corporation (GMC) formed a partnership with Chevron Kalinga Ltd. (Chevron), a 100% subsidiary of Chevron Geothermal Philippines Holdings, Inc. in developing the geothermal area. The parties signed a Farm-out Agreement which gives Aragorn Power and GMC the option to take an equity position of up to 40% in the geothermal project. The parties also signed a Joint Operating Agreement. Under the agreement, Chevron will be responsible for the exploration, development and operation of the steam field and power activities. The effectivity of the two



agreements hinges on the approval by the government of the application for a Financial and Technical Assistance Agreement (FTAA).

Under the RE Act of 2008, a foreign company can own majority interest in a renewable energy company provided the service contract is converted into an FTAA. The application for an FTAA has been filed with the DOE.

The project involves the development of steam fields that can generate around 100 megawatts (MW) of new capacity, providing an additional source of clean, indigenous and reliable baseload power to the Luzon grid. A 100 MW geothermal project will approximately cost more than US\$300 million. This GRESC will be the first major international investment in the country under the RE Act of 2008.

In September 2016, the Company's GRESC has expired and as at March 31, 2017, the Company's application for renewal is still pending approval by the DOE.

In terms of the project's work program, geochemical and geophysical surveys have been completed covering sub-phases 1 and 2. As at March 31, 2017, Aragorn Power is already in the preliminary stage of sub-Phase 3. In line with this, the Aragorn Power has already secured a Certificate of Non-Coverage for the access roads construction, improvement of existing roads and drilling of well-pads from the Department of Environment and Natural Resources (DENR). The surveys for the detailed engineering design of these roads and well pads have been completed. Accordingly, activities such as right-of-way negotiations, supplier bidding and contract preparations related to the road construction and drilling will follow.

As at March 31, 2017, community development projects have been undertaken in the various ancestral domains while preparations to acquire the Environmental Compliance Certificate (ECC) and the engineering design for road and pad construction are underway.

b. APC Energy (formerly Aragorn Coal)

APC Energy is still in the pre-operating stage. It was established to engage in coal resource exploration and development.

To align with the Parent Company's plan to concentrate in energy resource exploration and development, it changed its name to APC Energy Resources, Inc. and was granted approval by SEC on March 13, 2015 with the primary purpose "to explore, develop and utilize renewable energy resources".

c. APC Mining Corporation (APC Mining)

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

d. APC Cement Corporation (APC Cement)

APC Cement was established to engage in the manufacture of cement. It is still in the pre-operating stage.



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

PRC-Magma is still in its pre-operating stage. It was registered with the SEC on June 10, 2009 to engage in the business of exploration, development, and processing of renewable and non-renewable energy resources, including but not limited to wind power, solar power, hydropower, biofuels, biomass, and coal; exploration, mining and processing of metalliferous and non-metalliferous mineral and ore resources; trading and supply of energy and mineral resources; and generation of electric power using energy resources.

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

### Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for quoted available-for-sale (AFS) financial assets and investment properties which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

### Statement of Compliance

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

### Basis of Consolidation

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

Subsidiaries	Nature of Business	Percentage of Effective Ownership		
		2016	2015	2014
APC Cement <sup>(1)</sup>	Manufacturing	100.0	100.0	100.0
APC Energy <sup>(1)</sup>	Mining	100.0	100.0	100.0
Aragorn Power <sup>(1)</sup>	Energy	90.0	90.0	90.0
PRC - Magma <sup>(2)</sup>	Energy	85.0	85.0	85.0
APC Mining <sup>(1)</sup>	Mining	83.0	83.0	83.0

(1) Still in the pre-operating stage

(2) Owned by Aragorn Power. Still in the pre-operating stage.

All of the subsidiaries were incorporated in the Philippines.

Subsidiaries are entities controlled by the Company. They are fully consolidated from the date of acquisition, being the date on which the Company obtains control and continue to be consolidated until the date that such control ceases. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and when it has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are prepared for the same reporting period as Parent Company, using uniform accounting policies for like transactions and other events with similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, resulting from intra-group transactions are eliminated in full.

### Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and the net assets not held by the



Company and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to equity holders of the Parent Company.

#### Changes in Accounting Policies and Disclosures

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, 2016. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Accounting Standards (PAS) 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*
- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*
- Annual Improvements to PFRS 2012–2014 Cycle
  - Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

#### *Effective beginning on or after January 1, 2017*

- Amendment to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRS 2014–2016 Cycle*), clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments will not have any impact on the Company's consolidated financial statements.
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*, require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. The Company is currently assessing the impact of adopting this standard.





- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*, clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. The Company is currently assessing the impact of adopting this standard.

*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.

- 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 forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied 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 or modified retrospective application is required for annual periods beginning on or after January 1, 2018. 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. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. 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 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 application of hedge accounting and on the amount of its credit losses. The Company is currently assessing the impact of adopting this standard.

- 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-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. The interpretation may be applied on a fully retrospective basis. Entities 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*

- PFRS 16, *Leases*, under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Company is currently assessing the impact of adopting PFRS 16.

*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 Philippine Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed 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.



### *Significant Accounting Policies*

#### Current versus Noncurrent Classification

The Company presents assets and liabilities in statements of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

#### Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- a) In the principal market for the asset or liability, or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:



- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

External valuers are involved for the valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. At each reporting date, the movements in the value of assets which are required to be re-measured or re-assessed as per accounting policies are analyzed. For the analysis, the major inputs applied in the latest valuation are verified by agreeing the information in the valuation computation to the contracts and other relevant documents.

In conjunction with the external valuers, the changes in the fair value of each assets and liabilities are compared with the relevant external sources to determine whether the change is reasonable. This includes a discussion of major assumptions used in the valuations. For the purpose of fair value disclosures, classes of assets and liabilities are determined on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

*Determination of Amortized Cost.* Amortized cost is computed using the effective interest method, less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are integral part of the effective interest.

*'Day 1' Difference.* Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is



derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

#### Financial Instruments - Initial Recognition and Subsequent Measurement

*Date of Recognition.* The Company recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Initial Recognition.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except financial assets at fair value through profit or loss (FVPL), includes transaction costs.

*Classification of Financial Instruments.* Subsequent to initial recognition, the Company classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets and other financial liabilities. The category depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such classification at each financial year-end.

The Company has no financial assets and liabilities at FVPL and HTM investments as at December 31, 2016 and 2015.

*Loans and Receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current account if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

Classified as loans and receivables are cash and cash equivalents, trade and other account receivables and deposits (included in "Deferred exploration costs and other noncurrent assets" account) as at December 31, 2016 and 2015 (see Note 19).

*AFS Financial Assets.* AFS financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets may be designated at initial recognition as AFS financial assets if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets are carried at fair value in the consolidated statements of financial position. Unrealized gains and losses are recognized in other comprehensive income as "Unrealized mark-to-market gain or loss on AFS financial assets" until the financial asset is derecognized or until the financial asset is determined to be impaired at which time the cumulative unrealized mark-to-market gain or loss previously reported as other comprehensive income is recognized as part of profit or loss in the consolidated statement of comprehensive income. AFS financial assets are classified as current assets if expected realization is within 12 months from the reporting date.



Otherwise, these are classified as noncurrent assets. When the investment is disposed of, the cumulative gains or losses previously recorded in other comprehensive income is recognized in the consolidated statement of comprehensive income as part of profit or loss. Interest earned or paid on the investments is reported as interest income using the effective interest method. Dividends earned on equity investments are recognized in the consolidated statement of comprehensive income when the right of payment has been established.

AFS financial assets include unquoted equity instruments, which are carried at cost, less any accumulated impairment in value. The fair value of these instruments is not reasonably determinable due to the unpredictable nature of future cash flows and the lack of other suitable methods for arriving at a fair value.

Classified as AFS financial assets are the investments in equity instruments as at December 31, 2016 and 2015 (see Notes 7 and 19).

*Other Financial Liabilities.* This category pertains to financial liabilities that are not held for trading nor designated as at FVPL upon the inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Classified under this category are trade and other payables, advances from related parties and subscriptions payable (see Note 19).

#### Impairment of Financial Assets

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

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



If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account and the amount of the loss shall be recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans, together with associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

*Assets Carried at Cost.* If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

*AFS Financial Assets.* In the case of equity investments, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized as other comprehensive income, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss in the consolidated statement of comprehensive income; increases in fair value after impairment are recognized directly in other comprehensive income.

#### Derecognition of Financial Assets and Liabilities

*Financial Assets.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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





When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

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

#### Classification of Financial Instruments between Debt and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement.

A financial instrument is classified as debt if it provides for a contractual obligation to:

- a. deliver cash or another financial asset to another entity; or
- b. exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- c. satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

#### Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of acquisition and are subject to an insignificant risk of change in value.

#### Other Current Assets

Other current assets include input VAT which are recorded as assets before they are utilized.



### Property and Equipment

Property and equipment are stated at cost excluding the cost of day-to-day servicing, less accumulated depreciation and amortization and accumulated impairment losses. The initial cost of property and equipment consists of its purchase price, including import duties and any directly attributable costs, including borrowing cost, in bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Office and other equipment	1–5 years
Leasehold improvements	5 years or term of the lease, whichever is shorter

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are credited or charged to current operations.

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

### Investment Property

Investment property represents land measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date and have been determined based on the latest valuations performed by an independent firm or appraisers. Gains or losses arising from changes in the fair values of investment property are included in the consolidated statement of comprehensive income in the year in which the gains or losses arise.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. These transfers are recorded using the carrying amount of the investment property at the date of change in use.



### Mining Rights

Mining rights are carried at cost less any impairment in value.

Expenditures for mine exploration work prior to drilling are charged to operations. Expenditures for the acquisition of property rights and expenditures subsequent to drilling and development costs are deferred. When exploration work and project development results are positive, these costs and subsequent mine development costs are capitalized as “Mining rights,” which are included as part of “Deferred exploration costs and other noncurrent assets” account in the consolidated statement of financial position, until the start of commercial operations when such costs are transferred to property and equipment. When the results are determined to be negative or not commercially viable, the accumulated costs are written off.

### Deferred Exploration Costs

Expenditures for exploration works on mining and geothermal properties (i.e., acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource) are deferred as incurred and included as part of “Deferred exploration costs and other noncurrent assets” account in the consolidated statements of financial position.

A valuation allowance is provided for unrecoverable mining rights and deferred exploration costs based on the Company’s assessment of the future prospects of the exploration project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable, all revocable cost associated with the project and the related impairment provisions are written off. When a project is abandoned, the related deferred exploration costs are also written off.

### Goodwill

*Initial Measurement of Goodwill or Gain on a Bargain Purchase.* Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on a bargain purchase. Before recognizing a gain on a bargain purchase, the Company determines whether it has correctly identified all of the assets acquired and all of the liabilities assumed and recognize any additional assets or liabilities that are identified in that review.

*Subsequent Measurement of Goodwill.* Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

*Impairment Testing of Goodwill.* For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition-date, allocated to each of the Company’s CGU, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment as defined in PFRS 8, *Operating Segments*, before aggregation.



#### Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that an asset (property and equipment and other noncurrent assets) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators. Impairment losses, if any, are recognized in the consolidated statement of comprehensive income in the expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

#### Treasury Shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.

#### Deficit

The amount included in deficit includes profit (loss) attributable to the Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the Company's stockholders. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the reporting date.



### Revenue

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

*Interest Income.* Revenue is recognized as the interest accrues, taking into account the effective yield on the assets.

*Dividend Income.* Revenue is recognized when the Company's right to receive the payment is established.

### Expenses

General and administrative expenses are recognized as incurred.

### Employee Benefits

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

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding interest on defined benefit obligation and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes restructuring-related costs.

Interest is calculated by applying the discount rate to the net defined benefit liability. The Company recognizes the following changes in the net defined benefit obligation under "general and administrative expenses" in consolidated statement of comprehensive income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Interest expense on defined benefit obligation.

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



### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the agreement;
- b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether the fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d and the date of renewal or extension period for scenario b.

*Company as a Lessee.* Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

### Taxes

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

*Deferred Tax.* Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from the excess of MCIT over RCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates.

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



Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable, to the taxation authority is included as part of “Other current assets” or “Trade and other payables” accounts in the consolidated statements of financial position.

#### Foreign Currency-Denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated using the closing exchange rate at the reporting date. All differences are taken to the consolidated statement of comprehensive income.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

#### Segment Reporting

The Company is organized and managed separately according to the nature of business. The two major operating businesses of the Company are mining and exploration and unallocated corporate balances and other operations. These operating businesses are the basis upon which the Company reports its primary segment information presented in Note 4 to the consolidated financial statements.



#### Events after the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the reporting period (adjusting events), if any, are reflected in the consolidated financial statements. Post financial year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

#### Earnings (Loss) per Common Share

Earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares issued and outstanding during each year after giving retroactive effect to stock dividends declared during the year and after deducting the treasury shares, if any. The Company has no dilutive potential common shares outstanding.

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### **3. Significant 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 at 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.

The Company believes that the following represent a summary of these significant judgments, estimates and assumptions and related impact and associated risks in its consolidated financial statements.

#### Judgments

In the process of applying the accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements:

*Impairment of AFS Financial Assets.* The Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more below cost and "prolonged" as period longer than 12 months for quoted equity securities.

No impairment loss was recognized in 2016, 2015 and 2014. AFS financial assets amounted to ₱7.5 million and ₱4.2 million as at December 31, 2016 and 2015, respectively (see Note 7).

*Classification of AFS Financial Assets.* The Company holds various AFS financial assets. The Company expects that portion of these AFS financial assets are to be realized within 12 months from the reporting date to respond to the liquidity requirement of the Company. Consequently, these are classified as part of current assets in the consolidated statements of financial position.





AFS financial assets classified as current assets amounted to ₱7.5 million and ₱4.2 million as at December 31, 2016 and 2015, respectively (see Note 7).

#### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Deferred Exploration Costs.* An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined.

Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

The carrying values of the Company's nonfinancial assets that are subject to impairment testing when certain impairment indicators are present are as follows:

	2016	2015
Deferred exploration costs and mining rights (see Note 10)	<b>₱59,174,023</b>	₱71,466,061
Property and equipment (see Note 8)	<b>125,585</b>	196,033

Write off/provision for impairment of deferred exploration costs and mining rights amounted to ₱12.9 million, ₱0.9 million and ₱16.3 million in 2016, 2015 and 2014, respectively (see Note 10).

*Estimating Allowance for Doubtful Accounts.* The Company maintains allowance for doubtful accounts based on the result of the specific and collective assessment. Under the specific assessment, the Company is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivable's carrying amount and the computed present value. Impairment loss is then determined based on loss experience of the receivables grouped per credit risk profile. Loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the specific and collective assessments are based on management's judgments and estimates. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

No provision for doubtful accounts was recognized in 2016, 2015 and 2014. Trade and other receivables amounted to ₱81.8 million and ₱0.7 million as at December 31, 2016 and 2015, respectively (see Note 6).



*Fair Value of Investment Property.* The Company engaged an independent valuation specialist to determine the fair value of investment property in 2016. The appraiser used a valuation technique based on Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. The comparison was premised on the factors of location, size and shape of the lot and time element.

Fair value of investment property amounted to ₱22.4 million and ₱129.5 million as at December 31, 2016 and 2015, respectively (see Note 9).

*Impairment of Goodwill.* The Company determines whether goodwill with indefinite useful life is impaired at least on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The Company recognize full impairment loss on goodwill amounting to ₱6.0 million in 2016 and nil in 2015 and 2014. The carrying amount of goodwill amounted to nil and ₱6.0 million as at December 31, 2016 and 2015, respectively (see Note 10).

*Impairment of Nonfinancial Assets.* Property and equipment and other noncurrent assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or CGUs is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's CGU's fair value less cost to sell and value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a large CGU. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value-in-use is the present value, using a pre-tax discount rate, of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment losses are recognized in the consolidated statement of comprehensive income. Recovery of impairment losses recognized in prior periods is recorded when there is any indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of comprehensive income. However, the increased carrying amount of an asset due to recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depletion, depreciation and amortization) had no impairment loss been recognized for that asset in prior periods.

*Realizability of Deferred Tax Assets.* The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized. The Company's assessment on recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the forecasted taxable income. This forecast is based on the Company's past results and future expectations on revenue and expenses.



Unrecognized deferred tax assets amounted to ₱49.4 million and ₱44.1 million as at December 31, 2016 and 2015, respectively (see Note 16).

*Fair Value of Assets and Liabilities.* Certain 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, 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.

The fair values of the Company's assets and liabilities are disclosed in Note 20.

*Retirement Costs.* The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Retirement costs amounted to ₱0.4 million in 2016 and 2015, and ₱0.6 million in 2014. Accrued retirement costs amounted to ₱2.8 million and ₱2.4 million as at December 31, 2016 and 2015, respectively (see Note 14).

*Contingencies.* The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. The Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsel believe that, after making certain provisions in prior years, the eventual liabilities under these lawsuits or claims, if any, will no longer have a material effect on the Company's consolidated financial statements. Accordingly, no provision for probable losses arising from legal contingencies was recognized in the consolidated statements of comprehensive income in 2016, 2015 and 2014.

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#### 4. Segment Information

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. These segments are regularly reviewed by the Management Committee, which is the Chief Operating Decision Maker, to make decisions about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available.



As discussed in Note 1, the Company is engaged in mining and exploration activities, among others.

Following are the segments of the Company:

- Mining and Exploration - pertain to the mining, coal and power and energy business of the Company.
- Unallocated Corporate Balances and Other Operations - contain the operations of the holding company.

Segment revenue, segment expenses and segment results include transfers among business segments. Those transfers are eliminated in the consolidation.

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

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

	Mining and Exploration	Unallocated Corporate Balances and Other Operations	Combined	Eliminations	Total Operations
<b>Year Ended December 31, 2016</b>					
Segment expenses	(P2,190,282)	(P19,658,635)	(P21,848,917)	P-	(P21,848,917)
Loss on:					
Sale of investment property	-	(18,689,020)	(18,689,020)	-	(18,689,020)
Impairment of goodwill	(5,992,907)	-	(5,992,907)	-	(5,992,907)
Write-off of deferred exploration costs	(3,188,149)	(9,722,912)	(12,911,061)	-	(12,911,061)
Gain on fair value change on investment property	-	7,515,020	7,515,020	-	7,515,020
Dividend and other income	-	3,708,148	3,708,148	-	3,708,148
Interest income	12,678	1,556,159	1,568,837	-	1,568,837
Provision for income tax	(2,803)	(412,449)	(415,252)	-	(415,252)
Foreign exchange gain	-	403	403	-	403
Net loss	(P11,361,463)	(P35,703,286)	(P47,064,749)	P-	(P47,064,749)
<b>As at December 31, 2016</b>					
Other information:					
Segment assets	P67,926,725	P355,299,530	P423,226,255	(P106,070,639)	P317,155,616
Segment liabilities	127,284,821	110,195,404	237,480,225	(118,078,768)	119,401,457
Depreciation and amortization	-	70,418	70,418	-	70,418

	Mining and Exploration	Unallocated Corporate Balances and Other Operations	Combined	Eliminations	Total Operations
<b>Year Ended December 31, 2015</b>					
Segment expenses	(P1,823,049)	(P18,280,084)	(P20,103,133)	P-	(P20,103,133)
Loss on fair value change of investment property	-	(27,438,106)	(27,438,106)	-	(27,438,106)
Dividend and other income	-	155,242	155,242	-	155,242
Interest income	26,196	2,324,324	2,350,520	-	2,350,520
Provision for income tax	(5,103)	(466,036)	(471,139)	-	(471,139)
Foreign exchange gain	-	1,616	1,616	-	1,616
Provision for impairment of deferred exploration costs and mining rights	(945,000)	-	(945,000)	-	(945,000)
Provision for impairment of investments in and advances to subsidiaries	-	(86,248,165)	(86,248,165)	86,248,165	-
Net loss	(P2,746,956)	(P129,951,209)	(P132,698,165)	P86,248,165	(P46,450,000)

(Forward)



	Mining and Exploration	Unallocated Corporate Balances and Other Operations	Combined	Eliminations	Total Operations
<b>As at December 31, 2015</b>					
Other information:					
Segment assets	₱72,154,670	₱385,437,551	₱457,592,221	(₱104,444,998)	₱353,147,223
Segment liabilities	113,617,549	114,540,763	228,158,312	(116,453,126)	111,705,186
Depreciation and amortization	–	43,023	43,023	–	43,023
<b>Year Ended December 31, 2014</b>					
Segment expenses	(₱1,523,176)	(₱16,085,401)	(₱17,608,577)	₱–	(₱17,608,577)
Other income	–	10,444,352	10,444,352	–	10,444,352
Interest income	46,530	914,000	960,530	–	960,530
Provision for income tax	(9,825)	(472,739)	(482,564)	–	(482,564)
Foreign exchange gain	–	160	160	–	160
Provision for impairment of deferred exploration costs and mining rights	(16,270,018)	–	(16,270,018)	–	(16,270,018)
Gain on sale of investment in subsidiary and AFS financial assets – net	–	144,924,050	144,924,050	–	144,924,050
Write off of AFS financial assets	–	(1,185,100)	(1,185,100)	–	(1,185,100)
Net income	(₱17,756,489)	₱138,539,322	₱120,782,833	₱–	₱120,782,833
<b>As at December 31, 2014</b>					
Other information:					
Segment assets	₱96,360,181	₱544,339,449	₱640,699,630	(₱228,559,377)	₱412,140,253
Segment liabilities	115,697,303	132,157,575	247,854,878	(133,219,772)	114,635,106
Depreciation and amortization	413,971	49,325	463,296	–	463,296

## 5. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand and in banks	₱11,290,412	₱5,817,006
Short-term investments	127,334,014	127,984,115
	<b>₱138,624,426</b>	<b>₱133,801,121</b>

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and short-term investments amounted to ₱1.6 million, ₱2.4 million and ₱1.0 million in 2016, 2015 and 2014, respectively.



## 6. Trade and Other Receivables

This account consists of:

	2016	2015
Trade	<b>₱943,596</b>	₱81,682
Receivables from a third party	<b>80,000,000</b>	—
Advances to officers and employees	<b>447,760</b>	77,319
Others	<b>378,523</b>	491,241
	<b>₱81,769,879</b>	₱650,242

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

- Trade receivables are noninterest-bearing and generally have 30-day term.
- Receivables from a third party arise from sale of investment property and is noninterest-bearing and collectible within the year.
- Advances to officers and employees are noninterest-bearing and are normally settled within a 30-day term.
- Other receivables consist of advances to contractors and suppliers.

## 7. Available-for-Sale Financial Assets

This account consists of:

	2016	2015
Premium Leisure Corp. (formerly “Sinophil Corporation”)	<b>₱7,440,030</b>	₱4,069,760
Others	<b>84,921</b>	84,921
	<b>₱7,524,951</b>	₱4,154,681

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

	2016	2015
Balance at beginning of year	<b>₱4,154,681</b>	₱13,629,591
Fair value gain (loss)	<b>3,370,270</b>	(9,474,910)
Balance at end of year	<b>₱7,524,951</b>	₱4,154,681

Movements of the unrealized mark-to-market gain (loss) on AFS financial assets attributable to the shareholders of the Parent Company (presented in the equity section of the consolidated statements of financial position) follow:

	2016	2015
Balance at beginning of year	<b>₱3,306,680</b>	₱12,781,590
Unrealized mark-to-market gain (loss)	<b>3,370,270</b>	(9,474,910)
Balance at end of year	<b>₱6,676,950</b>	₱3,306,680

In 2014, the Company sold investments in equity securities with a total acquisition cost of ₱11.3 million for a gross consideration of ₱156.2 million resulting to a gain of ₱144.9 million. Also in 2014, AFS financial asset amounting to ₱1.2 million was written off.



## 8. Property and Equipment

This account consists of:

	2016		
	Office and Other Equipment	Leasehold Improvements	Total
<b>Cost</b>			
Balance at beginning of year	₱1,746,767	₱3,332,976	₱5,079,743
<b>Accumulated Depreciation and Amortization</b>			
Balance at beginning of year	1,596,786	3,286,954	4,883,740
Depreciation and amortization (see Note 13)	42,755	27,663	70,418
Balance at end of year	1,639,541	3,314,617	4,954,158
<b>Net Book Value</b>	<b>₱107,226</b>	<b>₱18,359</b>	<b>₱125,585</b>
	2015		
	Office and Other Equipment	Leasehold Improvements	Total
<b>Cost</b>			
Balance at beginning of year	₱1,622,177	₱3,332,976	₱4,955,153
Additions	124,590	—	124,590
Balance at the of year	1,746,767	3,332,976	5,079,743
<b>Accumulated Depreciation and Amortization</b>			
Balance at beginning of year	1,584,426	3,256,291	4,840,717
Depreciation and amortization (see Note 13)	12,360	30,663	43,023
Balance at end of year	1,596,786	3,286,954	4,883,740
<b>Net Book Value</b>	<b>₱149,981</b>	<b>₱46,022</b>	<b>₱196,003</b>

There were no idle assets as at December 31, 2016 and 2015.

## 9. Investment Property

The movement of this account follows:

	2016	2015
Balance at beginning of year	₱129,548,000	₱156,986,106
Disposal	(114,689,020)	—
Gain (loss) on fair value adjustments	7,515,020	(27,438,106)
Balance at end of year	<b>₱22,374,000</b>	<b>₱129,548,000</b>

Investment property consists of parcels of land which is being held by the Company for capital appreciation.

In 2016, the Company sold parcels of land for a total consideration amounting to ₱96.0 million which resulted to a loss on sale of investment property of ₱18.7 million.

The estimated fair value of the remaining investment property as at December 31, 2016 was determined by Colliers International Philippines, Inc., an independent appraiser, on October 12, 2016. The appraiser is an industry specialist in valuing these types of investment property. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of investment property are determined using the market data approach by gathering available market evidences.



The Company has no limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, police power and taxation.

Fair value hierarchy disclosures for investment property has been provided in Note 20.

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

Highest and Best Use

Based on analysis of prevailing land usage in the neighborhood and the property itself, *diversified agro-industrial land development* would represent the highest and best use of the property.

*Highest and Best Use* is defined as the most profitable likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the property is adapted and needed or that use of land which may reasonably be expected to produce the greatest net return to land over a given period of time. Alternatively, it is that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

Market Data Approach

The value of the land was arrived at using the *Market Data Approach*. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison was premised on the factors of locations, size and shape of the lot, time element and others.

The Company recognized gain (loss) on fair value change in investment property amounting to ₱7.5 million in 2016, (₱27.4 million) in 2015 and nil in 2014.

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## 10. Deferred Exploration Costs and Other Noncurrent Assets

This account consists of:

	2016	2015
Deferred exploration costs and mining rights - net	<b>₱59,174,023</b>	₱71,466,061
Deposits and others (see Note 19)	<b>29,213</b>	6,022,120
	<b>₱59,203,236</b>	₱77,488,181

Goodwill which is included in 'Deposits and others' account, pertains to excess of acquisition cost over fair value of assets acquired related to the acquired related to the acquisition of PRC Magma. The Company recognized full impairment loss on goodwill amounting to ₱6.0 million in 2016 and nil in 2015 and 2014. The carrying amount of goodwill amounted to nil and ₱6.0 million as at December 31, 2016 and 2015, respectively.





Deferred exploration costs and mining rights are carried at cost net of allowance for impairment losses. Movements in these accounts are as follows:

	<b>2016</b>	
	<b>Deferred</b>	
	<b>Exploration Costs</b>	<b>Mining Rights</b>
Cost:		
Balance at beginning of year	<b>₱135,130,985</b>	<b>₱48,254,908</b>
Write-off	<b>(12,911,061)</b>	<b>–</b>
Additions	<b>619,023</b>	<b>–</b>
Balance at end of year	<b>122,838,947</b>	<b>48,254,908</b>
Less allowance for impairment	<b>63,664,924</b>	<b>48,254,908</b>
Net book value	<b>₱59,174,023</b>	<b>₱–</b>

	<b>2015</b>	
	<b>Deferred</b>	
	<b>Exploration Costs</b>	<b>Mining Rights</b>
Cost:		
Balance at beginning of year	<b>₱133,779,121</b>	<b>₱48,254,908</b>
Additions	<b>1,351,864</b>	<b>–</b>
Balance at end of year	<b>135,130,985</b>	<b>48,254,908</b>
Allowance for impairment:		
Balance at beginning of year	<b>62,719,924</b>	<b>48,254,908</b>
Provision during the year	<b>945,000</b>	<b>–</b>
Balance at end of year	<b>63,664,924</b>	<b>48,254,908</b>
Net book value	<b>₱71,466,061</b>	<b>₱–</b>

Deferred exploration costs relate to mining and geothermal projects. The recovery of these costs depends upon the success of exploration activities and future developments of the corresponding mining properties or the discovery of minerals producible in commercial quantities (see Note 1).

In 1997, the Parent Company entered into a Mineral Production and Sharing Agreement (MPSA) with the Republic of the Philippines represented by the Secretary of DENR pursuant to the provisions of Republic Act No 7942, otherwise known as the “Philippine Mining Act of 1995”. The Parent Company became a holder of two MPSA in Cebu. The primary purpose of the MPSA is to provide for the exploration, sustainable development and commercial utilization of limestone and associated cement raw materials and other mineral deposits existing within the contract area.

In 2016, the Company sold the parcels of land and the all rights included thereon to a third party. The related deferred exploration costs incurred for mining projects amounting to ₱12.9 were written off accordingly.

The Company incurred exploration costs amounting to ₱0.6 million, ₱1.3 million and ₱2.1 million in 2016, 2015 and 2014, respectively, in connection with its drilling activities for cement and other mineral exploration in compliance with its MPSA with the DENR, and engineering design and technical feasibility of its Kalinga Project.

The Company recognized full impairment of deferred exploration costs for its coal and geothermal projects amounting to ₱0.9 million and ₱16.3 million in 2015 and 2014, respectively. No impairment loss was recognized in 2016.



## 11. Trade and Other Payables

This account consists of:

	2016	2015
Trade	<b>₱5,021,811</b>	₱6,197,107
Accrued expenses:		
Professional fees	<b>1,665,772</b>	728,972
Others	<b>759,497</b>	576,168
Payable to third party	<b>20,349,155</b>	13,103,618
Nontrade payables	<b>8,735,254</b>	8,735,254
Payable to government agencies	<b>64,066</b>	65,160
	<b>₱36,595,555</b>	₱29,406,279

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

- Trade payables are noninterest-bearing and are normally settled on a 30-day term.
- Accrued expenses and other payables mainly pertain to payable to utility and other service providers which are normally settled within the next financial year.
- Payable to third party mostly pertain to payables that are noninterest-bearing and are due and demandable.
- Nontrade payables are noninterest-bearing and payable on demand.
- Payable to government agencies mainly pertain to statutory liabilities such as output VAT, withholding taxes and premiums on SSS, Philhealth and Pag-ibig fund which are normally settled within the next financial year.

## 12. Equity

- a. Details of authorized and issued capital stock as at December 31, 2016 and 2015 follow:

	Number of Shares	Amounts
Authorized:		
Preferred stock - ₱1 par value	6,000,000,000	₱6,000,000,000
Common stock - ₱1 par value	14,000,000,000	14,000,000,000
	2016	2015
Issued - Common shares	<b>₱5,998,149,059</b>	₱5,998,149,059
Subscribed - Common shares (net of subscriptions receivable amounting to ₱1,123,731,248 and ₱1,123,737,849 as at December 31, 2016 and 2015, respectively)	<b>389,929,690</b>	389,923,089
	<b>₱6,388,078,749</b>	₱6,388,072,148



- b. The preferred shares may be issued from time to time by the Parent Company's BOD, which is authorized to adopt resolutions authorizing the issuance thereof in one or more series for such number of shares and relative rights and preferences, as it may deem beneficial to the Parent Company. As at March 31, 2017, the Parent Company's BOD has not authorized any issuance of preferred shares.
- c. In 2007, APC and Belle Corporation (Belle) agreed that advances of APC from Belle amounting to ₱3,675 million will be offset against subscriptions receivable from Belle representing 3,500 million shares subscribed at ₱1.40 a share and the excess over par will be recognized as additional paid in capital (APIC). Twenty-five percent (25%) of the total subscription price was already paid by Belle during subscription. As at December 31, 2014, the related advances amounting ₱2,625 million was presented as a reduction from the subscriptions receivable and the excess over par amounting to ₱1,050 million as APIC since the pending activities are administrative in nature and are not expected to substantially affect the intent of the parties nor the substance of the agreement.

In February 2015, APC and Belle finalized the agreement and the related advances and subscription receivable have been settled. Consequently, the corresponding shares have been issued.

- d. The following summarizes the information on the Parent's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Type of Issuance	Authorized Shares	Issue/ Offer Price
January 7, 1994	Initial public offering	80,000,000,000	₱0.01
July 9, 1996	Additional public offering	100,000,000,000	0.01
July 12, 1996	Stock option	5,300,000,000	0.01

The total number of shareholders is 599 and 601 as at December 31, 2016 and 2015, respectively.

- e. On June 18, 2013, BOD approved the amendment of the seventh article of the Corporation's Articles of Incorporation by reducing the par value from one peso (₱1.00) to thirty-five centavos (₱0.35), to read as follows:

"The capital stock of the Corporation is seven billion (₱7,000,000,000) pesos, Philippine Currency, divided into fourteen billion (14,000,000,000) common shares and six billion (6,000,000,000) preferred shares both with par value of thirty-five centavos (₱0.35) per share."

The reduction in par value will be undertaken to substantially reduce the Company's capital deficit pending administrative actions.



### 13. General and Administrative Expenses

This account consists of:

	2016	2015	2014
Taxes and licenses	<b>₱6,194,571</b>	₱828,583	₱1,924,581
Salaries and employee benefits	<b>4,710,238</b>	4,936,937	4,986,445
Professional fees and outside services	<b>3,948,556</b>	4,246,278	3,595,377
Research costs	<b>2,232,620</b>	3,584,231	145,079
Entertainment, amusement and recreation	<b>1,634,285</b>	1,656,140	1,096,675
Rental	<b>843,175</b>	644,940	610,360
Utilities and maintenance	<b>495,976</b>	599,713	660,537
Retirement costs (see Note 14)	<b>435,900</b>	435,900	635,200
Transportation and travel	<b>415,358</b>	521,099	561,556
Meeting expenses	<b>218,484</b>	183,809	74,097
Repairs and maintenance	<b>172,014</b>	698,061	—
Depreciation and amortization (see Notes 8)	<b>70,418</b>	43,023	463,296
Supplies expense	<b>55,605</b>	127,982	174,538
Processing fee	—	601,085	—
Donations and contributions	—	20,000	—
Placement fees	—	—	1,980,368
Others	<b>421,717</b>	975,352	700,468
	<b>₱21,848,917</b>	₱20,103,133	₱17,608,577

### 14. Retirement Plan

The Company has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its employees. The plan provides for a lump sum benefit payment upon retirement.

Changes in accrued retirement costs are as follows:

	2016	2015	2014
Balance at beginning of year	<b>₱2,364,600</b>	₱1,790,500	₱6,422,300
Retirement costs:			
Current service cost	<b>340,800</b>	340,800	373,200
Interest cost	<b>95,100</b>	95,100	262,000
Subtotal	<b>435,900</b>	435,900	635,200
Remeasurements loss in other comprehensive income	—	138,200	91,200
Benefits paid	—	—	(5,358,200)
	<b>₱2,800,500</b>	₱2,364,600	₱1,790,500



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

	<b>2016</b>	2015	2014
Discount rate	<b>5.69%</b>	5.69%	5.31%
Future salary increase rate	<b>5.00%</b>	5.00%	5.00%

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

	Changes	2016 Increase (Decrease) on PVDBO	2015 Increase (Decrease) on PVDBO
Discount rate	+0.5	(₱136,600)	(₱136,600)
	-0.5	147,800	147,800
Future salary increase rate	+2.0	661,000	661,000
	-2.0	(499,700)	(499,700)

The following are other defined benefit plan information:

	<b>2016</b>	2015
A. Weighted Average Duration of PVDBO	<b>12.60 years</b>	12.60 years
B. Maturity Analysis of Undiscounted Retirement Benefit Payments*		
Less than one year	<b>₱—</b>	₱—
More than one year up to 5 years	<b>924,400</b>	924,400
More than 5 years up to 10 years	<b>2,506,300</b>	2,506,300
More than 10 years up to 15 years	—	—
More than 15 years up to 20 years	<b>11,670,200</b>	11,670,200
More than 20 years	<b>11,930,600</b>	11,930,600
C. Plan Membership Information		
Number of Active Plan Members	<b>6</b>	6
Number of Separated Vested Members	—	—
Number of Retired Members	—	—
Average Attained Age	<b>41.9 years</b>	41.9 years
Average Past Service	<b>6.8 years</b>	6.8 years
Average Future Service	<b>18.1 years</b>	18.1 years

\*Assuming retirement at age 60; an employee who has reached age 60 as at December 31, 2016 is assumed to defer his retirement for one year from such date.

The Company's latest actuarial valuation report is at December 31, 2015.



# 15. Other Income (Expense) - Net

Details of other income (expense) follow:

	2016	2015	2014
Write-off of other assets	<b>₱—</b>	(₱156)	<b>₱—</b>
Income from compromise agreement with COMSAT	—	—	12,570,123
Other income (expenses) -net	<b>3,571,429</b>	15,500	(2,125,771)
	<b>₱3,571,429</b>	<b>₱15,344</b>	<b>₱10,444,352</b>

# 16. Income Tax

The provision for income tax consists of:

	2016	2015	2014
Current income tax:			
Final tax on interest income	<b>₱343,815</b>	₱470,797	₱230,922
MCIT	<b>71,437</b>	342	251,642
	<b>₱415,252</b>	<b>₱471,139</b>	<b>₱482,564</b>

Following are the deductible temporary differences and carryforward benefits of the excess of MCIT over RCIT and NOLCO for which no deferred tax assets were recognized:

	2016	2015	2014
Allowance for impairment of deferred exploration costs and mining rights	<b>₱111,919,832</b>	₱111,919,832	₱110,974,832
NOLCO	<b>48,824,729</b>	31,511,399	28,856,109
Accrued retirement costs	<b>2,800,500</b>	2,364,600	1,790,500
Excess of MCIT over RCIT	<b>323,421</b>	350,000	350,519
Others	<b>714</b>	714	714
	<b>₱163,869,196</b>	<b>₱146,146,545</b>	<b>₱141,972,674</b>
Unrecognized deferred tax assets	<b>₱49,387,154</b>	₱44,088,964	₱42,837,166

Deferred tax assets were not recognized as at December 31, 2016 and 2015 as management believes it is not probable that future taxable profits will be sufficient against which these can be utilized.

The carryforward benefits of NOLCO that may be used by the Company as additional deductions from future taxable income are as follows:

Date Incurred	Expiry Date	Amount
December 31, 2014	December 31, 2017	₱8,321,749
December 31, 2015	December 31, 2018	17,145,019
December 31, 2016	December 31, 2019	23,357,961
		<b>₱48,824,729</b>



MCIT, which may be applied against RCIT liability of the Company, are as follows:

Date Paid	Expiry Date	Amount
December 31, 2014	December 31, 2017	₱251,642
December 31, 2015	December 31, 2018	342
December 31, 2016	December 31, 2019	71,437
		<b>₱323,421</b>

Expired NOLCO and MCIT amounted to ₱6.0 million and ₱0.01 million, respectively, in 2016, and ₱14.5 million and ₱0.01 million, respectively, in 2015.

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

	2016	2015	2014
Provision for (benefit from) income tax at statutory income tax rate	<b>(₱13,994,849)</b>	(₱13,793,658)	₱36,379,620
Increase (decrease) in income tax resulting from:			
Loss on sale of investment property	<b>5,606,706</b>	—	—
Change in unrecognized deferred tax assets	<b>5,298,190</b>	1,251,798	6,595,162
Nondeductible expenses	<b>4,016,158</b>	710,115	1,042,702
Loss (gain) on fair value change in investment property	<b>(2,254,506)</b>	8,231,432	—
Expired NOLCO and MCIT	<b>1,911,405</b>	4,347,780	—
Interest income subjected to final tax	<b>(126,836)</b>	(234,359)	(57,705)
Dividend income	<b>(41,016)</b>	(41,969)	—
Gain on sale of AFS and investments	—	—	(43,477,215)
Effective income tax	<b>₱415,252</b>	₱471,139	₱482,564

## 17. Related Party Transactions

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



Related party transactions pertain to the availment of noninterest-bearing advances from a stockholder and other related parties. The details of advances from related parties are as follows:

Category	Year	Amount/ Volume of Transactions	Advances from	Terms	Conditions
<b>Stockholder</b>					
<b>Belle</b>					
(1) Advances	2016	P=	(P79,406,947)	On demand;	Unsecured
	2015	—	(79,406,947)	Noninterest-bearing	
(2) Share in expenses	2016	—	(365,059)	On demand;	Unsecured
	2015	(142,045)	(365,059)	Noninterest-bearing	
<b>Total</b>					
Advances from related parties	2016	(P=)	(P79,772,006)		
	2015	(142,045)	(79,772,006)		

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

	2016	2015	2014
Salaries and short-term employee benefits	P3,640,000	P3,360,000	P3,958,046
Retirement costs	198,800	198,800	216,000
	P3,838,800	P3,558,800	P4,174,046

#### 18. Basic/Diluted Earnings (Loss) Per Common Share

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

	2016	2015	2014
Income (loss) attributable to equity holders of the Parent Company (a)	(P46,129,738)	(P45,967,704)	P122,888,619
Weighted average number of common shares	7,511,809,997	7,511,809,997	7,511,809,997
Treasury shares	(7,606,000)	(7,606,000)	(7,606,000)
Divided by weighted average common shares (b)	7,504,203,997	7,504,203,997	7,504,203,997
Basic/Diluted Earnings (loss) per share	(P0.006147)	(P0.006126)	P0.016376

There were no dilutive potential common shares for purposes of calculation of earnings (loss) per share in 2016, 2015 and 2014.

#### 19. Financial Risk Management Objectives and Policies

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 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.

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

2016						
	Neither Past Due nor Impaired	Past Due but not Impaired		Total	Impaired	Total
		1-60 Days	>60 Days			
Cash and cash equivalents*	₱138,614,426	₱-	₱-	₱138,614,426	₱-	₱138,614,426
Trade and other receivables:						
Trade	-	-	943,596	943,596	-	943,596
Receivable from a third party	80,000,000	-	-	80,000,000	-	80,000,000
Advances to officers and employees	-	395,600	52,160	447,760	-	447,760
Others	7,235	-	371,288	378,523	-	378,523
Deposits	29,213	-	-	29,213	-	29,213
AFS financial assets	7,524,951	-	-	7,524,951	-	7,524,951
	₱226,175,825	₱395,600	₱1,367,044	₱227,938,469	₱-	₱227,938,469

2015						
	Neither Past Due nor Impaired	Past Due but not Impaired		Total	Impaired	Total
		1-60 Days	>60 Days			
Cash and cash equivalents*	₱133,796,558	₱-	₱-	₱133,796,558	₱-	₱133,796,558
Trade and other receivables:						
Trade	-	-	81,682	81,682	-	81,682
Advances to officers and employees	77,319	-	-	77,319	-	77,319
Others	491,241	-	-	491,241	-	491,241
Deposits	29,213	-	-	29,213	-	29,213
AFS financial assets	4,154,681	-	-	4,154,681	-	4,154,681
	₱138,549,012	₱-	₱81,682	₱138,630,694	₱-	₱138,630,694

\*Excluding cash on hand amounting to ₱10,000 and ₱4,563 as at December 31, 2016 and 2015, respectively.



The table below shows the credit quality of the Company's financial assets which are neither past due nor impaired as at December 31:

	2016				
	Neither Past Due nor Impaired		Past Due but not Impaired		Total
	High Grade	Standard Grade	Impaired	Impaired	
Cash and cash equivalents*	₱138,614,426	₱—	₱—	₱—	₱138,614,426
Trade and other receivables:					
Trade	—	—	943,596	—	943,596
Receivable from a third party	80,000,000	—	—	—	80,000,000
Advances to officers and employees	—	—	447,760	—	447,760
Others	7,235	—	371,288	—	378,523
Deposits	—	29,213	—	—	29,213
AFS financial assets	—	7,524,951	—	—	7,524,951
	₱218,621,661	₱7,554,164	₱1,762,644	₱—	₱227,938,469

	2015				
	Neither Past Due nor Impaired		Past Due but not Impaired		Total
	High Grade	Standard Grade	Impaired	Impaired	
Cash and cash equivalents*	₱133,796,558	₱—	₱—	₱—	₱133,796,558
Trade and other receivables:					
Trade	—	—	81,682	—	81,682
Advances to officers and employees	—	77,319	—	—	77,319
Others	491,241	—	—	—	491,241
Deposits	—	29,213	—	—	29,213
AFS financial assets	—	4,154,681	—	—	4,154,681
	₱134,287,799	₱4,261,213	₱81,682	₱—	₱138,630,694

\*Excluding cash on hand amounting to ₱10,000 and ₱4,563 as at December 31, 2016 and 2015, respectively.

The credit rating of the Company's financial assets are categorized based on the Company's collection experience with the counterparties.

- High Grade - this includes deposits or placements to counterparties with good credit rating or bank standing. For trade and other receivables, settlements are obtained from counterparty following the terms of the contracts without much collection effort.
- Standard Grade - this includes deposits or placements to counterparties that are not classified as "high grade." For trade and other receivables, some reminder follow-ups are performed to obtain settlement from the counterparty.
- Sub-standard Grade - for trade and other receivables, constant reminder follow-ups are performed to collect accounts from counterparty.

#### Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. The Company's objective is to maintain continuity of funding. The Company's policy is to maximize the use of suppliers' credit for all its major purchases and limit major capital expenditures at a reasonable level. The Company monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a weekly basis to arrive at the projected cash position to cover its obligations. The Company's financial assets, which are used to meet its short-term liquidity needs, include cash and cash equivalents, trade and other receivables and AFS



financial assets totaling ₱227.9 million and ₱138.6 million as at December 31, 2016 and 2015, respectively.

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

	2016				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	
Trade and other payables*	₱36,531,489	₱—	₱—	₱—	₱36,531,489
Advances from related parties	79,772,006	—	—	—	79,772,006
Subscriptions payable	—	—	—	161,959	161,959
	₱116,303,495	₱—	₱—	₱161,959	₱116,465,454

	2015				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	
Trade and other payables*	₱16,257,398	₱13,083,721	₱—	₱—	₱29,341,119
Advances from related parties	79,772,006	—	—	—	79,772,006
Subscriptions payable	—	—	—	161,959	161,959
	₱96,029,404	₱13,083,721	₱—	₱161,959	₱109,275,084

\*Excluding statutory liabilities.

### 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 the 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.

The Company's exposure to quoted securities amounted to ₱7.5 million and ₱4.2 million as at December 31, 2016 and 2015, respectively (see Note 7).

The effect on the consolidated income or equity, depending on whether or not decline is significant or prolonged (as a result of a change in fair value of quoted equity instruments held as AFS financial assets as at December 31, 2016 and 2015) due to reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in Equity Price*	Effect on Income before Income Tax	Effect on Equity
2016	14% (14%)	₱1,004,722 (1,004,722)	₱389,432 (389,432)
2015	70% (70%)	2,848,832 (2,848,832)	1,994,182 (1,994,182)

\*Based on PSE market index

### Capital Management

The main objective of the Company is to maintain a strong and healthy financial position.

Presently, the cash requirements of the Company are financed mainly from internally generated sources. Major projects will be financed by debt and/or equity funds from strategic partnerships with investors (both foreign and local) who are willing to put a stake in the projects. Through a combination of debt and equity financing, the Company should be able to maintain a strong and solid capital structure.



The capital structure of the Company consists of capital stock and additional paid in capital amounting to ₱8.0 billion at December 31, 2016 and 2015, respectively.

There were no changes in the objectives, policies or procedures during the years ended December 31, 2016 and 2015.

## 20. Financial Assets and Liabilities

A comparison by category of the carrying values and estimated fair values of the Company's financial instruments that are carried in the consolidated statements of financial position as at December 31, 2016 and 2015 are as follows:

### Cash and Cash Equivalents, Trade and Other Receivables, Deposits, 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.

### Subscriptions Payable

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

The following tables provide the fair value measurement hierarchy of the Company's assets and liabilities as at December 31, 2016 and 2015:

	2016		
	Total	Level 1	Level 3
Assets measured at fair value:			
Investment property (Note 9)	₱22,374,000	₱—	₱22,374,000
AFS financial assets (Note 7)	7,524,951	7,524,951	—
Asset for which fair values are disclosed -			
Loans and receivables -			
Deposits*	29,213	—	29,213
Total financial assets	₱29,928,164	₱7,524,951	₱22,403,213

\*Included in "Other noncurrent assets" account

	2015		
	Total	Level 1	Level 3
Assets measured at fair value:			
Investment properties (Note 9)	₱129,548,000	₱—	₱129,548,000
AFS financial assets (Note 7)	4,154,681	4,154,681	—
Asset for which fair values are disclosed -			
Loans and receivables -			
Deposits*	29,213	—	29,213
Total financial assets	₱133,731,894	₱4,154,681	₱129,577,213

\*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 year ended December 31, 2016 and 2015.



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**21. Note to the Consolidated Statements of Cash Flows**

In 2016, non-cash investing activities include the sale of investment property for ₱96 million, of which ₱76.8 million remains for collection in 2017 and presented as part of “Trade and other receivables” account in 2016 consolidated statement of financial position.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and Board of Directors  
APC Group, Inc.  
8th Floor, PhilCom Building  
8755 Paseo de Roxas, Makati City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of APC Group, Inc. and Subsidiaries as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A, and have issued our report thereon dated March 31, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Sherwin V. Yason  
Partner

CPA Certificate No. 104921

SEC Accreditation No. 1514-A (Group A),

October 6, 2015, valid until October 5, 2018

Tax Identification No. 217-740-478

BIR Accreditation No. 08-001998-112-2015,

March 4, 2015, valid until March 3, 2018

PTR No. 5908780, January 3, 2017, Makati City

March 31, 2017



**APC GROUP, INC. AND SUBSIDIARIES**

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

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**AS AT DECEMBER 31, 2016**

I. Supplemental schedules required by Annex 68-E	
A. Financial assets	Attached
B. Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)	Attached
C. Amounts of receivables and payable from/to related parties which are eliminated during consolidation process of financial statements	Attached
D. Intangible assets and other asset	Attached
E. Long-term debt	Not applicable
F. Indebtedness to related parties (Long-term loans from related parties)	Not applicable
G. Guarantees of securities of other issuers	Not applicable
H. Capital stock	Attached
II. Schedule of all the effective standards and interpretations	Attached
III. Reconciliation of retained earnings available for dividend declaration	Not Applicable
IV. Map of the relationships of the Company within the Group	Attached

# APC GROUP, INC. AND SUBSIDIARIES

## I. SUPPLEMENTAL SCHEDULES REQUIRED BY ANNEX 68-E

AS AT DECEMBER 31, 2016

### Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and rates	Amount shown in the statements of financial position	Value based on market quotation at end of reporting period	Income received and accrued
Cash in Banks	—	₱11,480,412	₱—	₱14,369
Peso Placements Banco De Oro	—	₱127,334,014	₱—	₱1,554,468
AFS Financial Assets				
Premium Leisure Corp. (formerly "Sinophil Corporation")	6,359,000	₱7,440,030	₱7,440,030	₱—
Others	12,500	84,921	—	—
	6,371,500	₱7,524,951	₱7,440,030	—
Deposits	—	₱29,213	₱—	₱—

### Schedule B. Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)

As at December 31, 2016

Account	January 1, 2016	Additions	Deductions		Current	Non Current	December 31, 2016
			Amount Collected	Amount Written Off			
Advances to officers and employees	₱77,319	₱1,528,483	(₱1,158,042)	₱—	₱447,760	₱—	₱447,760



**Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements**  
**As at December 31, 2016**

*APC Mining Corporation*

Account	January 1, 2016	Additions	Deductions		Current	Non Current	December 31, 2016
			Amount Collected	Amount Written Off			
Advances to related parties	P76,478,123	P-	P-	P-	P-	P76,478,123	P76,478,123
Receivables from related parties	2,066,352	17,540	-	-	2,083,892	-	2,083,892
Total	P78,544,475	P17,540	P-	P-	P2,083,892	P76,478,123	P78,562,015

*APC Cement Corporation*

Account	January 1, 2016	Additions	Deductions		Current	Non Current	December 31, 2016
			Amount Collected	Amount Written Off			
Advances to related parties	P3,771,346	P-	P-	P-	P-	P3,771,346	P3,771,346
Receivables from related parties	1,500,242	186,504	-	-	1,686,746	-	1,686,746
Total	P5,271,588	P186,504	P-	P-	P1,686,746	P3,771,346	P5,458,092

*APC Energy Resources, Inc.*

Account	January 1, 2016	Additions	Deductions		Current	Non Current	December 31, 2016
			Amount Collected	Amount Written Off			
Advances to related parties	P5,184,157	P-	P-	P-	P-	P5,184,157	P5,184,157
Receivables from related parties	2,394,531	4,756	-	-	2,399,287	-	2,399,287
Total	P7,578,688	P4,756	P-	P-	P2,399,287	P5,184,157	P7,583,444

*Aragorn Power and Energy Corporation*

Account	January 1, 2016	Additions	Deductions		Current	Non Current	December 31, 2016
			Amount Collected	Amount Written Off			
Advances to related parties	P5,138,404	P-	P-	P-	P-	P5,138,404	P5,138,404
Receivables from related parties	8,581,411	1,775,458	(221,237)	-	10,135,632	P-	10,135,632
Total	P13,719,815	P1,775,458	(P221,237)	P-	P10,135,632	P5,138,404	P15,274,036

#### Schedule D. Intangible Asset - Other Asset

Description	Beginning balance	Additions at cost	Charge to cost and expenses	Charged to other accounts	Other charges additions (deduction)	Ending balance
Software cost	P-	P-	P-	P-	P-	P-

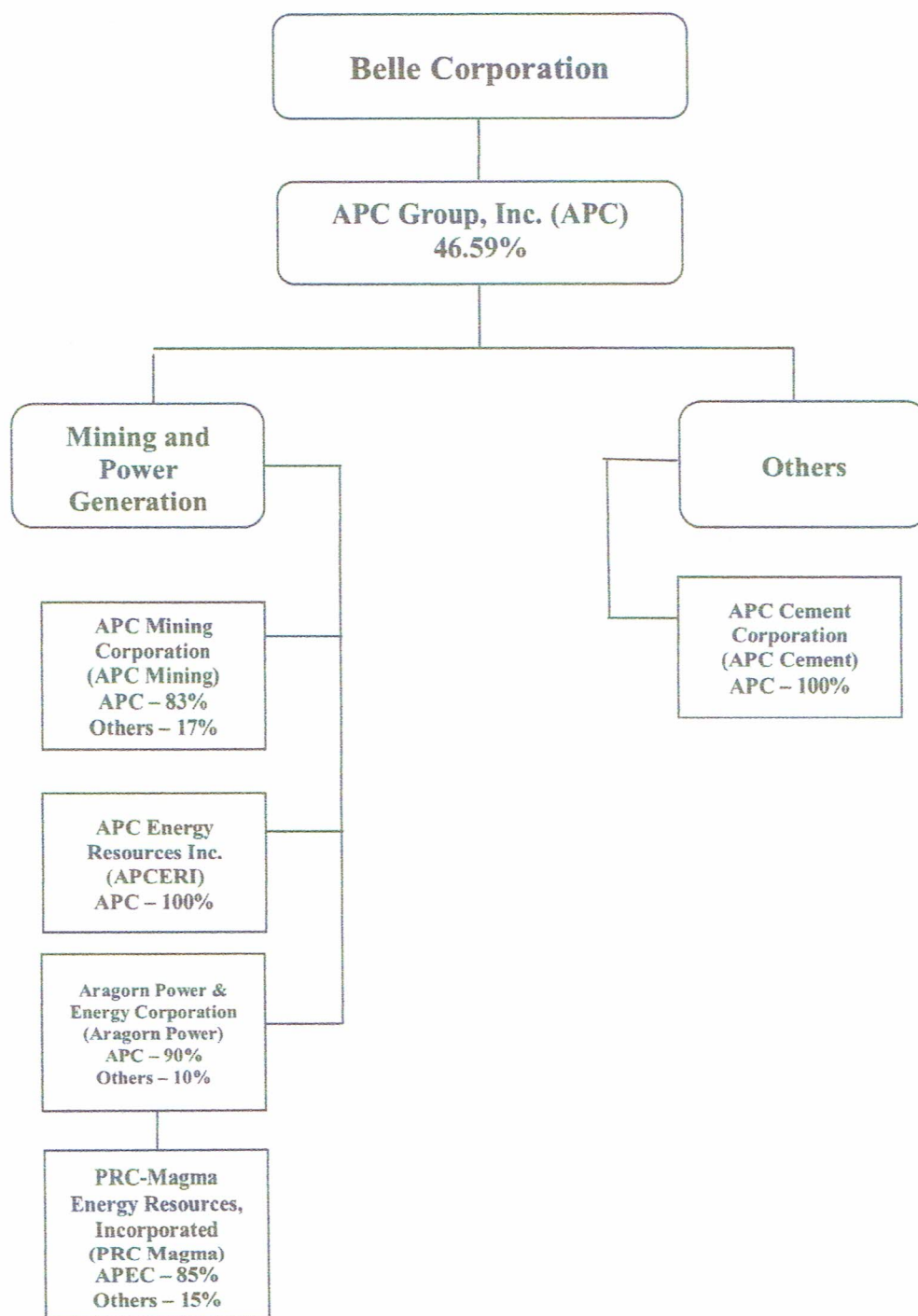
#### Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statements of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers, and employees	Others
Common	14,000,000,000	7,511,809,997*	NA	3,665,722,334	2,452,706	3,843,634,957
Preferred	6,000,000,000	—	NA	—	—	—

\*inclusive of Treasury shares – 7,606,000

## APC GROUP, INC. AND SUBSIDIARIES

### IV. MAP OF THE RELATIONSHIP OF THE COMPANY WITHIN THE GROUP



**APC GROUP, INC. AND SUBSIDIARIES**  
**SCHEDULE OF ALL THE EFFECTIVE STANDARDS**  
**AND INTERPRETATIONS**  
**DECEMBER 31, 2016**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>		✓		
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*	Not early adopted		
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9 with PFRS 4*	Not early adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposals			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments*	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28 - Investment Entities: Applying the Consolidation Exception			✓

\* Standards and interpretations which will become effective subsequent to December 31, 2016.

Note: Standards and interpretations tagged as "Not applicable" are those standards which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2016.

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		
<b>PFRS 11</b>	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28 - Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12, Clarification of the Scope of the Standard*	Not early adopted		
<b>PFRS 13</b>	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>PFRS 15</b>	Revenue from Contracts with Customers*	Not early adopted		
<b>PFRS 16</b>	Leases*	Not early adopted		
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Disclosure Initiative			✓
<b>PAS 2</b>	Inventories			✓
<b>PAS 7</b>	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative*	Not early adopted		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses*	Not early adopted		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation / Amortization			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓

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<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 28</b>	Investments in Associates			✓
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28 - Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*	Not early adopted		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 31</b>	Interests in Joint Ventures			✓
<b>PAS 32</b>	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation / Amortization			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		

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<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
<b>PAS 40</b>	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			✓
	Amendments to PAS 40: Transfers of Investment Property*	Not early adopted		
<b>PAS 41</b>	Agriculture			✓
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 8</b>	Scope of PFRS 2			✓

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Note: Standards and interpretations tagged as "Not applicable" are those standards which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2016.



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment			✓
<b>IFRIC 11</b>	PFRS 2 - Group and Treasury Share Transactions			✓
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
<b>IFRIC 15</b>	Agreements for the Construction of Real Estate*	Not early adopted		
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies	✓		
<b>IFRIC 22</b>	Foreign Currency Transactions and Advance Consideration*	Not early adopted		
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases - Incentives	✓		
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓

\* Standards and interpretations which will become effective subsequent to December 31, 2016.

Note: Standards and interpretations tagged as "Not applicable" are those standards which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2016.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
SIC-32	Intangible Assets - Web Site Costs			✓

*\* Standards and interpretations which will become effective subsequent to December 31, 2016.*

*Note: Standards and interpretations tagged as "Not applicable" are those standards which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2016.*

## ANNEX B

### **Financial Soundness Indicators (2016 vs 2015)**

*in Php millions*

	December 2016	December 2015
<b>Current/Liquidity Ratio</b>		
Current Assets	235.5	145.9
Current Liabilities	116.4	109.2
	202%	134%

Current Ratio improved year-on-year as the Company reported an increase in cash and cash equivalents as well as an increase in receivables.

	December 2016	December 2015
<b>Solvency Ratio, Debt-to-equity Ratio</b>		
Total Liabilities	119.4	111.7
Stockholders' Equity	197.8	241.4
	60%	46%

Debt to Equity Ratio increased to 0.60x as of end-December 2016 as total liabilities increased by 7% and stockholders' equity decreased by 18% due to the reported net loss in 2016.

	December 2016	December 2015
<b>Asset-to-equity Ratio</b>		
Total Assets	317.2	353.1
Stockholders' Equity	197.8	241.4
	160%	146%

Asset to equity ratio increased to 160% due to the 18% decline in stockholders' equity.

	December 2016	December 2015
<b>Return on Assets</b>		
Net Income (Loss)	(47.1)	(46.5)
Total Assets	317.2	353.1
	-14.8%	-13.2%

The Company posted negative consolidated Return on Assets Ratio for the period ended December 2016 because of the reported net loss of Php47.1 million.