

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 20-IS

### INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) 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 or organization

Philippines

4. SEC Identification Number

AS-093-8127

5. BIR Tax Identification Code

002-834-075

6. Address of principal office

G/F MyTown New York Bldg. General E. Jacinto St. corner Capas St. Brgy. Guadalupe  
 Nuevo, Makati City  
 Postal Code  
 1212

7. Registrant's telephone number, including area code

(632) 662-8888

8. Date, time and place of the meeting of security holders

September 27, 2018; 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

Aug 30, 2018

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

NA

Address and Telephone No.

NA

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

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

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

☒ Yes ☐ No

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

Philippine Stock Exchange - Common Shares

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



## APC Group, Inc. APC

### PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting *References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules*

|                               |  |
|-------------------------------|--|
| Date of Stockholders' Meeting | Sep 27, 2018   |
| Type (Annual or Special)      | Annual   |
| Time                          | 3:00PM   |
| Venue                         | Meeting Room 10, SMX Convention Center,, Seashell Lane, Mall of Asia Complex, Pasay City |
| Record Date                   | Aug 28, 2018   |

#### Inclusive Dates of Closing of Stock Transfer Books

|            |     |
|------------|-----|
| Start Date | N/A |
| End date   | N/A |

#### Other Relevant Information

Please see attached information statement.

#### Filed on behalf by:

|             |                   |
|-------------|-------------------|
| Name        | JACKSON ONGSIP    |
| Designation | President and CEO |

COVER SHEET

A S 0 9 3 - 8 1 2 7

S. E. C. Registration Number

A P C G R O U P , I N C .

(Company's Full Name)

G / F M Y T O W N N E W Y O R K B L D G .

G E N E R A L E . J A C I N T O S T . C O R N E R

C A P A S S T . B R G Y . G U A D A L U P E N U E V O

M A K A T I C I T Y

(Business Address: No. Street City/Tow n/province)

JACKSON T. ONGSIP

Contact Person

662-8888

Company's Telephone Number

1 2 3 1

Month

Day

Fiscal Year

20-IS

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Number of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

L C U

Cashier

STAMPS

**Notice of Annual Stockholders' Meeting**  
**September 27, 2018 | 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, 2018 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 2017 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. Election of Directors for 2018-2019
8. Appointment of External Auditors
9. Other Matters/Adjournment

In accordance with the rules of the Philippine Stock Exchange, the close of business on August 28, 2018 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, 2018**. 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 23, 2018.



**RICHARD ANTHONY D. ALCAZAR**  
Corporate Secretary

## RATIONALE FOR AGENDA ITEMS

1. **Call to Order.** The Chairman of the Board of Directors, Mr. Willy N. Ocier, will call the meeting to order.
2. **Proof of Notice of Meeting.** The Corporate Secretary will certify that copies of the Notice were sent to Stockholders of record as of August 30, 2018.
3. **Certification of Quorum.** The Corporate Secretary will also certify the number of attendees, whether in person or by proxy, for the purpose of determining the existence of quorum to validly transact business.
4. **Approval of the Minutes of the Previous Meeting of Stockholders held on September 27, 2017.** The Minutes of the September 27, 2017 Annual Stockholders' Meeting are available on the Corporation's website: <http://www.apcaragorn.net/index.php/component/jdownloads/send/90-minutes-of-all-general-or-special-stockholders-meetings-2017/279-september-27-2017-minutes-of-the-stockholders-meeting?Itemid=0>. Copies of the minutes of the annual stockholders' meeting held on September 27, 2017 are available for inspection during office hours at the office of the Corporate Secretary and will also be made available during the ASM. The results of last year's annual stockholders' meeting were also timely disclosed with the Philippine Stock Exchange, Inc. and the Securities and Exchange Commission. The minutes are subject to stockholders' approval during this year's stockholders' meeting.
5. **Approval of 2017 Operations and Results.** The Company's 2017 performance results have been summarized in the Annual Report, which includes the Audited Financial Statements (AFS) of the Company for the year ended 31 December 2017. The AFS, as audited by the external auditor which expressed an unqualified opinion therefor, have been reviewed and approved by the Audit Committee and the Board of Directors. Stockholders, after identifying themselves, will be given an opportunity to raise questions regarding the operations and report of the Company during the annual stockholders' meeting.
6. **Ratification of all Acts of the Board of Directors and Management from the date of the last Annual Stockholders' Meeting to the date of this meeting.** All actions, proceedings and contracts entered into, as well as resolutions made, including approvals of significant related party transactions, of the Board of Directors, the Board Committees and the Management from the last annual stockholders' meeting held on September 27, 2017 will be presented to the shareholders for their approval and ratification. The Company's performance in 2017, as detailed in the Annual Report, is attributed to the strategic directions and key policies set by the Board of Directors which were effectively executed and complied with by management in conformance with good corporate governance and ethical best practices. The ratification of the acts undertaken by the Board of Directors, Board Committees, and Management is subject to stockholders' approval during this year's stockholders' meeting.
7. **Election of Directors for 2018-2019.** Incumbent Directors of the Company, including Independent Directors, have been pre-qualified by the Company's Corporate Governance Committee for election as directors for 2018-2019. Their proven competence, expertise and qualifications based on current regulatory standards, will help sustain the Company's solid performance for the benefit of all its shareholders. The profiles of the Board of Directors are contained in the Definitive Information Statement for reference of the stockholders and are likewise posted on the Company's website. Directors for 2018-2019 will be elected during this year's stockholders' meeting. If elected, they shall serve as such from September 27, 2018 until their successors shall have been duly qualified and elected.
8. **Appointment of External Auditors.** Upon recommendation of the Audit Committee, the Board approved and endorses for stockholder approval the re-appointment of SyCip Gorres Velayo & Co. (SGV&Co.) as the Company's external auditor for 2018. SGV&Co. is one of the top auditing firms in the country and is duly accredited with the SEC. The appointment of SGV&Co. as external auditor of the Company for 2018 is subject to stockholders' approval during this year's stockholders' meeting. The Stockholders will also be requested to delegate to the Board the authority to approve the appropriate audit fee for 2018.
9. **Other Matters.** The Chairman will open the floor for comments and questions by the stockholders. Stockholders may raise other matters or issues that may be properly taken up at the meeting.
10. **Adjournment.** After all business has been considered and resolved, the Chairman shall declare the meeting adjourned.

## PROXY FORM

The undersigned stockholder of APC Group Inc. (the "Company") hereby appoints \_\_\_\_\_ or in his absence, the Chairman of the meeting, as attorney and proxy, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on September 27, 2018 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Election of Directors.

\_\_\_\_\_ 1.1 Vote for all nominees listed below:

1.1.1 Willy N. Ocier

1.1.2 Jackson T. Ongsip

1.1.3 Virginia A. Yap

1.1.4 Bernardo D. Lim

1.1.5 Edmundo L. Tan

1.1.6 Laurito E. Serrano (Independent)

1.1.7 Tomas D. Santos (Independent)

\_\_\_\_\_ 1.2 Withhold authority for all nominees listed above

\_\_\_\_\_ 1.3 Withhold authority to vote for the nominees listed below:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Approval of minutes of previous Annual Stockholders' Meeting.

\_\_\_ Yes \_\_\_ No \_\_\_ Abstain

3. Approval of 2017 Annual Report.

\_\_\_ Yes \_\_\_ No \_\_\_ Abstain

4. Ratification of all acts and resolutions of the Board of Directors and Management from date of last Stockholders' Meeting to September 27, 2017.

\_\_\_ Yes \_\_\_ No \_\_\_ Abstain

5. Election of SyCip Gorres Velayo & Co. as external auditor.

\_\_\_ Yes \_\_\_ No \_\_\_ Abstain

6. At their discretion, the proxies named above are authorized to vote upon such other matters as may be properly come before the meeting.

\_\_\_ Yes \_\_\_ No \_\_\_ Abstain

\_\_\_\_\_  
Printed Name of Stockholder

\_\_\_\_\_  
Signature of Stockholder /  
Authorized Signatory

\_\_\_\_\_  
Date

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY AT LEAST THREE (3) DAYS BEFORE THE DATE SET FOR THE ANNUAL MEETING AS PROVIDED IN THE BY-LAWS.

THIS PROXY IS NOT REQUIRED TO BE NOTARIZED, AND WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

THIS PROXY FORM SHALL BE VALID FOR FIVE (5) YEARS FROM DATE HEREOF.

### SECRETARY'S CERTIFICATE

I, \_\_\_\_\_, Filipino, of legal age and with office address at \_\_\_\_\_, do hereby certify that:

1. I am the duly appointed Corporate Secretary of \_\_\_\_\_ (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at \_\_\_\_\_.

2. Based on the records, during the lawfully convened meeting of the Board of Directors of the Corporation held on \_\_\_\_\_, the following resolutions were passed and approved:

"RESOLVED, That \_\_\_\_\_, \_\_\_\_\_ be authorized and appointed, as he is hereby authorized and appointed, as the Corporation's Proxy (the "Proxy") to attend all meetings of the stockholders of APC Group Inc. (APC) whether the meeting is regular or special, or at any meeting postponed or adjourned therefrom, with full authority to vote the shares of stock of the Corporation held in APC and to act upon all matters and resolution that may come before or presented during meetings, or any adjournments thereof, in the name, place and stead of the Corporation.

"RESOLVED, FINALLY, That APC be furnished with a certified copy of this resolution and APC may rely on the continuing validity of this resolution until receipt of written notice of its revocation."

3. The foregoing resolutions have not been modified, amended or revoked in accordance with the records of the Corporation presently in my custody.

IN WITNESS WHEREOF, I have signed this instrument in \_\_\_\_\_ on \_\_\_\_\_.

\_\_\_\_\_  
Printed Name and Signature of the  
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME on \_\_\_\_\_ in \_\_\_\_\_.  
Affiant exhibited to me his Competent Evidence of Identity by way of \_\_\_\_\_ issued  
on \_\_\_\_\_ at \_\_\_\_\_.

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of \_\_\_\_\_.

|                          | <b>EXPERIENCE / EDUCATION</b>   |
|--------------------------|---|
| <b>WILLY N. OCIER</b>    | <p>Mr. Willy N. Ocier, 61, 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., PremiumLeisure and Amusement, Inc. and AbaCore Holdings Corp. and is concurrently one of the Co-Vice Chairpersons of Belle Corporation, and the Vice Chairman of Tagaytay Highlands International Golf Club, Inc. He is the Chairman and President of Pacific Online Systems Corporation, and Chairman, President &amp; Chief Executive Officer of Philippine Global Communications, Inc. 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, Vantage Equities, Philequity Management, Inc. Philequity Funds and Toyota Corporation Batangas.</p> <p>He graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics.</p>  |
| <b>JACKSON T. ONGSIP</b> | <p>Mr. Jackson T. Ongsip, 45, is a Director and appointed as the President and CEO of the Company effective August 13, 2015. He is concurrently the Vice President for Portfolio Investments of SM Investments Corporation, the Executive Vice President and Chief Financial Officer of Belle Corporation and the Vice President for Finance and Chief Financial Officer of Premium Leisure Corp and PremiumLeisure and Amusement, Inc. He is a Certified Public Accountant with an extensive audit and finance background accumulated from 5 years in external audit with SyCip, Gorres, Velayo &amp; Co. (SGV) and 11 years with Globe Telecom.</p> <p>He graduated from the University of Santo Tomas with a Bachelor of Science in Accountancy.</p>   |
| <b>VIRGINIA A. YAP</b>   | <p>Ms. Virginia A. Yap, 67, is a Director of the Company. She is also a director of Belle Corporation. Ms. Yap holds key positions in SM Investments Corporation as a Senior Vice President - Office of the Chairman Emeritus and Securities Department.</p> <p>She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao.</p>   |
| <b>EDMUNDO L. TAN</b>    | <p>Atty. Edmundo L. Tan, 72, 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 &amp; Finance, Inc. and now serves as Adviser of the Board.</p> <p>Atty. Tan is the Managing Partner of Tan, Acut Lopez &amp; Pison Law Offices (1993 up to present). He was formerly Senior Partner in Ponce Enrile Cayetano Reyes &amp; Manalastas Law Offices, a Partner in Angara Abello Concepcion, Regala &amp; Cruz Law Offices, and an Associate in Cruz Villarin Ongkiko Academia &amp; Durian Law Offices.</p> |



|                           | <b>EXPERIENCE / EDUCATION</b>  |
|---------------------------|--|
| <b>BERNARDO D. LIM</b>    | <p>Mr. Bernardo D. Lim, 71, was the General Manager for Finance of P.T. Bakrie Sumatra Plantations in Indonesia before he joined APC Group, Inc. 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 &amp; Pacific Company of Manila and AG&amp;P Industrial Corporation; Vice President for Finance of Trans-Philippines Investment Corporation; Treasurer of Fluor Daniel/AG&amp;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.</p> <p>Mr. Lim holds a Bachelor of Science in Business Administration degree from the University of the Philippines. He is a Certified Public Accountant.</p> <p>Mr. Lim has been a Director since 2001. He retired from APC Group on March 31, 2014.</p> |
| <b>TOMAS D. SANTOS</b>    | <p>Mr. Tomas D. Santos, 66, is an independent director of the Company from 6 June 2012 up to the present. He is also the President of Irvine Construction Corporation from 1994 to present. He is the owner of Shamu Marketing and the President of Filipino Chinese Youth Volunteer Fire Department, Inc. from 2011 to present.</p> <p>Mr. Santos holds a Bachelor of Science in Business Administration degree from the University of the East.</p>  |
| <b>LAURITO E. SERRANO</b> | <p>Mr. Laurito E. Serrano, 58, is 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 independent director of Pacific Online Systems Corp., MJC Investments Corporation, United Paragorn Mining Corporation and 2GO Group Inc.; and a director of MRT Development Corporation. Mr. Serrano is also a former partner of the Corporate Finance Consulting Group of SGV &amp; Co.</p>  |

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

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

SECURITIES AND EXCHANGE  
COMMISSION

**RECEIVED**  
AUG 23 2018  
MARKET REGULATION DEPT.  
BY: *[Signature]* TIME: *9:05*

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 **G/F MyTown New York Bldg. General E. Jacinto St.  
corner Capas St., Brgy. Guadalupe Nuevo, Makati City** Postal Code **1212**
7. Registrant's telephone number, including area code **(632) 662-8888**
8. Date, time and place of the meeting of security holders  
**September 27, 2018; 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:  
**August 30, 2018**
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<br>Outstanding and Amount of Debt Outstanding |
|---------------------|--|
| Common Stock        | <b>7,504,203,997 shares (As of June 30, 2018)</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.**

## A. GENERAL INFORMATION

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

- (a) Date: **September 27, 2018**  
 Time: **3:00 PM**  
 Place: **Meeting Room 10, SMX Convention Center, Seashell Lane,  
 Mall of Asia Complex, Pasay City**
- (b) The approximate date on which the Information Statement is first to be sent or given to security holders is on **August 30, 2018**.
- (c) The complete mailing address of the principal office of **APC Group, Inc.** ("the Company") is: **G/F MyTown New York Bldg. General E. Jacinto St. corner Capas St., Brgy Guadalupe Nuevo, Makati City**

### Item 2. Dissenters' Right of Appraisal

The matters to be voted upon in the Annual Stockholders' Meeting on **September 27, 2018** are not among the instances enumerated in Sections 42, 81 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 2018-2019.
- (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.

**B. CONTROL AND COMPENSATION INFORMATION**

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

- (a) As of **July 31, 2018**, the Registrant had **7,504,203,997** common shares outstanding and each share is entitled to one vote. As of **July 31, 2018**, out of the outstanding capital stock of the Corporation, **636,443,564** common shares or **8.48%** 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 28, 2018**.
- (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, 2018**:

| Title of Class | Name and Address of Record Owner and Relationship with Issuer   | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | Percent Held |
|----------------|---|---|-------------|--------------------|--------------|
| Common         | Belle Corporation (Belle) *<br><br>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) **<br><br>G/F Makati Stock Exchange, 6767 Ayala Avenue, Makati City                          | (please see footnote)                                       | Filipino    | 2,176,998,165      | 29.01        |

\*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, 2018, there are no PCD participants owning more than 5% of the Company’s outstanding capital.

## 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, 2018:

| Title of Class | Name of Beneficial Owner   | Amount and nature of beneficial ownership |                     | Citizenship | Percent |
|----------------|----------------------------|---|---------------------|-------------|---------|
| Common         | Willy N. Ocier             | 2,207,001                                 | Direct/<br>Indirect | Filipino    | 0.03%   |
| Common         | Jackson T. Ongsip          | 1   | Direct              | Filipino    | 0%      |
| Common         | Bernardo D. Lim            | 1,000                                     | Direct              | Filipino    | 0%      |
| Common         | Edmundo L. Tan             | 234,701                                   | Direct/<br>Indirect | Filipino    | 0%      |
| Common         | Tomas D. Santos            | 1   | Direct              | Filipino    | 0%      |
| Common         | Virginia A. Yap            | 10,001                                    | Direct              | Filipino    | 0%      |
| Common         | Laurito E. Serrano         | 1   | Direct              | Filipino    | 0%      |
| n/a            | Ian Jason R. Aguirre       | -   | n/a                 | Filipino    | 0%      |
| n/a            | Richard Anthony D. Alcazar | -   | n/a                 | Filipino    | 0%      |
|                | <b>Total</b>               | <b>2,452,706</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

The names and ages of all incumbent Directors, elected on September 27, 2017 during the Annual Stockholders’ Meeting and who are to serve a term of one (1) year until their successor shall have been elected and qualified, and the Executive Officers are:

| Name                       | Age/yrs | Date of Initial Appointment | Position               | Nationality |
|----------------------------|---------|-----------------------------|------------------------|-------------|
| Willy N. Ocier             | 61      | Year 1999                   | Chairman               | Filipino    |
| Jackson T. Ongsip          | 45      | August 13, 2015             | Director/President/CEO | Filipino    |
| Edmundo L. Tan             | 72      | Year 2000                   | Director               | Filipino    |
| Bernardo D. Lim            | 71      | Year 2001                   | Director               | Filipino    |
| Virginia A. Yap            | 67      | June 6, 2012                | Director               | Filipino    |
| Tomas D. Santos            | 66      | June 6, 2012                | Director-independent   | Filipino    |
| Laurito E. Serrano         | 58      | June 18, 2013               | Director-independent   | Filipino    |
| Ian Jason R. Aguirre       | 43      | August 13, 2015             | EVP-CFO                | Filipino    |
| Richard Anthony D. Alcazar | 48      | May 31, 2017                | Corporate Secretary    | 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.

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, 61, 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., PremiumLeisure and Amusement, Inc. and AbaCore Holdings Corp. and is concurrently one of the Co-Vice Chairpersons of Belle Corporation, and the Vice Chairman of Tagaytay Highlands International Golf Club, Inc. He is the Chairman and President of Pacific Online Systems Corporation, and Chairman, President & Chief Executive Officer of Philippine Global Communications, Inc. 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, Vantage Equities, Philequity Management, Inc. Philequity Funds and Toyota Corporation Batangas.

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

**Jackson T. Ongsip**  
**Director/ President/ CEO**

Mr. Jackson T. Ongsip, 45, is a Director and appointed as the President and CEO of the Company effective August 13, 2015. He is concurrently the Vice President for Portfolio Investments of SM Investments Corporation, the Executive Vice President and Chief Financial Officer of Belle Corporation and the Vice President for Finance and Chief Financial Officer of Premium Leisure Corp and PremiumLeisure and Amusement, Inc. 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 graduated from the University of Santo Tomas with a Bachelor of Science in Accountancy.

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

Atty. Edmundo L. Tan, 72, 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, 71, was the General Manager for Finance of P.T. Bakrie Sumatra Plantations in Indonesia before he joined APC Group, Inc. 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.

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

Ms. Virginia A. Yap, 67, is a Director of the Company. She is also a director of Belle Corporation. Ms. Yap holds key positions in SM Investments Corporation as a Senior Vice President - Office of the Chairman Emeritus and Securities Department.

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

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

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

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

Mr. Laurito E. Serrano, 58, is 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 independent director of Pacific Online Systems Corp., MJC Investments Corporation, United Paragorn Mining Corporation and 2GO Group Inc.; and a director of MRT Development Corporation. 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.

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

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.

**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.

**Independent Directors**

Mr. Tomas D. Santos and Mr. Laurito E. Serrano was re-elected as independent directors during September 27, 2017 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 cumulative term of nine (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.

The Corporate Governance 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 Corporate Governance Committee, composed of Tomas D. Santos, Bernardo D. Lim and Laurito E. Serrano 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).



**Directorships in Other Publicly Listed Companies:**

The following are directorships held by Directors and Officers in other reporting companies in the last five years:

| <b>Name of Director</b> | <b>Name of Listed Company</b>                         | <b>Type of Directorship (Executive, Non-Executive, Independent); Indicate if director is also the Chairman</b> |
|-------------------------|---|--|
| Willy N. Ocier          | Belle Corporation                                     | Executive/Vice Chairman  |
|                         | Premium Leisure Corp.                                 | Executive/Chairman   |
|                         | Pacific Online Systems Corporation                    | Executive/Chairman   |
|                         | Leisure & Resorts World Corp.                         | Non-Executive  |
|                         | Vantage Equities, Inc.                                | Non-Executive  |
|                         | AbaCore Capital Holdings, Inc.                        | Non-Executive  |
| Virginia A. Yap         | Belle Corporation                                     | Non-Executive  |
| Laurito E. Serrano      | Atlas Consolidated Mining and Development Corporation | Independent  |
|                         | 2GO Group Inc.  | Independent  |
|                         | Pacific Online Systems Corporation                    | Independent  |
|                         | MJC Investments Corporation                           | Independent  |
|                         | United Paragon Mining Corporation                     | Independent  |

None of the directors and officers of the Company works in the government or any of its subdivisions, agencies and instrumentalities.

**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 date of the Information Statement:

- 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.
- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding.
- 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,
- 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**

No director or executive officers or any member of their immediate family has, during the last two years, had a direct or indirect, material interest in a transaction or proposed transaction to which the Company was a party.

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 16 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

### **Disagreements with Director**

No director has resigned nor declined to stand for re-election to the Board of Directors because of a disagreement with the Company on any matter relating to the latter's operations, policies or practices since the date of the last Annual Stockholders' Meeting.

## **Item 6. Compensation of Directors and Executive Officers**

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

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 Diem Allowance | Other Annual Compensation |
|---|-----------------|---------------------------|---------------------------|
| CEO & Most Highly Compensated Executive Officer | 2016 (actual)   | ₱1,404,000                | ₱1,066,000                |
|   | 2017 (actual)   | 1,404,000                 | 1,066,000                 |
|   | 2018 (estimate) | 1,404,000                 | 1,066,000                 |
| All Other officers as a group unnamed           | 2016 (actual)   | —                         | —                         |
|   | 2017 (actual)   | —                         | —                         |
|   | 2018 (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.

### **Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

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.

## **Item 7. Independent Public Accountants**

- a. The Company's external auditors for 2017-2018 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, 2017 and 2016 are as follows:
 

|      |                  |
|------|------------------|
|      | (P000's omitted) |
| 2017 | 450              |
| 2016 | 435              |
- 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. Tomas D. Santos and Mr. Bernardo D. Lim, recommends 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.
- h. The Audit Committee recommended the re-appointment of SGV as the Company's external auditor of fiscal year 2018-2019 and the Board approved and endorses the re-appointment for stockholders' approval.

## **Item 8. Compensation Plans**

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

### **Item 9. Authorization or Issuance of Securities Other than for Exchange**

No action will be presented for shareholders' approval at this year's annual meeting which involves authorization or issuance of any securities.

### **Item 10. Modification or Exchange of Securities**

No action will be presented for shareholders' approval at this year's annual meeting which involves the modification of any class of the Company's securities, or the issuance of one of Company's securities in exchange for outstanding securities of another class.

### **Item 11. Financial and Other Matters**

The Audited Financial Statements of the Company and the Management Report, incorporating the Management's Discussion & Analysis, is attached as Annex "B".

Representatives of the external auditor, Sycip Gorres Velayo & Co., are expected to be present at the annual meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from the shareholders. The Company has had no material disagreement with Sycip Gorres Velayo & Co. on any matter of accounting principle or practices or disclosures in the Company's financial statements.

### **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

No action will be presented for shareholders' approval at this year's annual meeting which involves any mergers, consolidation, acquisition and other similar transactions.

### **Item 13. Acquisition or Disposition of Property**

No action will be presented for shareholders' approval at this year's annual meeting in respect of any acquisition or disposition of property of the Company.

### **Item 14. Restatement of Accounts**

No action will be presented for shareholders' approval at this year's annual meeting which involves the restatement of any of the Company's asset, capital or surplus account.

## **D. OTHER MATTERS**

### **Item 15. 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 2017 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 2017 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 27 September 2017, 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, Audit Committee, Compensation and Remuneration Committee, Nomination Committee, Risk Management Committee, and Corporate Governance Committee for the fiscal year 2017 to 2018;
2. Approval of the 2017 Year-end Audit Planning;
3. Approval of the sale of 16 parcels of land, located in San Roque, Ginatilan, Province of Cebu, to the Municipality of Ginatilan, Cebu;
4. Approval, Confirmation and Authorization for the release of the Corporation's Annual Audited Financial Report for the period ended 31 December 2017;
5. Postponements of the Annual Stockholder's Meeting;
6. Approval of the record date of 28 August 2018 for the stockholder's meeting on 27 September 2018;
7. Approval of the financial results for the first quarter of 2018;
8. Approval of the Corporation's (i) Mission, Vision and Core values; (ii) Corporate Objectives; and (iii) Succession Planning and Retirement Policy;
9. Approval of Corporation's Policy on (i) Employees Safety, Health and Welfare; (ii) Related Party Transactions; (iii) Conflict of Interest; (iv) Vendor Accreditation and Selection and Purchase of Goods and Services; (v) Alternative Dispute Resolution System; (vi) Insider Trading; (vii) Acceptance of Gifts; (viii) Travel sponsored by Business partner; (ix) Accountability, Integrity, and Vigilance (Whistle Blowing); and (x) Code of Business Conduct and Ethics;
10. Approval of Charters for (i) Board of Directors; (ii) Executive Committee; (iii) Audit Committee; (iv) Internal Audit; (v) Corporate Governance Committee; (vi) Risk Management Committee; (vii) Compensation and Remuneration Committee; and (viii) Related Party Transaction Committee;
11. Reorganization of Committees; the merger of the Nomination Committee with the Corporate Governance Committee; and the creation of Related Party Transaction Committee;
12. Appointment of Chief Audit Executive and Investor Relations Officer;
13. Approval of the Revised Manual of Corporate for the year 2018 and the Integrated Annual Corporate Governance Report (I-ACGR) for the year ended 2017; and
14. 2017 Performance Evaluation of Management.

### **Item 16. Matters Not Required to be submitted**

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

### **Item 17. Other Proposed Actions**

Other than the matters indicated in the Notice and Agenda included in this Information Statement, there are no other actions proposed to be taken at the annual meeting.

### **Item 18. Voting Procedures**

- (a) All 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.

## **Compliance with Corporate Governance Practices**

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

In compliance with the initiative of the Securities and Exchange Commission (“SEC”), APC submitted its Revised Corporate Governance Manual (the “Manual”) to the SEC. This manual institutionalizes the principles of good corporate governance in the entire Company. The Company believes that corporate governance, the framework of rules, systems and processes governing the performance of the Board of Directors and Management of their respective duties and responsibilities, and from which the organization’s values and ethics emerge, is of utmost importance to the Company’s shareholders and other stakeholders, which include, among others, clients, employees, suppliers, financiers, government and community in which it operates. The Company undertakes every effort possible to create awareness throughout the entire organization.

The Company created various Board-level committees. These committees were comprised of an Executive Committee to oversee the management of the Company and is responsible for the Company’s finances, goals and policies; an Audit Committee to review financial and accounting matters; a Nomination Committee, which was folded into the Corporate Governance Committee, for the selection and evaluation of qualifications of directors and officers; a Corporate Governance Committee was formed to review the Company’s continual process of good corporate governance; a Compensation and Remuneration Committee to look into an appropriate remuneration system; a Risk Management Committee to review the policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks; and a Related Party Transactions Committee to monitor and review significant related party transactions.

Members of the committees are expected to serve for a term of one (1) year. The Company submits its Corporate Governance Self-Rating reports to the SEC and PSE as proof of its compliance with the leading practices and principles on good corporate governance.

Likewise, various officers were appointed such as Chief Risk Officer, Chief Compliance Officer, Chief Audit Executive and Investor Relations Officer.

The Board establishes the major goals, policies and objectives of the Company, as well as the means to monitor and evaluate the performance of Management. The Board also ensures that adequate internal control mechanisms are implemented and properly complied in all levels.

The Company’s Board reviewed and approved its Corporate Vision, Mission and Core values as well as Corporate Objectives on May 9, 2018. In addition, on the same date, the Company approved its Revised Code of Business Conduct and Ethics as well as corporate policies on: (1) Succession Planning and Retirement, (2) Policy on Employees Safety, Health and Welfare, (3) Related Party Transactions, (4) Conflict of Interest, (5) Vendor Accreditation and Selection and Purchase of Goods and Services, (6) Alternative Dispute Resolution System, (7) Insider Trading, (8) Acceptance of Gifts, (9) Travel sponsored by Business partner, and (10) Accountability, Integrity and Vigilance (Whistle-Blowing). The Board also performed Performance Evaluation of the Board and Management for 2017.

The Company is not aware of any non-compliance with its Manual of Corporate Governance, by any of its directors, officers or employees.

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 23<sup>rd</sup> day of August, 2018.

APC GROUP, INC.

A handwritten signature in black ink, appearing to read 'RALCAZAR', positioned above the printed name.

RICHARD ANTHONY D. ALCAZAR  
Corporate Secretary



## MANAGEMENT REPORT

### APC GROUP, INC. BUSINESS AND GENERAL INFORMATION

#### BACKGROUND

APC Group, Inc. (APC or the 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 Securities and Exchange Commission (SEC) approved the change in the primary purpose of the Company to that of a holding company. The Company's shares of stock were approved for listing with the Manila Stock Exchange on February 16, 1994. The Company is 46.64% owned by Belle Corporation, another publicly-listed company.

In 2005, the Company created Aragorn Power and Energy Corporation (APEC), a subsidiary. This company was established in line with the government's thrust in developing the country's energy sector. The prospects in this subsidiary 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.

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 (APEC)   | January 6, 2005       | 95.6%                   |
| PRC-Magma Energy Resources Inc. (PRC - Magma) | June 10, 2009         | 85.0%                   |
| APC Cement Corporation (APC Cement)           | November 15, 1994     | 100.0%                  |
| APC Energy Resources, Inc. (APC Energy)       | January 31, 2005      | 100.0%                  |
| APC Mining Corporation (APC Mining)           | March 17, 2005        | 83.0%                   |

#### Employees

APC Group and subsidiaries had a total of 7 employees as of June 30, 2018.

#### Subsidiaries

##### A. APEC

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

In 2008, APEC was granted a Geothermal Service Contract (GSC) by the Republic of the Philippines, through Department of Energy (DOE), for the exploration, development and exploitation of geothermal resources covering a total area of 26,139 hectares located in the Province of Kalinga. The 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) in March 2010 to avail of the incentives provided under the Renewable Energy (RE) Act of 2008. GRES has a term of not exceeding 25 years (including the used term under the GSC) and renewable for not more than 25 years. The total period from pre-development stage to the development/commercial stage shall not exceed 50 years.

The exploration period under the GRES shall be 2 years extendible for another 2 years and further extendible for another year if APEC (a) has not been in default in its exploration, financial and other work commitments and obligations; and (b) has provided a work program for the extension period acceptable to the DOE after which time, the GRES shall automatically terminate unless discovery has been made by the end of the 5th year and APEC requests for a further extension of 1 year to determine whether the discovery requests a further extension is in commercial quantity in which case, the GRES may be extended for another 1 year upon the approval of DOE.

On October 4, 2017, the APEC's renewal for GRESC exploration period has been extended by the DOE until September 2018.

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

GRESC involves the development of steam fields that can generate around 120 megawatts (MW) of new capacity, providing an additional source of clean, indigenous and reliable baseload power to the Luzon grid. A 120 MW geothermal project will approximately cost more than US\$300 million.

In terms of the project's work program, geochemical and geophysical surveys have been completed covering sub-phases 1 and 2. As at March 23, 2018, APEC is already in the preliminary stage of sub-phase 3. In line with this, APEC 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 23, 2018, the consent of nine (9) out of eleven (11) ancestral domains has been secured covering 85% of the GRESC area. In addition, all of the Community Development (CD) Projects have been fully completed and turned over to the respective community beneficiaries while preparations to acquire the Environmental Compliance Certificate (ECC) and the construction of roads and wellpads are underway.

#### B. APC Energy

APC Energy was established to engage in exploration, development and utilization of renewable energy resources. As at December 31, 2017, it is still in the pre-operating stage.

#### C. APC Mining

APC Mining was organized to engage in mining, processing, manufacturing, buying and selling of all kinds of ores, metals and minerals. As at December 31, 2017, it is still in the pre-operating stage.

#### D. APC Cement

APC Cement was established to engage in the manufacture of cement. As at December 31, 2017, it is still in the pre-operating stage.

#### E. PRC - Magma

PRC - Magma was established to engage in the business of exploration, development, and processing of renewable and non-renewable energy resources, including but not limited to wind power, solar power, hydropower, biofuels, biomass, and coal; exploration, mining and processing of metalliferous and non-metalliferous mineral and ore resources; trading and supply of energy and mineral resources; and generation of electric power using energy resources. As at December 31, 2017, it is still in the pre-operating stage.

## 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:

|                | 2018        |             | 2017 |      | 2016 |      |
|----------------|-------------|-------------|------|------|------|------|
|                | High        | Low         | High | Low  | High | Low  |
| First Quarter  | <b>0.50</b> | <b>0.48</b> | 0.53 | 0.51 | 0.61 | 0.36 |
| Second Quarter | <b>0.46</b> | <b>0.45</b> | 0.51 | 0.50 | 0.83 | 0.62 |
| Third Quarter  | -           | -           | 0.57 | 0.55 | 0.65 | 0.50 |
| Fourth Quarter | -           | -           | 0.48 | 0.48 | 0.62 | 0.45 |

The price information as of the close of the latest practicable trading date, 22 August 2018, is Php0.57.

## SECURITY HOLDERS

As of July 31, 2018, 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> | 2,176,998,165             | 29.01   |
| 3. Dominion Equities, Inc.                          | 340,000,000               | 4.53  |
| 4. Compact Holdings, Inc.                           | 281,000,000               | 3.74  |
| 5. Eastern Sec. Dev. Corp. – <i>Others</i>          | 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 - <i>Others</i>                    | 18,000,000                | 0.24  |
| 15. Tak Chang Investments Co., Ltd. - <i>Others</i> | 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 2017 are filed as part of this Form 20-IS.

### **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 or procedure.

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

1. The aggregate audit fees paid by the Company for professional services (excluding Value Added Tax) rendered by the external auditor for the audit of the Company's annual financial statements amounted to ₱450,000 and ₱435,000 in 2017 and 2016, respectively.
2. No other assurance and related services were rendered in 2017 and 2016.
3. No tax services were rendered by the external auditor in 2017 and 2016.
4. There were no other fees paid to the external auditor in 2017 and 2016.
5. 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.

The Audit Committee has the responsibility to recommend an external auditor to be selected and appointed by the stockholders during each annual stockholder's meeting.

It reviews the audit coverage of the External Auditors and deliberates on their audit report prior to endorsement to the Board of Directors and presented to the stockholders for approval.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

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

#### **Revenue**

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

#### **Costs and Expenses**

The Company's costs and expenses amounting to ₱20.5 million in 2017 is 41% lower than the ₱34.8 million in 2016 due to the one-off recording of provisions in 2016 related to discontinued projects that was not present in 2017, the lower taxes and licenses recorded in 2017 versus 2016 wherein the Company capital gains taxes on the sale of investment properties and the lower rental and utilities in 2017 in line with the Company transferring to an office space with a lower lease rate.

#### **Other Income (Expenses)**

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

| (Amounts in Pesos, except percentages)                                | Year on Year |              | Horizontal Analysis |      | Vertical Analysis |        |
|---|--------------|--------------|---------------------|------|-------------------|--------|
|   | Dec 31       | Dec 31       | Increase (Decrease) |      | 2017              | 2016   |
|   | 2017         | 2016         | Amount              | %    |                   |        |
| <b>Net Loss</b>   | (16,414,835) | (47,064,749) | 30,649,914          | -65% | -402%             | -3456% |
| <b>Other Comprehensive Income</b>                                     |              |              |                     |      |                   |        |
| Unrealized mark-to-market gain on available-for-sale financial assets | 1,144,620    | 3,370,270    | (2,225,650)         | -66% | 28%               | 247%   |
| Remeasurement gain on defined benefit obligation                      | 625,727      | -            | 625,727             | 100% | 15%               | 0%     |
| <b>Total Comprehensive Income (Loss)</b>                              | (14,644,488) | (43,694,479) | 29,049,991          | -66% | -359%             | -3209% |
| <b>Total Comprehensive Loss Attributable to:</b>                      |              |              |                     |      |                   |        |
| Equity holders of the Parent Company                                  | (14,644,404) | (42,759,466) | 28,205,364          | -68% | -357%             | -3140% |
| Non-controlling interests   | (80,084)     | (935,011)    | 844,327             | -90% | -2%               | -69%   |
|   | (14,644,488) | (43,694,479) | 29,049,991          | -68% | -359%             | -3209% |

### Comprehensive Income (Loss)

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

***Assets***

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

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

***Liabilities***

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

***Equity***

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

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

There were no off-balance sheet transactions.

As of December 31, 2017, except for what have been mentioned in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditure;
- Known trends, events or uncertainties that are expected to have a material impact on revenues from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations aside from those mentioned in this report;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company from the year ended December 31, 2017 to December 31, 2016.

**PLAN OF OPERATION**

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

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

**For the Financial Year Ended 2016 compared to Year Ended 2015**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

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

**Revenue**

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

**Costs and Expenses**

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

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

**Other Income (Expenses)**

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



| (Amounts in Pesos, except percentages)                  | Year on Year         |               | Horizontal Analysis |       | Vertical Analysis |        |
|---|----------------------|---------------|---------------------|-------|-------------------|--------|
|   | Dec 31               | Dec 31        | Increase (Decrease) |       | 2016              | 2015   |
|   | 2016                 | 2015          | Amount              | %     |                   |        |
| <b>Net Loss</b>   | <b>(47,064,749)</b>  | (46,450,000)  | (614,749)           | 1%    | -3456%            | -2300% |
| <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% | 247%              | -469%  |
| Remeasurement gain/(loss) on defined benefit obligation | -                    | (138,200)     | 138,200             | -100% | 0%                | -7%    |
| <b>Total Comprehensive income (loss) for the period</b> | <b>(137,823,977)</b> | (148,963,110) | 11,139,133          | -7%   | -10121%           | -7376% |
| <b>Total Comprehensive Loss Attributable to:</b>        |                      |               |                     |       |                   |        |
| <b>Equity holders of the Parent Company</b>             | <b>(136,888,986)</b> | (148,460,614) | 11,591,648          | -8%   | -10052%           | -7352% |
| <b>Non-controlling interests</b>                        | <b>(935,011)</b>     | (462,296)     | (462,715)           | 94%   | -69%              | -24%   |
|   | <b>(137,823,977)</b> | (148,963,110) | 11,139,133          | -7%   | -10121%           | -7376% |

### Comprehensive Income (Loss)

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| (Amounts in Pesos, except percentages)                                   | December 31     | December        | Horizontal Analysis |        | Vertical Analysis |        |
|--|-----------------|-----------------|---------------------|--------|-------------------|--------|
|  | 2016            | 2015            | Increase (Decrease) |        | 2016              | 2015   |
|  |                 |                 | Amount              | %      |                   |        |
| ASSETS   |                 |                 |                     |        |                   |        |
| Cash and cash equivalents  | 138,624,426     | 133,801,121     | 4,823,305           | 4%     | 44%               | 38%    |
| Trade and other receivables - net  | 81,769,879      | 650,242         | 81,119,637          | 12475% | 26%               | 0%     |
| Available-for-sale financial assets                                      | 7,524,951       | 4,154,681       | 3,370,270           | 81%    | 2%                | 1%     |
| Other current assets   | 7,533,539       | 7,308,995       | 224,544             | 3%     | 2%                | 2%     |
| Property and equipment   | 125,585         | 196,003         | (70,418)            | -36%   | 0%                | 0%     |
| Investment properties  | 22,374,000      | 129,548,000     | (107,174,000)       | -83%   | 7%                | 37%    |
| Other noncurrent assets - net  | 59,203,236      | 77,488,181      | (18,284,945)        | -24%   | 19%               | 22%    |
| Total Assets   | 317,155,616     | 353,147,223     | (35,991,607)        | -10%   | 100%              | 100%   |
| LIABILITIES AND EQUITY   |                 |                 |                     |        |                   |        |
| Trade and other payables   | 36,595,555      | 29,406,279      | 7,189,276           | 24%    | 12%               | 8%     |
| Income tax payable   | 71,437          | 342             | 71,095              | 20788% | 0%                | 0%     |
| Advances from related parties  | 79,772,006      | 79,772,006      | -                   | 0%     | 25%               | 23%    |
| Subscriptions payable  | 161,959         | 161,959         | -                   | 0%     | 0%                | 0%     |
| Accrued retirement costs   | 2,800,500       | 2,364,600       | 435,900             | 18%    | 1%                | 1%     |
| Total Liabilities  | 119,401,457     | 111,705,186     | 7,696,271           | 7%     | 38%               | 32%    |
| Capital Stock  | 6,388,078,749   | 6,388,072,148   | 6,601               | 0%     | 2014%             | 1809%  |
| Additional paid-in capital   | 1,613,942,096   | 1,613,942,096   | -                   | 0%     | 509%              | 457%   |
| Unrealized mark-to-market gain on<br>available-for-sale financial assets | 6,576,950       | 3,306,680       | 3,370,270           | 102%   | 2%                | 1%     |
| Gain on dilution   | 226,304         | 226,304         | -                   | 0%     | 0%                | 0%     |
| Remeasurement loss on defined benefit<br>obligation                      | (2,863,605)     | (2,863,605)     | -                   | 0%     | -1%               | -1%    |
| Deficit  | (7,768,808,557) | (7,722,678,819) | (46,129,738)        | 1%     | -2450%            | -2167% |
| Treasury shares  | (29,435,220)    | (29,435,220)    | -                   | 0%     | -9%               | -0%    |
| Equity Attributable to Non-controlling<br>Interests                      | (10,062,558)    | (9,127,547)     | (935,011)           | 10%    | -3%               | -3%    |
| Total Equity   | 197,754,169     | 241,442,037     | (43,687,878)        | -18%   | 62%               | 68%    |
| Total Liabilities and Equity   | 317,155,616     | 353,147,223     | (35,991,607)        | 10%    | 100%              | 100%   |

### ***Assets***

The Group recorded consolidated assets of ₱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.

|                        | YTD<br>31 December<br>2017 | YTD<br>31 December<br>2016 |
|------------------------|----------------------------|----------------------------|
| Financial Ratios       |                            |                            |
| Return on Assets Ratio | (0.06)                     | (0.15)                     |
| Return on Equity Ratio | (0.09)                     | (0.19)                     |
| Current Ratio          | 1.93                       | 2.02                       |
| Debt to Equity Ratio   | 0.62                       | 0.60                       |
| Asset to Equity Ratio  | 1.62                       | 1.60                       |

### Discussion on the key performance indicators

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

The Company's ROA and ROE for 2017 and 2016 are negative due to the reported a net loss for both years. The negative ratio improved for 2017 because of the decrease in the net loss incurred in the current year compared to 2016.

#### **Current Ratio**

Current Ratio decreased by 4% in 2017 due to the decrease in the current assets brought by the payment of liabilities and general and administrative expenses.

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

There is no significant change in the Company's debt to equity ratio as of December 31, 2017 and 2016.

#### **Assets to Equity Ratio**

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

## 2nd Quarter 2018 Management's Discussion and Analysis

### Item 1. Financial Statements

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

|  | June 30<br>2018      | December 31<br>2017  |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| <b>Current Assets</b>  |                      |                      |
| Cash and cash equivalents  | P 139,228,088        | P 196,586,234        |
| Trade and other receivables - net  | 391,229              | 941,677              |
| Available-for-sale financial assets                                      | 5,617,251            | 8,669,571            |
| Other current assets   | 8,649,697            | 8,504,516            |
| <b>Total Current Assets</b>  | <b>153,886,265</b>   | <b>214,701,998</b>   |
| <b>Noncurrent Assets</b>   |                      |                      |
| Property and equipment   | 20,083               | 24,546               |
| Investment properties  | 22,374,000           | 22,374,000           |
| Deferred exploration costs and other noncurrent assets                   | 110,522,394          | 59,892,558           |
| <b>Total Noncurrent Assets</b>   | <b>132,916,477</b>   | <b>82,291,104</b>    |
| <b>Total Assets</b>  | <b>286,802,742</b>   | <b>296,993,102</b>   |
| <b>LIABILITIES AND EQUITY</b>  |                      |                      |
| <b>Current Liabilities</b>   |                      |                      |
| Trade and other payables   | 27,727,039           | 31,051,650           |
| Advances from related parties  | 79,978,631           | 80,004,536           |
| <b>Total Current Liabilities</b>   | <b>107,705,670</b>   | <b>111,056,186</b>   |
| <b>Noncurrent Liabilities</b>  |                      |                      |
| Subscriptions payable  | 161,959              | 161,959              |
| Accrued retirement costs   | 2,665,286            | 2,665,286            |
| <b>Total Noncurrent Liabilities</b>                                      | <b>2,827,245</b>     | <b>2,827,245</b>     |
| <b>Total Liabilities</b>   | <b>110,532,915</b>   | <b>113,883,431</b>   |
| <b>Equity Attributable to Equity Holders of the Parent Company</b>       |                      |                      |
| Capital Stock  | 6,388,078,749        | 6,388,078,749        |
| Additional paid-in capital   | 1,613,942,096        | 1,613,942,096        |
| Unrealized mark-to-market gain on available-for-sale financial assets    | 4,769,250            | 7,821,570            |
| Gain on dilution   | 226,304              | 226,304              |
| Remeasurement loss on defined benefit obligation                         | (2,237,878)          | (2,237,878)          |
| Deficit  | (7,788,884,169)      | (7,785,133,308)      |
| Treasury shares  | (29,435,220)         | (29,435,220)         |
| <b>Total Equity Attributable to Equity Holders of the Parent Company</b> | <b>186,459,132</b>   | <b>193,262,313</b>   |
| Equity Attributable to Non-controlling Interests                         | (10,189,305)         | (10,152,642)         |
| <b>Total Equity</b>  | <b>176,269,827</b>   | <b>183,109,671</b>   |
| <b>Total Liabilities and Equity</b>                                      | <b>P 286,802,742</b> | <b>P 296,993,102</b> |

**APC GROUP INC. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**Comparable periods ended June 30, 2018 and June 30, 2017**

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

|   | <b>June 30, 2018</b>        |                        | <b>June 30, 2017</b>        |                        |
|---|-----------------------------|------------------------|-----------------------------|------------------------|
|   | <b>Number of<br/>Shares</b> | <b>Amount</b>          | <b>Number of<br/>Shares</b> | <b>Amount</b>          |
| Authorized:   |                             |                        |                             |                        |
| Preferred stock - P1 par value  | 6,000,000,000 P             | 6,000,000,000          | 6,000,000,000 P             | 6,000,000,000          |
| Common stock - P1 par value   | 14,000,000,000              | 14,000,000,000         | 14,000,000,000              | 14,000,000,000         |
|   | 20,000,000,000              | 20,000,000,000         | 20,000,000,000              | 20,000,000,000         |
| Issued  | 5,998,149,059               | 5,998,149,059          | 5,998,149,059               | 5,998,149,059          |
| Subscribed (net of subscription receivable)   | 389,929,690                 | 389,929,690            | 389,929,690                 | 389,929,690            |
| <b>Capital stock - common</b>   | <b>6,388,078,749</b>        | <b>6,388,078,749</b>   | <b>6,388,078,749</b>        | <b>6,388,078,749</b>   |
| <b>Additional paid-in capital</b>   |                             | <b>1,613,942,096</b>   |                             | <b>1,613,942,096</b>   |
| <b>Gain on dilution</b>   |                             | <b>226,304</b>         |                             | <b>226,304</b>         |
| <b>Unrealized mark-to-market gain/loss<br/>on available-for-sale financial assets</b> |                             | <b>4,769,250</b>       |                             | <b>9,093,370</b>       |
| <b>Remeasurement loss on defined benefit<br/>obligation</b>                           |                             | <b>(2,237,878)</b>     |                             | <b>(2,863,605)</b>     |
| Deficit at beginning of year  |                             | (7,785,133,308)        |                             | (7,768,808,557)        |
| Net loss  |                             | (3,750,861)            |                             | (11,768,292)           |
| <b>Deficit at end of year</b>   |                             | <b>(7,788,884,169)</b> |                             | <b>(7,780,576,849)</b> |
| <b>Treasury shares (7,606,000 shares)</b>   |                             | <b>(29,435,220)</b>    |                             | <b>(29,435,220)</b>    |
| <b>Minority interest</b>  |                             | <b>(10,189,305)</b>    |                             | <b>(10,128,671)</b>    |
|   | <b>P</b>                    | <b>176,269,827</b>     | <b>P</b>                    | <b>188,336,174</b>     |

**APC GROUP INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****comparable periods ended June 30, 2018 and June 30, 2017**

|   |          | <b>2nd Quarter</b>     |          | <b>YTD</b>               |          | <b>2nd Quarter</b>     |          | <b>YTD</b>               |
|---|----------|------------------------|----------|--------------------------|----------|------------------------|----------|--------------------------|
|   |          | <b>2018</b>            |          | <b>2018</b>              |          | <b>2017</b>            |          | <b>2017</b>              |
|   |          | <b>(April to June)</b> |          | <b>(January to June)</b> |          | <b>(April to June)</b> |          | <b>(January to June)</b> |
| Net cash provided by (used in) operating activities | <b>P</b> | <b>(5,063,911)</b>     | <b>P</b> | <b>(6,728,310)</b>       | <b>P</b> | <b>(6,749,677)</b>     | <b>P</b> | <b>48,063,868</b>        |
| Net cash used in investing activities               |          | <b>(24,612)</b>        |          | <b>(50,629,836)</b>      |          | <b>2,279,153</b>       |          | <b>2,022,696</b>         |
| Net increase(decrease) in cash and cash equivalents | <b>P</b> | <b>(5,088,523)</b>     |          | <b>(57,358,146)</b>      | <b>P</b> | <b>(4,470,524)</b>     |          | <b>50,086,564</b>        |
| Cash and cash equivalents, beginning, January 1     |          |                        |          | <b>196,586,234</b>       |          |                        |          | <b>138,624,426</b>       |
| <b>Cash and cash equivalents, June 30</b>           |          |                        | <b>P</b> | <b>139,228,088</b>       |          |                        | <b>P</b> | <b>188,710,990</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     |              |
|--|--------------------|---------------------|---------------------|-------------|--------------|--------------|
|  | June 30            | June 30             | Increase (Decrease) |             | June 30      | June 30      |
|  | 2018               | 2017                | Amount              | %           | 2018         | 2017         |
| Interest Income                                | 1,668,171          | 2,166,098           | (497,927)           | -23%        | 86%          | 91%          |
| Dividend Income                                | 279,224            | 178,688             | 100,536             | 56%         | 14%          | 7%           |
| Other Income                                   | -                  | 41,800              | (41,800)            | -100%       | 0%           | 2%           |
| <b>Total Revenue</b>                           | <b>1,947,395</b>   | <b>2,386,586</b>    | <b>(439,191)</b>    | <b>-18%</b> | <b>100%</b>  | <b>100%</b>  |
| General and Administrative Expenses            | (5,734,919)        | (14,220,992)        | 8,486,073           | -60%        | -294%        | -596%        |
| <b>Total Costs and Expenses</b>                | <b>(5,734,919)</b> | <b>(14,220,992)</b> | <b>8,486,073</b>    | <b>-60%</b> | <b>-294%</b> | <b>-596%</b> |
| <b>Net Loss</b>                                | <b>(3,787,524)</b> | <b>(11,834,406)</b> | <b>8,046,882</b>    | <b>-68%</b> | <b>-194%</b> | <b>-496%</b> |
| <b>Other Comprehensive Income (Loss)</b>       |                    |                     |                     |             |              |              |
| Unrealized mark-to-market gain/(loss)          |                    |                     |                     |             |              |              |
| on available-for-sale financial assets         | (3,052,320)        | 2,416,420           | (5,468,740)         | -226%       | -157%        | 101%         |
| <b>Total Comprehensive Loss for the period</b> | <b>(6,839,844)</b> | <b>(9,417,986)</b>  | <b>2,578,142</b>    | <b>-27%</b> | <b>-351%</b> | <b>-395%</b> |

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

General and administrative expenses were lower by 60%. The decrease is primarily attributable to the one-time listing fee paid to the Philippine Stock Exchange (PSE) in the 1<sup>st</sup> quarter of 2017 amounting to ₱ 4.9 million and underwriting professional fee paid in the 2<sup>nd</sup> quarter of 2017 amounting to P2.9 million.

The huge decrease in expenses resulted to a net loss of P3.8 million as of June 30, 2018 which is 68% lower than the same period in 2017. This was fueled up by the unrealized mark-to-market loss on available-for-sale financial assets resulting to a total comprehensive loss of P6.8 million.

As of June 30, 2018, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company for the periods ended June 30, 2018 and June 30, 2017 except those mentioned above.



### Consolidated Statements of Financial Position

| (Amounts in Pesos, except percentages)                                   | June 30<br>2018    | December 31<br>2017 | Horizontal Analysis |            | Vertical Analysis |                     |
|--|--------------------|---------------------|---------------------|------------|-------------------|---------------------|
|  |                    |                     | Increase (Decrease) |            | June 30<br>2018   | December 31<br>2017 |
|  |                    |                     | Amount              | %          |                   |                     |
| <b>ASSETS</b>  |                    |                     |                     |            |                   |                     |
| Cash and cash equivalents  | 139,228,088        | 196,586,234         | (57,358,146)        | -29%       | 49%               | 66%                 |
| Trade and other receivables - net  | 391,229            | 941,677             | (550,448)           | -58%       | 0%                | 0%                  |
| Available-for-sale financial assets                                      | 5,617,251          | 8,669,571           | (3,052,320)         | -35%       | 2%                | 3%                  |
| Other current assets   | 8,649,697          | 8,504,516           | 145,181             | 2%         | 3%                | 3%                  |
| Property and equipment   | 20,083             | 24,546              | (4,463)             | -18%       | 0%                | 0%                  |
| Investment properties  | 22,374,000         | 22,374,000          | -                   | 0%         | 8%                | 8%                  |
| Other noncurrent assets - net  | 110,522,394        | 59,892,558          | 50,629,836          | 85%        | 39%               | 20%                 |
| <b>Total Assets</b>  | <b>286,802,742</b> | <b>296,993,102</b>  | <b>(10,190,360)</b> | <b>-3%</b> | <b>100%</b>       | <b>100%</b>         |
| <b>LIABILITIES AND EQUITY</b>  |                    |                     |                     |            |                   |                     |
| Trade and other payables   | 27,727,039         | 31,051,650          | (3,324,611)         | -11%       | 10%               | 10%                 |
| Advances from related parties  | 79,978,631         | 80,004,536          | (25,905)            | 0%         | 28%               | 27%                 |
| Subscriptions payable  | 161,959            | 161,959             | -                   | 0%         | 0%                | 0%                  |
| Accrued retirement costs   | 2,665,286          | 2,665,286           | -                   | 0%         | 1%                | 1%                  |
| <b>Total Liabilities</b>   | <b>110,532,915</b> | <b>113,883,431</b>  | <b>(3,350,516)</b>  | <b>-3%</b> | <b>39%</b>        | <b>38%</b>          |
| Capital Stock  | 6,388,078,749      | 6,388,078,749       | -                   | 0%         | 2227%             | 2151%               |
| Additional paid-in capital   | 1,613,942,096      | 1,613,942,096       | -                   | 0%         | 563%              | 543%                |
| Unrealized mark-to-market gain on<br>available-for-sale financial assets | 4,769,250          | 7,821,570           | (3,052,320)         | -39%       | 2%                | 3%                  |
| Gain on dilution   | 226,304            | 226,304             | -                   | 0%         | 0%                | 0%                  |
| Remeasurement loss on defined benefit<br>obligation                      | (2,237,878)        | (2,237,878)         | -                   | 0%         | -1%               | -1%                 |
| Deficit  | (7,788,884,169)    | (7,785,133,308)     | (3,750,861)         | 0%         | -2716%            | -2621%              |
| Treasury shares  | (29,435,220)       | (29,435,220)        | -                   | 0%         | -10%              | -10%                |
| Equity Attributable to<br>Non-controlling Interests                      | (10,189,305)       | (10,152,642)        | (36,663)            | 0%         | -4%               | -3%                 |
| <b>Total Equity</b>  | <b>176,269,827</b> | <b>183,109,671</b>  | <b>(6,839,844)</b>  | <b>-4%</b> | <b>61%</b>        | <b>62%</b>          |
| <b>Total Liabilities and Equity</b>                                      | <b>286,802,742</b> | <b>296,993,102</b>  | <b>(10,190,360)</b> | <b>-3%</b> | <b>100%</b>       | <b>100%</b>         |

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

- Cash and cash equivalents amounted to ₱139.2 million as of June 30, 2018, 29% lower compared to ₱196.6 million as of December 31, 2017. The decrease was mainly attributable to the additional deferred exploration costs in Aragorn Power and Energy Corporation (a subsidiary) presented as part of the other noncurrent assets in the consolidated statement of financial position and release of the 2<sup>nd</sup> tranche of scholarship for the school year 2017-2018.
- Trade and other receivables decreased by ₱0.6 million due to the liquidation of the advances and collection of receivables from third parties during the 1<sup>st</sup> half of 2018.
- Available-for-sale financial assets also decreased by 35% due to the unfavorable movement in the market price of the stocks held by the Company as of June 30, 2018.

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

Total equity as of June 30, 2018 and December 31, 2017 amounted to ₱176.3 million and ₱183.1 million, respectively. The decline, amounting to ₱6.8 million, is attributable to the unrealized mark to market loss on AFS investments as well as the additional deficit recognized as of the second quarter of the year.

There were no off-balance sheet transactions.

## KEY PERFORMANCE INDICATORS

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

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

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

|                             | YTD<br>31 June<br>2018 | YTD<br>31 December<br>2017 | YTD<br>31 June<br>2017 |
|-----------------------------|------------------------|----------------------------|------------------------|
| Return on Assets Ratio..... | (0.01)                 | (0.06)                     | (0.04)                 |
| Return on Equity Ratio..... | (0.02)                 | (0.09)                     | (0.06)                 |
| Current Ratio .....         | 1.43                   | 1.93                       | 2.01                   |
| Debt to Equity Ratio.....   | 0.63                   | 0.62                       | 0.59                   |
| Asset to Equity Ratio ..... | 1.63                   | 1.62                       | 1.59                   |

### Discussion on the key performance indicators

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

The Company's ROA and ROE as of June 30, 2018 and 2017 are negative due to the reported net loss for both years. The negative ratio improved for 2018 because of the decrease in net loss incurred as of the 2<sup>nd</sup> quarter of 2018 compared to the same period in 2017.

#### Current Ratio

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

#### Debt to Equity Ratio

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

#### Assets to Equity Ratio

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

### Item 3. Other Information

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

## ANNEX TO THE MD&A SECTION

### 1. PRINCIPLES OF CONSOLIDATION

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

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

*(1) Still in the pre-operating stage*

### 2. RISK EXPOSURES

#### **Financial Risk Management**

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

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

#### Credit Risk

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

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

The investment of the Company’s cash resources is managed so as to minimize risk while seeking to enhance yield. The Company’s holding of cash and cash equivalents exposes the Company to credit risk, if the counterparty is unwilling or unable to fulfill its obligations and the Company consequently suffers financial loss. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating. The credit terms are short, with deposits and advance payments requirement before rendering the service, thus, mitigating the possibility of non-collection. In cases of non-collection, defaults of debtors are not tolerated and additional penalties are imposed by the Company.

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

#### Liquidity Risk

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

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

There is no material change in the financial risk exposures of the company and its subsidiaries particularly on currency, interest, credit, market and liquidity risks on its June 30, 2018 interim financial statements compared to the December 31, 2017 audited consolidated financial statements of APC Group Inc.

### 3. **FINANCIAL INSTRUMENTS**

#### Fair value of Financial Instruments

A comparison by category of the carrying values and estimated fair values of the Company's financial instruments that are carried in the consolidated financial statements as of June 30, 2018 and December 31, 2017 are as follows:

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

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

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

\*\*\*Excluding statutory liabilities.

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

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

#### AFS financial assets

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

#### Deposits and subscription payable

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

The following tables provide the fair value measurement hierarchy of the Company's assets and liabilities as at June 30, 2018 and December 31, 2017:

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

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

\* Included in "Other noncurrent assets" account

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements during the period ended June 30, 2018 and year ended December 31, 2017.

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

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

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

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

#### 5. FUTURE CHANGES IN ACCOUNTING POLICIES

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

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

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*, require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

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

*Effective beginning on or after January 1, 2018*

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

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

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

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

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

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*, address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9. The amendments are not applicable to the Company since none of the entities within the Company have activities that are predominantly connected with insurance or issue insurance contracts.
- PFRS 15, *Revenue from Contracts with Customers*, establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

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

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRS 2014 - 2016 Cycle*), clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The Company is currently assessing the impact of adopting this standard.
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*, clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The amendments will not have any impact on the Company's consolidated financial statements.
- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) - 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The amendments will not have any impact on the Company's consolidated financial statements.

*Effective beginning on or after January 1, 2019*

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*, allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Company is currently assessing the impact of adopting this standard.
- PFRS 16, *Leases*, sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

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

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

- Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures, clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Company is currently assessing the impact of adopting this standard.
- Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments, addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

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

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

#### *Deferred effectivity*

- Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.
- On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.



## 6. **OTHER REQUIRED DISCLOSURES**

- A.) The attached interim financial reports were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial Statements for the period ended December 31, 2017. The adoption of PFRS 9, Financial Instruments: *Classification and Measurement*, will have an effect on the classification and measurement of the Company's financial assets but will have no impact on the classification and measurement of the Company's financial liabilities. The Company will quantify the effect in conjunction with the other phases when issued, to present a comprehensive picture. As of June 30, 2018, the Company has decided not to early adopt PFRS 9 on its consolidated financial statements.
- B.) Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.
- C.) There were no material changes in estimates of amounts reported in prior periods that have material effects in the current interim period.
- D.) Except as disclosed in the MD&A, there were no other issuance, repurchase and repayments of debt and equity securities.
- E.) There were no material events that occurred subsequent to June 30, 2018 and up to the date of this report that need disclosure herein.
- F.) There were no changes in the composition of the Company during the interim period such as business combinations, acquisition or disposals of subsidiaries and long-term investments, restructuring and discontinued operations.
- G.) There were no changes in contingent liabilities or contingent assets as at June 30, 2018.
- H.) There exist no material contingencies and other material events or transactions affecting the current interim period.

## **PLAN OF OPERATION**

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

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

**APC GROUP INC. and SUBSIDIARIES**

**Aging of Accounts Receivables**

**As of June 30, 2018**

| <b>Trade and Other Receivables</b> | <b>Total</b>   | <b>1 Month</b> | <b>2 - 3 Months</b> | <b>4 - 6 Months</b> | <b>7 Months to<br/>1 Year</b> | <b>More than 1 year</b> |
|------------------------------------|----------------|----------------|---------------------|---------------------|-------------------------------|-------------------------|
| Trade receivables                  | 179,339        | 13,329         | 123,260             | -                   | -                             | 42,750                  |
| Advances to officers and employees | 159,582        | 5,000          | 74,413              | 56,000              | 10,000                        | 14,169                  |
| Other receivables                  | 52,307         | 11,020         | -                   | -                   | -                             | 41,288                  |
| -                                  | -              | -              | -                   | -                   | -                             | -                       |
| <b>TOTAL</b>                       | <b>391,229</b> | <b>29,349</b>  | <b>197,673</b>      | <b>56,000</b>       | <b>10,000</b>                 | <b>98,207</b>           |

## FINANCIAL STATEMENTS

The audited Financial Statements and Supplementary Schedules for the year 2017 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

|   |        |
|---|--------|
| Statement of Management's Responsibility for Financial Statements                                 | Report |
| Report of Independent Auditors  |        |
| Consolidated Statement of Financial Position as of December 31, 2017 and 2016                     | CSFP   |
| Consolidated Statements Comprehensive Income for the years ended December 31, 2017, 2016 and 2015 | CSCI   |
| Consolidated Statements of Changes in Equity for the years ended December 31, 2017, 2016 and 2015 | CSCE   |
| Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015        | CCFS   |
| Notes to Consolidated Financial Statements  |        |

#### 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       |



APC GROUP INC.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of **APC Group, Inc. and Subsidiaries** (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, 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.

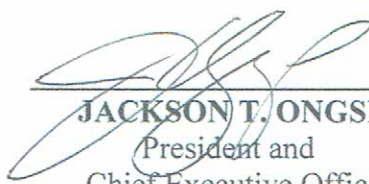
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the 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

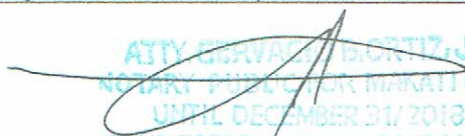
  
**IAN JASON R. AGUIRRE**  
Executive Vice President and  
Chief Finance Officer

March 23, 2018

SUBSCRIBED AND SWORN to before me this APR 02 2018 at MAKATI CITY City, affiants who are personally known to me or identified through competent evidence of identity, to wit:

| Name                 | Passport or ID No. | Date of Expiry    | Place of Issue |
|----------------------|--------------------|-------------------|----------------|
| Willy N. Ocier       | P0955319A          | November 18, 2021 | Manila         |
| Jackson T. Ongsip    | EC4804332          | July 29, 2020     | Manila         |
| Ian Jason R. Aguirre | P3558688A          | July 2, 2022      | Manila         |

308  
62  
1018

  
ATTY. CERVANTES B. CORTIZ, JR.  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31/2018  
TRNO. 5908514 / 01-03-2017/MAKAT  
IBP NO 655155 LIFETIME MEMB  
PPT. NO M-104/2017/ROLLIN  
MCLE COMPLIANCE NO. V-0006  
UNIT 102 PENINSULA COURT PL  
3785 MAKATI AVE., MAKATI CIT

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
APC Group, Inc.  
G/F MyTown New York Bldg.  
General E. Jacinto St. corner Capas St.  
Brgy. Guadalupe Nuevo, Makati City

### Opinion

We have audited the consolidated financial statements of APC Group, Inc. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 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*

As at December 31, 2017, the carrying value of the Company's deferred exploration costs amounted to ₱59.7 million. These deferred exploration costs pertain to the Company's participating interest in Geothermal Renewable Service Contract (GRESK), the expenditures incurred by the Company for the Kalinga Geothermal Project. Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceed the recoverable amounts. The ability of the Company to recover its deferred exploration costs would depend on the commercial viability of the reserves. We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether there is any indication of impairment.

The Company's disclosures about deferred exploration costs are included in Notes 1 and 10 to the consolidated financial statements.

### *Audit Response*

We obtained management's assessment on whether there is any indication that deferred exploration costs may be impaired. We reviewed the summary of the status of the Company's exploration project as of December 31, 2017, as certified by the Company's technical head, and compared it with the disclosures submitted to regulatory agencies. We reviewed the contracts and agreements, and budget for GRESK exploration costs. We inspected the license/permit of the exploration period of GRESK to determine that the period for which the Company has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly.

### **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, 2017, 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, 2017 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. 08-001998-112-2018,

February 14, 2018, valid until February 13, 2021

PTR No. 6621349, January 9, 2018, Makati City

March 23, 2018





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

|   | <b>December 31</b>     |                 |
|---|------------------------|-----------------|
|   | <b>2017</b>            | <b>2016</b>     |
| <b>ASSETS</b>   |                        |                 |
| <b>Current Assets</b>   |                        |                 |
| Cash and cash equivalents (Notes 5, 18 and 19)                                    | <b>₱196,586,234</b>    | ₱138,624,426    |
| Trade and other receivables (Notes 6, 18 and 19)                                  | <b>941,677</b>         | 81,769,879      |
| Available-for-sale financial assets (Notes 7, 18 and 19)                          | <b>8,669,571</b>       | 7,524,951       |
| Other current assets  | <b>8,504,516</b>       | 7,533,539       |
| Total Current Assets  | <b>214,701,998</b>     | 235,452,795     |
| <b>Noncurrent Assets</b>  |                        |                 |
| Property and equipment (Note 8)   | <b>24,546</b>          | 125,585         |
| Investment property (Notes 9 and 19)  | <b>22,374,000</b>      | 22,374,000      |
| Deferred exploration costs and other noncurrent assets<br>(Notes 10, 18 and 19)   | <b>59,892,558</b>      | 59,203,236      |
| Total Noncurrent Assets   | <b>82,291,104</b>      | 81,702,821      |
|   | <b>₱296,993,102</b>    | ₱317,155,616    |
| <b>LIABILITIES AND EQUITY</b>   |                        |                 |
| <b>Current Liabilities</b>  |                        |                 |
| Trade and other payables (Notes 11, 18 and 19)                                    | <b>₱31,051,650</b>     | ₱36,595,555     |
| Advances from related parties (Notes 16, 18 and 19)                               | <b>80,004,536</b>      | 79,772,006      |
| Income tax payable  | <b>–</b>               | 71,437          |
| Total Current Liabilities   | <b>111,056,186</b>     | 116,438,998     |
| <b>Noncurrent Liabilities</b>   |                        |                 |
| Accrued retirement costs (Note 14)  | <b>2,665,286</b>       | 2,800,500       |
| Subscriptions payable (Notes 18 and 19)   | <b>161,959</b>         | 161,959         |
| Total Noncurrent Liabilities  | <b>2,827,245</b>       | 2,962,459       |
| Total Liabilities   | <b>113,883,431</b>     | 119,401,457     |
| <b>Equity Attributable to Equity Holders of the Parent Company</b>                |                        |                 |
| Capital stock (Notes 12 and 18)   | <b>6,388,078,749</b>   | 6,388,078,749   |
| Additional paid-in capital (Notes 12 and 18)                                      | <b>1,613,942,096</b>   | 1,613,942,096   |
| Unrealized mark-to-market gain on available-for-sale financial assets<br>(Note 7) | <b>7,821,570</b>       | 6,676,950       |
| Remeasurement loss on defined benefit obligation (Note 14)                        | <b>(2,237,878)</b>     | (2,863,605)     |
| Gain on dilution  | <b>226,304</b>         | 226,304         |
| Deficit   | <b>(7,785,133,308)</b> | (7,768,808,557) |
| Treasury shares - 7,606,000 shares (Notes 12 and 17)                              | <b>(29,435,220)</b>    | (29,435,220)    |
| Total Equity Attributable to Equity Holders of the<br>Parent Company              | <b>193,262,313</b>     | 207,816,717     |
| <b>Non-controlling Interests</b>  | <b>(10,152,642)</b>    | (10,062,558)    |
| Total Equity  | <b>183,109,671</b>     | 197,754,159     |
|   | <b>₱296,993,102</b>    | ₱317,155,616    |

*See accompanying Notes to Consolidated Financial Statements.*



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

|  | Years Ended December 31 |                      |                      |
|--|-------------------------|----------------------|----------------------|
|  | 2017                    | 2016                 | 2015                 |
| <b>REVENUE</b>   |                         |                      |                      |
| Interest income (Note 5)   | ₱3,900,176              | ₱1,225,022           | ₱1,879,723           |
| Dividend income (Note 7)   | 178,688                 | 136,719              | 139,898              |
|  | <b>4,078,864</b>        | <b>1,361,741</b>     | <b>2,019,621</b>     |
| <b>EXPENSES</b>  |                         |                      |                      |
| General and administrative expenses (Note 13)  | (20,510,625)            | (21,848,917)         | (20,103,133)         |
| Write-off/provision for impairment of deferred exploration costs and mining rights (Note 10) | –                       | (12,911,061)         | (945,000)            |
|  | <b>(20,510,625)</b>     | <b>(34,759,978)</b>  | <b>(21,048,133)</b>  |
| <b>OTHER INCOME (EXPENSES)</b>   |                         |                      |                      |
| Loss on:   |                         |                      |                      |
| Disposal of property and equipment (Note 8)  | (26,684)                | –                    | –                    |
| Sale of investment property (Note 9)   | –                       | (18,689,020)         | –                    |
| Impairment of goodwill (Note 10)   | –                       | (5,992,907)          | –                    |
| Gain (loss) on change in fair value of investment property (Note 9)                          | –                       | 7,515,020            | (27,438,106)         |
| Foreign exchange gain  | –                       | 403                  | 1,616                |
| Other income - net   | 44,500                  | 3,571,429            | 15,344               |
|  | <b>17,816</b>           | <b>(13,595,075)</b>  | <b>(27,421,146)</b>  |
| <b>LOSS BEFORE INCOME TAX</b>  | <b>(16,413,945)</b>     | <b>(46,993,312)</b>  | <b>(46,449,658)</b>  |
| <b>PROVISION FOR INCOME TAX</b> (Note 15)  | <b>890</b>              | <b>71,437</b>        | <b>342</b>           |
| <b>NET LOSS</b>  | <b>(16,414,835)</b>     | <b>(47,064,749)</b>  | <b>(46,450,000)</b>  |
| <b>OTHER COMPREHENSIVE INCOME (LOSS)</b>   |                         |                      |                      |
| Item to be reclassified to profit or loss in subsequent periods:                             |                         |                      |                      |
| Unrealized mark-to-market gain (loss) on available-for-sale financial assets (Note 7)        | 1,144,620               | 3,370,270            | (9,474,910)          |
| Item not to be reclassified to profit or loss in subsequent periods:                         |                         |                      |                      |
| Remeasurement gain (loss) on defined benefit obligation (Note 14)                            | 625,727                 | –                    | (138,200)            |
|  | <b>1,770,347</b>        | <b>3,370,270</b>     | <b>(9,613,110)</b>   |
| <b>TOTAL COMPREHENSIVE LOSS</b>  | <b>(₱14,644,488)</b>    | <b>(₱43,694,479)</b> | <b>(₱56,063,110)</b> |
| <b>Net Loss Attributable to:</b>   |                         |                      |                      |
| Equity holders of the Parent Company (Note 17)   | (₱16,324,751)           | (₱46,129,738)        | (₱45,967,704)        |
| Non-controlling interests  | (90,084)                | (935,011)            | (482,296)            |
|  | <b>(₱16,414,835)</b>    | <b>(₱47,064,749)</b> | <b>(₱46,450,000)</b> |
| <b>Total Comprehensive Loss Attributable to:</b>   |                         |                      |                      |
| Equity holders of the Parent Company   | (₱14,554,404)           | (₱42,759,468)        | (₱55,580,814)        |
| Non-controlling interests  | (90,084)                | (935,011)            | (482,296)            |
|  | <b>(₱14,644,488)</b>    | <b>(₱43,694,479)</b> | <b>(₱56,063,110)</b> |
| <b>Basic/Diluted Loss Per Common Share</b> (Note 17)   | <b>(₱0.002175)</b>      | <b>(₱0.006147)</b>   | <b>(₱0.006126)</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, 2017, 2016 AND 2015

|  | Equity Attributable to Equity Holders of the Parent Company |                   |                  |                        |  |                  |                   |              |                 |              |
|--|---|-------------------|------------------|------------------------|--|------------------|-------------------|--------------|-----------------|--------------|
|  | Capital Stock   | Additional        | Unrealized       | Gain (Loss) on         | Remeasurement                            | Gain on          | Treasury          | Total        | Non-controlling | Total        |
|  | (Notes 12 and 18)   | Paid-in Capital   | Mark-to-Market   | Available-<br>for-Sale | Loss on<br>Defined Benefit<br>Obligation | Dilution         | Shares            |              | Interests       |              |
|  | (Notes 12 and 18)   | (Notes 12 and 18) | Financial Assets | (Note 7)               | (Note 14)                                | Deficit          | (Notes 12 and 17) |              |                 |              |
| Balances at January 1, 2017            | ₱6,388,078,749  | ₱1,613,942,096    | ₱6,676,950       | (₱2,863,605)           | ₱226,304                                 | (₱7,768,808,557) | (₱29,435,220)     | ₱207,816,717 | (₱10,062,558)   | ₱197,754,159 |
| Net loss during the year               | —   | —                 | —                | —                      | —  | (16,324,751)     | —                 | (16,324,751) | (90,084)        | (16,414,835) |
| Other comprehensive income             | —   | —                 | 1,144,620        | 625,727                | —  | —                | —                 | 1,770,347    | —               | 1,770,347    |
| Total comprehensive income (loss)      | —   | —                 | 1,144,620        | 625,727                | —  | (16,324,751)     | —                 | (14,554,404) | (90,084)        | (14,644,488) |
| Balances at December 31, 2017          | ₱6,388,078,749  | ₱1,613,942,096    | ₱7,821,570       | (₱2,237,878)           | ₱226,304                                 | (₱7,785,133,308) | (₱29,435,220)     | ₱193,262,313 | (₱10,152,642)   | ₱183,109,671 |
| 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 |

See accompanying Notes to Consolidated Financial Statements.



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

|  | Years Ended December 31 |                     |                     |
|--|-------------------------|---------------------|---------------------|
|  | 2017                    | 2016                | 2015                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                         |                     |                     |
| Loss before income tax:  | (P16,413,945)           | (P46,993,312)       | (P46,449,658)       |
| Adjustments for:   |                         |                     |                     |
| Interest income (Note 5)   | (3,900,176)             | (1,225,022)         | (1,879,723)         |
| Dividend income (Note 7)   | (178,688)               | (136,719)           | (139,898)           |
| Retirement costs (Note 14)   | 490,513                 | 435,900             | 435,900             |
| Depreciation and amortization (Notes 8 and 13)   | 65,522                  | 70,418              | 43,023              |
| Loss on:   |                         |                     |                     |
| Disposal of property and equipment (Note 8)  | 26,684                  | —                   | —                   |
| 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             |
| Loss (gain) on change in fair value of investment property (Note 9)                          | —                       | (7,515,020)         | 27,438,106          |
| Operating loss before working capital changes  | (19,910,090)            | (17,770,767)        | (19,607,250)        |
| Decrease (increase) in:  |                         |                     |                     |
| Trade and other receivables  | 80,828,202              | (4,319,637)         | (30,836)            |
| Other current assets   | (970,977)               | (224,544)           | (1,001,334)         |
| Increase (decrease) in:  |                         |                     |                     |
| Trade and other payables   | (5,543,905)             | 7,189,276           | (3,394,765)         |
| Advances from related parties  | 232,530                 | —                   | —                   |
| Cash generated from (used for) operations  | 54,635,760              | (15,125,672)        | (24,034,185)        |
| Interest received  | 3,900,176               | 1,225,022           | 1,879,723           |
| Income taxes paid  | (72,327)                | (342)               | (251,642)           |
| Dividend received  | 178,688                 | 136,719             | 139,898             |
| Net cash provided by (used in) operating activities  | 58,642,297              | (13,764,273)        | (22,266,206)        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                         |                     |                     |
| Proceeds from:   |                         |                     |                     |
| Disposal of property and equipment (Note 8)  | 35,610                  | —                   | —                   |
| Sale of investment property (Notes 9 and 20)   | —                       | 19,200,000          | —                   |
| Acquisition of property and equipment (Note 8)   | (26,777)                | —                   | (124,590)           |
| Increase in deferred exploration costs and other noncurrent assets                           | (689,322)               | (619,023)           | (1,361,860)         |
| Net cash provided by (used in) investing activities  | (680,489)               | 18,580,977          | (1,486,450)         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                         |                     |                     |
| Proceeds from collection of subscription receivables   | —                       | 6,601               | —                   |
| Increase in advances from related parties  | —                       | —                   | 142,045             |
| Cash provided by financing activities  | —                       | 6,601               | 142,045             |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                  | <b>57,961,808</b>       | <b>4,823,305</b>    | <b>(23,610,611)</b> |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>  | <b>138,624,426</b>      | <b>133,801,121</b>  | <b>157,411,732</b>  |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)</b>                                     | <b>P196,586,234</b>     | <b>P138,624,426</b> | <b>P133,801,121</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 G/F MyTown New York Bldg., General E. Jacinto St. corner Capas St., Brgy. Guadalupe Nuevo, Makati City.

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 23, 2018.

#### Status of Operations

In 2005, the Company created Aragorn Power and Energy Corporation (APEC), a subsidiary. This company was established in line with the government's thrust in developing the country's energy sector. The prospects in this subsidiary 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, 2017, the following are the status of operations of the Company.

#### **a. APEC**

As at December 31, 2017, APEC is still in the pre-operating stage. It was established to engage in energy resource exploration and development.

In 2008, APEC was granted a Geothermal Service Contract (GSC) by the Republic of the Philippines, through Department of Energy (DOE), for the exploration, development and exploitation of geothermal resources covering a total area of 26,139 hectares located in the Province of Kalinga. The 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 (GRESK) in March 2010 to avail of the incentives provided under the Renewable Energy (RE) Act of 2008. GRESK has a term of not exceeding 25 years (including the used term under the GSC) and renewable for not more than 25 years. The total period from pre-development stage to the development/commercial stage shall not exceed 50 years.

The exploration period under the GRESK shall be 2 years extendible for another 2 years and further extendible for another year if APEC (a) has not been in default in its exploration, financial and other work commitments and obligations; and (b) has provided a work program for the extension period acceptable to the DOE after which time, the GRESK shall automatically terminate unless discovery has been made by the end of the 5th year and APEC requests for a



further extension of 1 year to determine whether the discovery requests a further extension is in commercial quantity in which case, the GRESC may be extended for another 1 year upon the approval of DOE.

On October 4, 2017, the APEC's renewal for GRESC exploration period has been extended by the DOE until September 2018. On March 2, 2018, APEC has applied for extension of exploration period under the GRESC with the DOE. As at March 23, 2018, the application is pending the approval of the DOE.

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

GRESC involves the development of steam fields that can generate around 120 megawatts (MW) of new capacity, providing an additional source of clean, indigenous and reliable baseload power to the Luzon grid. A 120 MW geothermal project will approximately cost more than US\$300 million.

In terms of the project's work program, geochemical and geophysical surveys have been completed covering sub-phases 1 and 2. As at March 23, 2018, APEC is already in the preliminary stage of sub-phase 3. In line with this, APEC 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 23, 2018, the consent of nine (9) out of eleven (11) ancestral domains has been secured covering 85% of the GRESC area. In addition, all of the Community Development (CD) Projects have been fully completed and turned over to the respective community beneficiaries while preparations to acquire the Environmental Compliance Certificate (ECC) and the construction of roads and wellpads are underway.

b. APC Energy Resources Inc. (APC Energy)

APC Energy was established to engage in exploration, development and utilization of renewable energy resources. As at December 31, 2017, it is still in the pre-operating stage.

c. APC Mining Corporation (APC Mining)

APC Mining was organized to engage in mining, processing, manufacturing, buying and selling of all kinds of ores, metals and minerals. As at December 31, 2017, 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. As at December 31, 2017, it is still in the pre-operating stage.

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

PRC-Magma was established to engage in the business of exploration, development, and processing of renewable and non-renewable energy resources, including but not limited to wind power, solar power, hydropower, biofuels, biomass, and coal; exploration, mining and processing of metalliferous and non-metalliferous mineral and ore resources; trading and supply of energy and mineral resources; and generation of electric power using energy resources. As at December 31, 2017, it is still in the pre-operating stage.

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

### Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for 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, 2017, 2016 and 2015:

| Subsidiaries               | Nature of Business | Percentage of Ownership |          |       |
|----------------------------|--------------------|-------------------------|----------|-------|
|                            |                    | Direct                  | Indirect | Total |
| APEC <sup>(1)</sup>        | Energy             | 90.0                    | —        | 90.0  |
| PRC - Magma <sup>(1)</sup> | Energy             | —                       | 85.0     | 85.0  |
| APC Cement <sup>(1)</sup>  | Manufacturing      | 100.0                   | —        | 100.0 |
| APC Energy <sup>(1)</sup>  | Mining             | 100.0                   | —        | 100.0 |
| APC Mining <sup>(1)</sup>  | Mining             | 83.0                    | —        | 83.0  |

<sup>(1)</sup> Still in the pre-operating stage

All of the subsidiaries were incorporated in the Philippines.

Subsidiaries are entities controlled by the Parent Company. The Parent Company controls an investee, if and only if, the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.



Generally, there is a presumption that a majority voting rights results in control. To support this presumption, and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

#### Non-controlling Interests (NCI)

NCI represent the portion of profit or loss and the net assets not held by the 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. Any losses applicable to a non-controlling shareholder of a consolidated subsidiary in excess of the non-controlling shareholder's equity in the subsidiary are charged against the NCI even if this results in NCI having a deficit.

#### Changes in Accounting Policies and Disclosures

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

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*, require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).





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

#### Future Changes in Accounting Policies

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

*Effective beginning on or after January 1, 2018*

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

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- PFRS 9, *Financial Instruments*, reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company is currently assessing the impact of adopting this standard.
- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*, address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9. The amendments are not applicable to the Company since 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 retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018.



Early adoption is permitted. The Company is currently assessing the impact of adopting PFRS 15.

- 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.
- 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.
- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) - 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

*Effective beginning on or after January 1, 2019*

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



- PFRS 16, *Leases*, sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

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

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

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*, clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*, addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

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

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



### *Deferred effectivity*

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

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

### Reclassification of Accounts

The Company changed the presentation of its consolidated statements of comprehensive income for the years ended December 31, 2016 and 2015 to appropriately present interest income and provision for income tax (final tax on interest income). The reclassifications do not have any impact on the consolidated statements of comprehensive income for the years ended December 31, 2016 and 2015.

### *Summary of 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 classified as 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 classified as current when it is:

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

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent.

#### Cash and Cash Equivalents

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



### Determination of Fair Value

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

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

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

*'Day 1' Difference.* When the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the 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 that require delivery of assets within the period generally established by regulation or convention in the marketplace (regular day trade) are recognized on trade date, i.e., the date the Company commits to purchase or sell the asset.

*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 that are directly attributable to the acquisition of the financial instruments.

*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, 2017 and 2016.

*Loans and Receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL or AFS financial assets. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method less any allowance for impairment.



Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are not integral part of the EIR. Gains and losses are recognized in 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 receivables and deposits (included in “Deferred exploration costs and other noncurrent assets” account).

*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. After initial recognition, AFS financial assets are subsequently measured 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 reclassified to 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 reclassified 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, 2017 and 2016.

*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 includes liabilities arising from operations or borrowings.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account the impact of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs that are integral part of EIR. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process. Other financial liabilities are included in the current liabilities if maturity is within 12 months from the reporting date or the Company does not have an unconditional right to defer payment for at least 12 months from reporting date. Otherwise, these are classified as noncurrent liabilities.



Classified under this category are trade and other payables, advances from related parties and subscriptions payable.

#### 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 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. “Significant” is to be evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss, 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 has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company 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 or has entered into a “pass-through” arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all 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. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligation that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the 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 Liability 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 liability 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. The Company assesses that it has a currently enforceable right of offset if the right is not contingent. On a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

#### 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 | 1–5years  |
| Leasehold improvements     | 5years 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 cash generating unit (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 is determined by assessing the recoverable amount of the CGU or group of CGUs, to which the goodwill relates. When the recoverable amount of the cash generating unit or group of cash generating units is less than the carrying amount, an impairment loss is recognized. Impairment loss with respect to goodwill cannot be reversed in future periods.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU to which the goodwill is allocated. These budgets and forecasts calculations generally cover a period of five years. A long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

When goodwill forms part of a CGU or group of CGUs and part of the operations within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed and the portion of the CGU retained.

When business combination involves more than one exchange transaction (occurs in stages), each exchange transaction is treated separately by the Company, using the cost of transaction and fair value information at the date of each exchange transactions, to determine the amount of goodwill associated with that transaction. Any adjustment to fair value relating to the previously held interest is a revaluation and is accounted for as such.

When subsidiaries are sold, the difference between the selling price and the net assets plus goodwill is recognized in profit or loss.



#### 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 defined benefit liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Interest on the defined benefit liability
- Remeasurements of defined benefit liability



Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Interest on defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability. Interest on the defined benefit liability is recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses (excluding interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting period.

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

#### Leases

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 income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.



Current income tax relating to item recognized directly in equity is recognized in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and by the parent, venture or investor, respectively, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences the carry forward benefits of unused tax credits and any unused tax losses from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO) to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward benefits of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognized in other comprehensive income are included in the related other comprehensive income in the consolidated statement of comprehensive income and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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



*Value Added Tax (VAT)*. Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as part of “Trade and other payables” account in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as part of “Other current assets” account in the consolidated statements of financial position to the extent of the recoverable amount.

#### Foreign Currency-Denominated Transactions

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

#### Provisions

Provisions are recognized when the 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 2017, 2016 and 2015. The carrying values of AFS financial assets amounted to ₱8.7 million and ₱7.5 million as at December 31, 2017 and 2016, 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 amounted to ₱8.7 million and ₱7.5 million as at December 31, 2017 and 2016, 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.

*Impairment of Nonfinancial Assets (excluding Goodwill).* 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.



Deferred exploration costs are reassessed on a regular basis and these costs are carried forward provided that all of the following conditions are met:

- the period for which the entity has the right to explore in the specific area has not expired during the period or will not expire in the near future, and is expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is budgeted or planned;
- the exploration for and evaluation of mineral resources in the specific area led to the discovery of commercially viable quantities of mineral resources and the entity has not decided to discontinue such activities in the specific area.;
- and sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset will be recovered in full from successful development or by sale.

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

|   | 2017               | 2016        |
|---|--------------------|-------------|
| Deferred exploration costs and mining rights<br>(see Note 10) | <b>₱59,702,160</b> | ₱59,174,023 |
| Property and equipment (see Note 8)                           | <b>24,546</b>      | 125,585     |

Write off/provision for impairment of deferred exploration costs and mining rights amounted to nil, ₱12.9 million and ₱0.9 million in 2017, 2016 and 2015, 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 2017, 2016 and 2015. Trade and other receivables amounted to ₱0.9 million and ₱81.8 million as at December 31, 2017 and 2016, respectively (see Note 6).

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



Fair value of investment property amounted to ₱22.4 million as at December 31, 2017 and 2016 (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. The carrying amount of goodwill amounted to nil as at December 31, 2017 and 2016 (see Note 10).

*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 ₱52.2 million and ₱49.4 million as at December 31, 2017 and 2016, respectively (see Note 15).

*Fair Value of Assets and Liabilities.* Certain assets and liabilities are required to be carried or disclosed 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 19.

*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.

Retirement costs amounted to ₱0.5 million in 2017 and ₱0.4 million in 2016 and 2015. Accrued retirement costs amounted to ₱2.7 million and ₱2.8 million as at December 31, 2017 and 2016, 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 2017, 2016 and 2015.

#### 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:

- a. Mining and Exploration - pertain to the mining, coal and power and energy business of the Company.
- b. 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<br>Exploration | Unallocated<br>Corporate<br>Balances<br>and Other<br>Operations | Combined      | Eliminations  | Total<br>Operations |
|--|---------------------------|---|---------------|---------------|---------------------|
| <b>Year Ended December 31, 2017</b>                                    |                           |   |               |               |                     |
| Segment expenses   | (P973,595)                | (P19,537,030)   | (P20,510,625) | P—            | (P20,510,625)       |
| Loss on disposal of property and equipment                             | —                         | (26,684)  | (26,684)      | —             | (26,684)            |
| Dividend and other income  | —                         | 223,188   | 223,188       | —             | 223,188             |
| Interest income  | 4,595                     | 3,895,581   | 3,900,176     | —             | 3,900,176           |
| Provision for impairment of investment and advances<br>in a subsidiary | —                         | (32,593,900)  | (32,593,900)  | 32,593,900    | —                   |
| Provision for income tax   | —                         | (890)   | (890)         | —             | (890)               |
| Net loss   | (P969,000)                | (P48,039,735)   | (P49,008,735) | P32,593,900   | (P16,414,835)       |
| <b>As at December 31, 2017</b>   |                           |   |               |               |                     |
| Other information:   |                           |   |               |               |                     |
| Segment assets   | P65,411,299               | P305,843,305  | P371,254,604  | (P74,261,502) | P296,993,102        |
| Segment liabilities  | 125,738,395               | 107,008,568   | 232,746,963   | (118,863,532) | 113,883,431         |
| Depreciation and amortization  | —                         | 65,522  | 65,522        | —             | 65,522              |



|  | Mining and<br>Exploration | Unallocated<br>Corporate<br>Balances<br>and Other<br>Operations | Combined       | Eliminations   | Total<br>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  | 9,875                     | 1,215,147   | 1,225,022      | —              | 1,225,022           |
| Provision for income tax   | —                         | (71,437)  | (71,437)       | —              | (71,437)            |
| 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<br>Exploration | Unallocated<br>Corporate<br>Balances<br>and Other<br>Operations | Combined       | Eliminations   | Total<br>Operations |
| <b>Year Ended December 31, 2015</b>                                      |                           |   |                |                |                     |
| Segment expenses   | (1,823,049)               | (18,280,084)  | (20,103,133)   | —              | (20,103,133)        |
| 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  | 524,020                   | 1,355,703   | 1,879,723      | —              | 1,879,723           |
| Provision for income tax   | —                         | (342)   | (342)          | —              | (342)               |
| 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   | (P2,244,029)              | (P130,454,136)  | (P132,698,165) | P86,248,165    | (P46,450,000)       |
|  | Mining and<br>Exploration | Unallocated<br>Corporate<br>Balances<br>and Other<br>Operations | Combined       | Eliminations   | Total<br>Operations |
| <b>As at December 31, 2015</b>   |                           |   |                |                |                     |
| Other information:   |                           |   |                |                |                     |
| Segment assets   | P72,154,670               | P385,437,551  | P457,592,221   | (P104,444,998) | P353,147,223        |
| 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              |

## 5. Cash and Cash Equivalents

This account consists of:

|                           | 2017                | 2016         |
|---------------------------|---------------------|--------------|
| Cash on hand and in banks | <b>P4,393,939</b>   | P11,290,412  |
| Short-term investments    | <b>192,192,295</b>  | 127,334,014  |
|                           | <b>P196,586,234</b> | P138,624,426 |

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 ₱3.9 million, ₱1.2 million and ₱1.9 million in 2017, 2016 and 2015, respectively.

## 6. Trade and Other Receivables

This account consists of:

|  | 2017            | 2016        |
|--|-----------------|-------------|
| Trade  | <b>₱490,767</b> | ₱943,596    |
| Advances to officers and employees           | <b>60,582</b>   | 447,760     |
| Receivables from a third party (see Note 20) | —               | 80,000,000  |
| Others                                       | <b>390,328</b>  | 378,523     |
|  | <b>₱941,677</b> | ₱81,769,879 |

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

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

## 7. Available-for-Sale Financial Assets

This account consists of:

|                             | 2017              | 2016       |
|-----------------------------|-------------------|------------|
| Premium Leisure Corp. (PLC) | <b>₱8,584,650</b> | ₱7,440,030 |
| Others                      | <b>84,921</b>     | 84,921     |
|                             | <b>₱8,669,571</b> | ₱7,524,951 |

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

|                                | 2017              | 2016       |
|--------------------------------|-------------------|------------|
| Balance at beginning of year   | <b>₱7,524,951</b> | ₱4,154,681 |
| Unrealized mark-to-market gain | <b>1,144,620</b>  | 3,370,270  |
| Balance at end of year         | <b>₱8,669,571</b> | ₱7,524,951 |

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:

|                                | 2017              | 2016       |
|--------------------------------|-------------------|------------|
| Balance at beginning of year   | <b>₱6,676,950</b> | ₱3,306,680 |
| Unrealized mark-to-market gain | <b>1,144,620</b>  | 3,370,270  |
| Balance at end of year         | <b>₱7,821,570</b> | ₱6,676,950 |



The Company received dividend income from PLC shares amounting to ₱0.2 million in 2017 and ₱0.1 million in 2016 and 2015.

## 8. Property and Equipment

This account consists of:

| 2017   |                                  |                           |                |
|--|----------------------------------|---------------------------|----------------|
|  | Office<br>and Other<br>Equipment | Leasehold<br>Improvements | Total          |
| <b>Cost</b>  |                                  |                           |                |
| Balance at beginning of year                         | ₱1,746,767                       | ₱3,332,976                | ₱5,079,743     |
| Additions  | 26,777                           | –                         | 26,777         |
| Disposals  | (159,411)                        | –                         | (159,411)      |
| Balance at end of year                               | 1,614,133                        | 3,332,976                 | 4,947,109      |
| <b>Accumulated Depreciation and<br/>Amortization</b> |                                  |                           |                |
| Balance at beginning of year                         | 1,639,541                        | 3,314,617                 | 4,954,158      |
| Depreciation and amortization (see Note 13)          | 47,163                           | 18,359                    | 65,522         |
| Disposals  | (97,117)                         | –                         | (97,117)       |
| Balance at end of year                               | 1,589,587                        | 3,332,976                 | 4,922,563      |
| <b>Net Book Value</b>                                | <b>₱24,546</b>                   | <b>₱–</b>                 | <b>₱24,546</b> |

| 2016   |                                  |                           |                 |
|--|----------------------------------|---------------------------|-----------------|
|  | Office<br>and Other<br>Equipment | Leasehold<br>Improvements | Total           |
| <b>Cost</b>  |                                  |                           |                 |
| Balance at beginning and end of year                 | ₱1,746,767                       | ₱3,332,976                | ₱5,079,743      |
| <b>Accumulated Depreciation and<br/>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> |

There were no idle assets as at December 31, 2017 and 2016.

## 9. Investment Property

The movement of this account follows:

|                                | 2017        | 2016          |
|--------------------------------|-------------|---------------|
| Balance at beginning of year   | ₱22,374,000 | ₱129,548,000  |
| Disposal                       | –           | (114,689,020) |
| Gain on fair value adjustments | –           | 7,515,020     |
| Balance at end of year         | ₱22,374,000 | ₱22,374,000   |

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 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 19.

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

Highest and Best Use

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

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

Market Data Approach

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

While fair value of the investment property was not determined as at December 31, 2017, the Company's management believes that there were no conditions present in 2017 that would significantly reduce the fair value of the investment properties from that determined in 2016.

The Company recognized gain (loss) on fair value change in investment property amounting to nil in 2017, ₱7.5 million in 2016 and (₱27.4 million) in 2015.





# 10. Deferred Exploration Costs and Other Noncurrent Assets

This account consists of:

|   | 2017               | 2016        |
|---|--------------------|-------------|
| Deferred exploration costs and mining rights - net  | <b>₱59,702,160</b> | ₱59,174,023 |
| Deposits and others (net of allowance for impairment loss amounting to ₱6.0 million as at December 31, 2017 and 2016) (see Note 19) | <b>190,398</b>     | 29,213      |
|   | <b>₱59,892,558</b> | ₱59,203,236 |

## Goodwill

The Company recognized full impairment loss on goodwill amounting to ₱6.0 million in 2016. The carrying amount of goodwill amounted to nil as at December 31, 2017 and 2016.

## Deferred Exploration Costs and Mining Rights - net

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

|                               | 2017                       |                    |
|-------------------------------|----------------------------|--------------------|
|                               | Deferred Exploration Costs | Mining Rights      |
| Cost:                         |                            |                    |
| Balance at beginning of year  | <b>₱122,838,947</b>        | <b>₱48,254,908</b> |
| Additions                     | <b>528,137</b>             | –                  |
| Balance at end of year        | <b>123,367,084</b>         | <b>48,254,908</b>  |
| Less allowance for impairment | <b>63,664,924</b>          | <b>48,254,908</b>  |
| Net book value                | <b>₱59,702,160</b>         | <b>₱–</b>          |

|                               | 2016                       |                    |
|-------------------------------|----------------------------|--------------------|
|                               | Deferred Exploration Costs | Mining Rights      |
| Cost:                         |                            |                    |
| Balance at beginning of year  | <b>₱135,130,985</b>        | <b>₱48,254,908</b> |
| Write-off                     | <b>(12,911,061)</b>        | –                  |
| Additions                     | <b>619,023</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>          |

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 MPSAs 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 all rights included thereon to a third party. The related deferred exploration costs incurred for mining projects amounting to ₱12.9 million were written off accordingly.

The Company incurred exploration costs amounting to ₱0.5 million, ₱0.6 million and ₱1.3 million in 2017, 2016 and 2015, respectively, in connection with the exploration activities, engineering design and technical feasibility of its Geothermal Kalinga Project.

The Company recognized full impairment of deferred exploration costs for its coal and geothermal projects amounting to ₱0.9 million in 2015. No impairment loss was recognized in 2017 and 2016.

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## 11. Trade and Other Payables

This account consists of:

|                                | 2017               | 2016        |
|--------------------------------|--------------------|-------------|
| Trade                          | <b>₱7,182,500</b>  | ₱5,021,811  |
| Accrued expenses:              |                    |             |
| Professional fees              | <b>1,088,332</b>   | 1,665,772   |
| Others                         | <b>606,202</b>     | 759,497     |
| Payable to third party         | <b>13,399,223</b>  | 20,349,155  |
| Nontrade payables              | <b>8,735,254</b>   | 8,735,254   |
| Payable to government agencies | <b>40,139</b>      | 64,066      |
|                                | <b>₱31,051,650</b> | ₱36,595,555 |

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 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, 2017 and 2016 follow:

|                                | Number<br>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 |
|                                | Number<br>of Shares | Amounts        |
| Issued - Common shares         | 5,998,149,059       | ₱5,998,149,059 |
| Subscribed - Common shares     | 1,513,660,938       | 1,513,660,938  |
|                                | 7,511,809,997       | 7,511,809,997  |
| Less subscription receivable   | 1,123,731,248       | 1,123,731,248  |
|                                | 6,388,078,749       | ₱6,388,078,749 |

- b. 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 23, 2018, 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. In 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/<br>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 594 and 599 as at December 31, 2017 and 2016, respectively.

On August 9, 2017, the Parent Company's BOD approved the reduction of the par value of the Parent Company's capital stock from ₱1 par value per share to ₱0.01 par value per share. The authorized capital stock of the Parent Company will be ₱200.0 million, divided into ₱140.0 million common shares and ₱60.0 million preferred shares. This was approved by the Parent Company's stockholders on September 27, 2017.



The reduction in par value will generate sufficient additional paid-in capital to wipe out the Company's deficit. As at March 23, 2018, the Parent Company is in the process of filing its application of amended Articles of Incorporation with the SEC.

### 13. General and Administrative Expenses

This account consists of:

|  | 2017               | 2016        | 2015        |
|--|--------------------|-------------|-------------|
| Professional fees and outside services     | <b>₱6,147,392</b>  | ₱6,181,176  | ₱7,830,509  |
| Taxes and licenses                         | <b>5,430,419</b>   | 6,194,571   | 828,583     |
| Salaries and employee benefits             | <b>4,933,334</b>   | 4,710,238   | 4,936,937   |
| Entertainment, amusement and recreation    | <b>1,495,626</b>   | 1,634,285   | 1,656,140   |
| Transportation and travel                  | <b>660,685</b>     | 415,358     | 521,099     |
| Retirement costs (see Note 14)             | <b>490,513</b>     | 435,900     | 435,900     |
| Rental                                     | <b>405,054</b>     | 843,175     | 644,940     |
| Meeting expenses                           | <b>283,609</b>     | 218,484     | 183,809     |
| Utilities and maintenance                  | <b>212,391</b>     | 495,976     | 599,713     |
| Depreciation and amortization (see Note 8) | <b>65,522</b>      | 70,418      | 43,023      |
| Supplies expense                           | <b>38,542</b>      | 55,605      | 127,982     |
| Repairs and maintenance                    | <b>8,705</b>       | 172,014     | 698,061     |
| Processing fee                             | —                  | —           | 601,085     |
| Others                                     | <b>338,833</b>     | 421,717     | 995,352     |
|  | <b>₱20,510,625</b> | ₱21,848,917 | ₱20,103,133 |

### 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.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Changes in accrued retirement costs are as follows:

|                              | 2017              | 2016       | 2015       |
|------------------------------|-------------------|------------|------------|
| Balance at beginning of year | <b>₱2,800,500</b> | ₱2,364,600 | ₱1,790,500 |
| Retirement costs:            |                   |            |            |
| Current service cost         | <b>331,165</b>    | 340,800    | 340,800    |
| Interest cost                | <b>159,348</b>    | 95,100     | 95,100     |
|                              | <b>490,513</b>    | 435,900    | 435,900    |

(Forward)



|   | 2017              | 2016              | 2015              |
|---|-------------------|-------------------|-------------------|
| Remeasurements loss (gain) in other comprehensive income:       |                   |                   |                   |
| Actuarial changes due to experience adjustments                 | (P1,209,385)      | P—                | P249,400          |
| Actuarial changes arising from changes in financial assumptions | 583,658           | —                 | (111,200)         |
|   | (625,727)         | —                 | 138,200           |
|   | <b>P2,665,286</b> | <b>P2,800,500</b> | <b>P2,364,600</b> |

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

|                             | 2017         | 2016  | 2015  |
|-----------------------------|--------------|-------|-------|
| Discount rate               | <b>5.79%</b> | 5.69% | 5.69% |
| Future salary increase rate | <b>8.00%</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:

|                             | Increase (Decrease)<br>in Basis Points | Increase (Decrease) in<br>Defined Benefit Obligation |
|-----------------------------|--|--|
| Discount rate               |  |  |
| <b>2017</b>                 | 100                                    | (P247,529)   |
|                             | (100)                                  | 283,057  |
| 2016                        | 50                                     | (136,600)  |
|                             | (50)                                   | 147,800  |
| Future salary increase rate |  |  |
| <b>2017</b>                 | 100                                    | 247,191  |
|                             | (100)                                  | (222,288)  |
| 2016                        | 20                                     | 661,000  |
|                             | (20)                                   | (499,700)  |

The following are other defined benefit plan information:

|  | 2017              | 2016        |
|--|-------------------|-------------|
| A. Weighted Average Duration of PVDBO                            | <b>9.90 years</b> | 12.60 years |
| B. Maturity Analysis of Undiscounted Retirement Benefit Payments |                   |             |
| More than one year up to 5 years                                 | <b>P517,628</b>   | P924,400    |
| More than 5 years up to 10 years                                 | <b>2,087,323</b>  | 2,506,300   |
| More than 15 years up to 20 years                                | —                 | 11,670,200  |
| More than 20 years   | —                 | 11,930,600  |
| C. Plan Membership Information                                   |                   |             |
| Number of Active Plan Members                                    | <b>7</b>          | 6           |
| Average Attained Age   | <b>40.9 years</b> | 41.9 years  |
| Average Past Service   | <b>6.8 years</b>  | 6.8 years   |
| Average Future Service   | <b>19.1 years</b> | 18.1 years  |



## 15. Income Tax

In 2017, 2016 and 2015, the current provision for income tax is computed using MCIT.

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

|   | 2017                | 2016           | 2015          |
|---|---------------------|----------------|---------------|
| Benefit from income tax at statutory income tax rate    | <b>(P4,924,184)</b> | (P14,097,994)  | (P13,934,897) |
| Increase (decrease) in income tax resulting from:       |                     |                |               |
| Change in unrecognized deferred tax assets              | <b>2,951,878</b>    | 5,298,190      | 1,251,798     |
| Expired NOLCO and MCIT                                  | <b>2,748,167</b>    | 1,911,405      | 4,347,780     |
| Nondeductible expenses                                  | <b>448,688</b>      | 4,016,158      | 710,115       |
| Interest income subjected to final tax                  | <b>(1,170,053)</b>  | (367,506)      | (563,917)     |
| Dividend income exempt from income tax                  | <b>(53,606)</b>     | (41,016)       | (41,969)      |
| Loss on sale of investment property                     | —                   | 5,606,706      | —             |
| Loss (gain) on fair value change in investment property | —                   | (2,254,506)    | 8,231,432     |
| Effective income tax                                    | <b>P890</b>         | <b>P71,437</b> | <b>P342</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:

|  | 2017                | 2016                | 2015                |
|--|---------------------|---------------------|---------------------|
| Allowance for impairment of deferred exploration costs and mining rights | <b>P111,919,832</b> | P111,919,832        | P111,919,832        |
| NOLCO  | <b>59,009,651</b>   | 48,824,729          | 31,511,399          |
| Accrued retirement costs   | <b>2,665,286</b>    | 2,800,500           | 2,364,600           |
| Excess of MCIT over RCIT   | <b>72,669</b>       | 323,421             | 350,000             |
| Others   | <b>714</b>          | 714                 | 714                 |
|  | <b>P173,668,152</b> | <b>P163,869,196</b> | <b>P146,146,545</b> |
| Unrecognized deferred tax assets   | <b>P52,151,314</b>  | <b>P49,387,154</b>  | <b>P44,088,964</b>  |

Deferred tax assets were not recognized as at December 31, 2017 and 2016 as management believes it is not probable that future taxable profits will be sufficient against which these can be utilized.

As at December 31, 2017, the Company's NOLCO and MCIT, which can be carried forward and claimed as deductions against regular taxable income and as tax credit against regular corporate income tax due, respectively, are as follows:

| Year Incurred / Paid | Expiry Date | NOLCO              | MCIT           |
|----------------------|-------------|--------------------|----------------|
| 2015                 | 2018        | P17,145,019        | P342           |
| 2016                 | 2019        | 23,357,961         | 71,437         |
| 2017                 | 2020        | 18,506,671         | 890            |
|                      |             | <b>P59,009,651</b> | <b>P72,669</b> |



The movements in NOLCO and MCIT follow:

|                              | 2017               | 2016        |
|------------------------------|--------------------|-------------|
| <b>NOLCO:</b>                |                    |             |
| Balance at beginning of year | <b>₱48,824,729</b> | ₱31,511,399 |
| Additions                    | <b>18,506,671</b>  | 23,257,961  |
| Expirations                  | <b>(8,321,749)</b> | (6,044,631) |
| Balance at end of year       | <b>₱59,009,651</b> | ₱48,824,729 |
|                              |                    |             |
|                              | 2017               | 2016        |
| <b>MCIT:</b>                 |                    |             |
| Balance at beginning of year | <b>₱323,421</b>    | ₱350,000    |
| Additions                    | <b>890</b>         | 71,437      |
| Expirations                  | <b>(251,642)</b>   | (98,016)    |
| Balance at end of year       | <b>₱72,669</b>     | ₱323,421    |

Republic Act No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

## 16. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the 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. There have been no guarantees provided or received for any related party receivables or payables and settlement occurs in cash.

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

| Category                      | Year | Amount/<br>Volume of<br>Transactions | Advances from<br>Related Parties | Terms               | Conditions |
|-------------------------------|------|--------------------------------------|----------------------------------|---------------------|------------|
| <b>Stockholder</b>            |      |                                      |                                  |                     |            |
| <b>Belle</b>                  |      |                                      |                                  |                     |            |
| (1) Advances                  | 2017 | ₱-                                   | (₱79,406,947)                    | On demand;          | Unsecured  |
|                               | 2016 | -                                    | (79,406,947)                     | Noninterest-bearing |            |
| (2) Share in expenses         | 2017 | -                                    | (597,589)                        | On demand;          | Unsecured  |
|                               | 2016 | -                                    | (365,059)                        | Noninterest-bearing |            |
| <b>Total</b>                  |      |                                      |                                  |                     |            |
| Advances from related parties | 2017 | ₱-                                   | (₱80,004,536)                    |                     |            |
|                               | 2016 | -                                    | (79,772,006)                     |                     |            |



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

|   | 2017              | 2016       | 2015       |
|---|-------------------|------------|------------|
| Salaries and short-term employee benefits | <b>₱3,480,000</b> | ₱3,640,000 | ₱3,360,000 |
| Retirement costs                          | <b>190,543</b>    | 198,800    | 198,800    |
|   | <b>₱3,670,543</b> | ₱3,838,800 | ₱3,558,800 |

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

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

|   | 2017                 | 2016          | 2015          |
|---|----------------------|---------------|---------------|
| Loss attributable to equity holders of the Parent Company (a) | <b>(₱16,324,751)</b> | (₱46,129,738) | (₱45,967,704) |
| Weighted average number of common shares                      | <b>7,511,809,997</b> | 7,511,809,997 | 7,511,809,997 |
| Treasury shares   | <b>(7,606,000)</b>   | (7,606,000)   | (7,606,000)   |
| Divided by weighted average common shares (b)                 | <b>7,504,203,997</b> | 7,504,203,997 | 7,504,203,997 |
| Basic/diluted loss per share                                  | <b>(₱0.002175)</b>   | (₱0.006147)   | (₱0.006126)   |

There were no dilutive potential common shares for purposes of calculation of loss per share in 2017, 2016 and 2015.

#### 18. 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. Other financial instruments consists of AFS financial assets and advances from related parties.

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 is exposed to credit risk, if the counterparty is unwilling or unable to fulfill its obligations and the Company consequently suffers financial loss.





Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

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

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

| 2017                                  |                                     |                           |                 |                     |           |                     |
|---------------------------------------|-------------------------------------|---------------------------|-----------------|---------------------|-----------|---------------------|
|                                       | Neither<br>Past Due nor<br>Impaired | Past Due but not Impaired |                 | Total               | Impaired  | Total               |
|                                       |                                     | 1-60 Days                 | >60 Days        |                     |           |                     |
| Cash and cash equivalents*            | ₱196,576,234                        | ₱—                        | ₱—              | ₱196,576,234        | ₱—        | ₱196,576,234        |
| Trade and other receivables:          |                                     |                           |                 |                     |           |                     |
| Trade                                 | —                                   | —                         | 490,767         | 490,767             | —         | 490,767             |
| Advances to officers<br>and employees | —                                   | —                         | 60,582          | 60,582              | —         | 60,582              |
| Others                                | —                                   | 59,040                    | 331,288         | 390,328             | —         | 390,328             |
| Deposits**                            | 190,398                             | —                         | —               | 190,398             | —         | 190,398             |
| AFS financial assets                  | 8,669,571                           | —                         | —               | 8,669,571           | —         | 8,669,571           |
|                                       | <b>₱205,436,203</b>                 | <b>₱59,040</b>            | <b>₱882,637</b> | <b>₱206,377,880</b> | <b>₱—</b> | <b>₱206,377,880</b> |

| 2016                                  |                                     |                           |                   |                     |           |                     |
|---------------------------------------|-------------------------------------|---------------------------|-------------------|---------------------|-----------|---------------------|
|                                       | Neither<br>Past Due nor<br>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<br>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           |
|                                       | <b>₱226,168,590</b>                 | <b>₱402,835</b>           | <b>₱1,367,044</b> | <b>₱227,938,469</b> | <b>₱—</b> | <b>₱227,938,469</b> |

\*Excluding cash on hand amounting to ₱10,000 as at December 31, 2017 and 2016.

\*\*Included as part of "Deferred exploration costs and other noncurrent assets" account.

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

| 2017                       |                     |                   |                     |
|----------------------------|---------------------|-------------------|---------------------|
|                            | High Grade          | Standard<br>Grade | Total               |
| Cash and cash equivalents* | ₱196,576,234        | ₱—                | ₱196,576,234        |
| Deposits**                 | —                   | 190,398           | 190,398             |
| AFS financial assets       | —                   | 8,669,571         | 8,669,571           |
|                            | <b>₱196,576,234</b> | <b>₱8,859,969</b> | <b>₱205,436,203</b> |



|                               | 2016         |                |              |
|-------------------------------|--------------|----------------|--------------|
|                               | High Grade   | Standard Grade | Total        |
| Cash and cash equivalents*    | ₱138,614,426 | ₱—             | ₱138,614,426 |
| Trade and other receivable -  |              |                |              |
| Receivable from a third party | 80,000,000   | —              | 80,000,000   |
| Deposits**                    | —            | 29,213         | 29,213       |
| AFS financial assets          | —            | 7,524,951      | 7,524,951    |
|                               | ₱218,614,426 | ₱7,554,164     | ₱226,168,590 |

\*Excluding cash on hand amounting to ₱10,000 as at December 31, 2017 and 2016.

\*\*Included as part of “Deferred exploration costs and other noncurrent assets” account.

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.”

#### 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 ₱206.2 million and ₱227.9 million as at December 31, 2017 and 2016, respectively.

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

|                               | 2017         |                    |                |             |              |
|-------------------------------|--------------|--------------------|----------------|-------------|--------------|
|                               | On Demand    | Less than 3 Months | 3 to 12 Months | Over 1 Year | Total        |
| Trade and other payables*     | ₱31,011,511  | ₱—                 | ₱—             | ₱—          | ₱31,011,511  |
| Advances from related parties | 80,004,536   | —                  | —              | —           | 80,004,536   |
| Subscriptions payable         | —            | —                  | —              | 161,959     | 161,959      |
|                               | ₱111,016,047 | ₱—                 | ₱—             | ₱161,959    | ₱111,178,006 |

|                               | 2016         |                    |                |             |              |
|-------------------------------|--------------|--------------------|----------------|-------------|--------------|
|                               | On Demand    | Less than 3 Months | 3 to 12 Months | Over 1 Year | Total        |
| 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 |

\*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 ₱8.7 million and ₱7.5 million as at December 31, 2017 and 2016, 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, 2017 and 2016) due to reasonably possible change in equity indices, with all other variables held constant, is as follows:

|             | Change in Equity Price* | Effect on Equity   |
|-------------|-------------------------|--------------------|
| <b>2017</b> | <b>13%</b>              | <b>₱1,144,620</b>  |
|             | <b>(13%)</b>            | <b>(1,144,620)</b> |
| <br>2016    | <br>14%                 | <br>₱1,004,722     |
|             | <br>(14%)               | <br>(1,004,722)    |

*\*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, 2017 and 2016, respectively.

There were no changes in the objectives, policies or procedures during the years ended December 31, 2017 and 2016.

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## **19. 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, 2017 and 2016 are as follows:

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

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



### AFS Financial Assets

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

### Deposits and 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, 2017 and 2016:

| 2017                           |                   |             |            |             |
|--------------------------------|-------------------|-------------|------------|-------------|
|                                | Valuation Date    | Total       | Level 1    | Level 3     |
| Assets measured at fair value: |                   |             |            |             |
| Investment property (Note 9)   | October 12, 2016  | ₱22,374,000 | ₱—         | ₱22,374,000 |
| AFS financial assets (Note 7)  | December 31, 2017 | 8,669,571   | 8,669,571  | —           |
| Total financial assets         |                   | ₱31,043,571 | ₱8,669,571 | ₱22,374,000 |

| 2016                           |                   |             |            |             |
|--------------------------------|-------------------|-------------|------------|-------------|
|                                | Valuation Date    | Total       | Level 1    | Level 3     |
| Assets measured at fair value: |                   |             |            |             |
| Investment property (Note 9)   | October 12, 2016  | ₱22,374,000 | ₱—         | ₱22,374,000 |
| AFS financial assets (Note 7)  | December 31, 2017 | 7,524,951   | 7,524,951  | —           |
| Total financial assets         |                   | ₱29,898,951 | ₱7,524,951 | ₱22,374,000 |

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, 2017 and 2016.

## **20. 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 was subsequently collected in 2017 and presented as part of "Trade and other receivables" account in 2016 consolidated statement of financial position.

There are no non-cash activities in 2017 and 2015.




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

The Stockholders and the Board of Directors  
APC Group, Inc.  
G/F MyTown New York Bldg.  
General E. Jacinto St. corner Capas St.  
Brgy. Guadalupe Nuevo, Makati City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of APC Group, Inc. and subsidiaries as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 and have issued our report thereon dated March 23, 2018. 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. 08-001998-112-2018,

February 14, 2018, valid until February 13, 2021

PTR No. 6621349, January 9, 2018, Makati City

March 23, 2018



**APC GROUP, INC. AND SUBSIDIARIES**  
**Index to the Consolidated Financial Statements and**  
**Supplementary Schedules**  
**December 31, 2017**

- Schedule I. List of Philippine Financial Reporting Standards and Interpretations  
Effective December 31, 2017
- Schedule II. Map of the Relationships of the Companies within the Group
- Schedule III. Supplementary Schedules Required by Paragraph 6D, Part II of SRC Rule 68  
As amended (2011)
- Schedule IV. Financial Ratios - Key Performance Indicators

# APC GROUP, INC. AND SUBSIDIARIES

## SCHEDULE OF LIST OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS EFFECTIVE AS AT DECEMBER 31, 2017

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as at December 31, 2017   |  | Adopted           | Not Adopted | Not Applicable |
|---|--|-------------------|-------------|----------------|
| <b>Framework for the Preparation and Presentation of Financial Statements</b><br>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   |                   |             | ✓              |
| <b>PFRS 4</b>   | 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 |             |                |

| <b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b><br><b>Effective as at December 31, 2017</b> |   | <b>Adopted</b>    | <b>Not Adopted</b> | <b>Not Applicable</b> |
|---|---|-------------------|--------------------|-----------------------|
| <b>PFRS 5</b>   | Non-current Assets Held for Sale and Discontinued Operations  |                   |                    | ✓                     |
|   | Amendments to PFRS 5: Changes in Methods of Disposals   |                   |                    | ✓                     |
| <b>PFRS 6</b>   | Exploration for and Evaluation of Mineral Resources   | ✓                 |                    |                       |
| <b>PFRS 7</b>   | 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   | ✓                 |                    |                       |
| <b>PFRS 8</b>   | 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 | ✓                 |                    |                       |
| <b>PFRS 9</b>   | Financial Instruments*  | Not Early Adopted |                    |                       |
|   | Amendments to PFRS 9: Prepayment Features with Negative Compensation*   | Not Early Adopted |                    |                       |
| <b>PFRS 10</b>  | 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   |                   |                    | ✓                     |
| <b>PFRS 11</b>  | Joint Arrangements  |                   |                    | ✓                     |
|   | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations   |                   |                    | ✓                     |



| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as at December 31, 2017 |   | Adopted           | Not Adopted | Not Applicable |
|---|---|-------------------|-------------|----------------|
| PFRS 12   | Disclosure of Interests in Other Entities   |                   |             |                |
|   | 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 |                   |             | ✓              |
|   | Amendment to PFRS 12: Clarification of the Scope of the Standard                                      |                   |             | ✓              |
| PFRS 13   | Fair Value Measurement  | ✓                 |             |                |
|   | Amendment to PFRS 13: Short-term Receivables and Payables   | ✓                 |             |                |
|   | Amendment to PFRS 13: Portfolio Exception   | ✓                 |             |                |
| PFRS 14   | Regulatory Deferral Accounts  |                   |             | ✓              |
| PFRS 15   | Revenue from Contracts with Customers*  | Not Early Adopted |             |                |
| PFRS 16   | Leases*   | Not Early Adopted |             |                |
| Philippine Accounting Standards   |   |                   |             |                |
| PAS 1 (Revised)   | 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  | ✓                 |             |                |
| PAS 2   | Inventories   |                   |             | ✓              |
| PAS 7   | Statement of Cash Flows   | ✓                 |             |                |
|   | Amendments to PAS 7: Disclosure Initiative  | ✓                 |             |                |
| PAS 8   | Accounting Policies, Changes in Accounting Estimates and Errors                                       | ✓                 |             |                |
| PAS 10  | Events after the Reporting Period   | ✓                 |             |                |
| PAS 11  | Construction Contracts  |                   |             | ✓              |
| PAS 12  | Income Taxes  | ✓                 |             |                |
|   | Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets                                      | ✓                 |             |                |
|   | Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses                        | ✓                 |             |                |

| <b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b><br><b>Effective as at December 31, 2017</b> |   | <b>Adopted</b>    | <b>Not Adopted</b> | <b>Not Applicable</b> |
|---|---|-------------------|--------------------|-----------------------|
| <b>PAS 16</b>   | 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   |                   |                    | ✓                     |
| <b>PAS 17</b>   | Leases  | ✓                 |                    |                       |
| <b>PAS 18</b>   | Revenue   | ✓                 |                    |                       |
| <b>PAS 19</b>   | Employee Benefits   | ✓                 |                    |                       |
|   | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures   |                   |                    | ✓                     |
|   | Amendments to PAS 19: Defined Benefit Plans: Employee Contribution  |                   |                    | ✓                     |
|   | Amendments to PAS 19: Regional Market Issue Regarding Discount Rate   | ✓                 |                    |                       |
| <b>PAS 20</b>   | Accounting for Government Grants and Disclosure of Government Assistance  |                   |                    | ✓                     |
| <b>PAS 21</b>   | The Effects of Changes in Foreign Exchange Rates  | ✓                 |                    |                       |
|   | Amendment: Net Investment in a Foreign Operation  |                   |                    | ✓                     |
| <b>PAS 23 (Revised)</b>   | Borrowing Costs   |                   |                    | ✓                     |
| <b>PAS 24 (Revised)</b>   | Related Party Disclosures   | ✓                 |                    |                       |
|   | Amendments to PAS 24: Key Management Personnel  | ✓                 |                    |                       |
| <b>PAS 26</b>   | Accounting and Reporting by Retirement Benefit Plans  |                   |                    | ✓                     |
| <b>PAS 27 (Amended)</b>   | Separate Financial Statements   | ✓                 |                    |                       |
|   | Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities  |                   |                    | ✓                     |
|   | Amendments to PAS 27: Equity Method in Separate Financial Statements  |                   |                    | ✓                     |
| <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 PAS 28: Long-term Interests in Associates and Joint Ventures*   | Not Early Adopted |                    |                       |

| <b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b><br><b>Effective as at December 31, 2017</b> |  | <b>Adopted</b> | <b>Not Adopted</b> | <b>Not Applicable</b> |
|---|--|----------------|--------------------|-----------------------|
| <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   | ✓              |                    |                       |
|   | 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                      | ✓              |                    |                       |

| <b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b><br>Effective as at December 31, 2017 |  | <b>Adopted</b>    | <b>Not Adopted</b> | <b>Not Applicable</b> |
|--|--|-------------------|--------------------|-----------------------|
| <b>PAS 39</b><br><i>(cont'd)</i>   | 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>   | <i>Determining Whether an Arrangement Contains a Lease</i>   | ✓                 |                    |                       |
| <b>IFRIC 5</b>   | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds   |                   |                    | ✓                     |
| <b>IFRIC 6</b>   | <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>   |                   |                    | ✓                     |
| <b>IFRIC 7</b>   | <i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>   |                   |                    | ✓                     |
| <b>IFRIC 9</b>   | Reassessment of Embedded Derivatives   |                   |                    | ✓                     |
|  | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives   |                   |                    | ✓                     |
| <b>IFRIC 10</b>  | <i>Interim Financial Reporting and Impairment</i>  |                   |                    | ✓                     |
| <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 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>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b><br><b>Effective as at December 31, 2017</b> |  | <b>Adopted</b>    | <b>Not Adopted</b> | <b>Not Applicable</b> |
|---|--|-------------------|--------------------|-----------------------|
| <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>IFRIC 23</b>   | Uncertainty over Income Tax Treatments*                                      | 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-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                 |                   |                    | ✓                     |
| <b>SIC-32</b>   | Intangible Assets - Web Site Costs   |                   |                    | ✓                     |

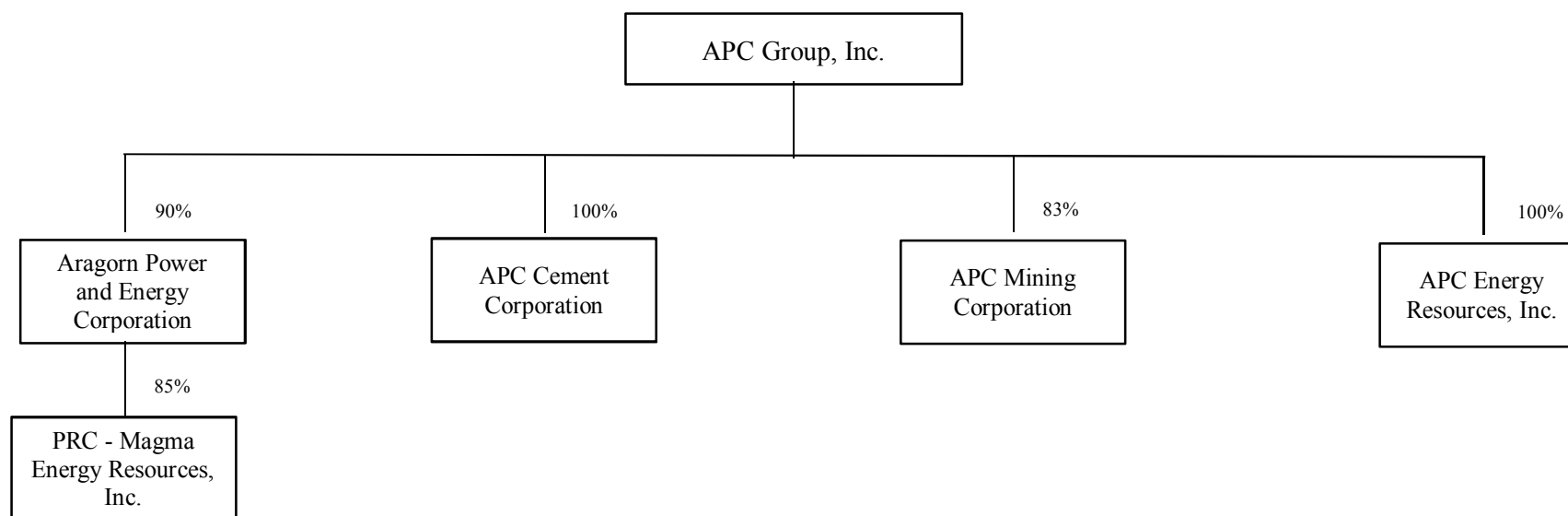
\* Standards and interpretations which will become effective subsequent to December 31, 2017.

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2017.

## **APC GROUP, INC. AND SUBSIDIARIES**

### **MAP OF THE RELATIONSHIP OF THE COMPANY WITHIN THE GROUP**

**DECEMBER 31, 2017**



**APC GROUP, INC. AND SUBSIDIARIES****SUPPLEMENTARY SCHEDULES REQUIRED BY PARAGRAPH 6D,  
PART II OF SRC RULE 68, AS AMENDED (2011)  
DECEMBER 31, 2017****Schedule A. Financial Assets**

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in the statement of financial position | Value based on market quotation at end of reporting period | Income received and accrued |
|--|---|---|--|-----------------------------|
| <b>Loans and receivables</b>                         |   |   |  |                             |
| Cash and cash equivalents                            | ₱196,586,234  | ₱196,586,234  | N/A  | ₱3,900,176                  |
| Trade receivables and other receivables              | 881,095   | 881,095   | N/A  | —                           |
| Advances to officers and employees                   | 60,582  | 60,582  | N/A  | —                           |
| Deposits   | 190,398   | 190,398   | N/A  | —                           |
|  | 197,718,309   | 197,718,309   |  | 3,900,176                   |
| <b>AFS financial assets</b>                          |   |   |  |                             |
| Premium Leisure Corp                                 | 6,359,000   | 8,584,650   | 8,584,650  | —                           |
| Others   | 12,500  | 84,921  | —  | —                           |
|  | 6,371,500   | 8,669,571   | 8,584,650  | —                           |
|  |   | ₱206,377,880  | ₱8,584,650   | ₱3,900,176                  |

**Schedule B. Amounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties)**

| Account                | Balance at Beginning of Period | Additions | Amounts Collected | Amounts Written Off | Current | Not Current | Balance of end of Period |
|------------------------|--------------------------------|-----------|-------------------|---------------------|---------|-------------|--------------------------|
| Officers and employees | ₱447,760                       | ₱774,801  | (₱1,161,979)      | ₱—                  | ₱60,582 | ₱—          | ₱60,582                  |

**Schedule C. Amounts of Receivable from Related Parties which are eliminated during the consolidation of financial statements**

| Name and Designation of Debtor       | Balance at Beginning of Period | Additions       | Amounts Collected | Allowance for Doubtful Account | Current            | Not Current       | Balance at end of Period |
|--------------------------------------|--------------------------------|-----------------|-------------------|--------------------------------|--------------------|-------------------|--------------------------|
| APC Mining Corporation               | ₱78,562,015                    | ₱17,267         | ₱-                | (₱76,478,123)                  | ₱2,101,159         | ₱-                | ₱2,101,159               |
| APC Cement Corporation               | 5,458,092                      | 197,545         | -                 | (3,771,346)                    | 1,884,291          | -                 | 1,884,291                |
| APC Energy Resources, Inc.           | 7,583,444                      | 10,457          | -                 | (7,593,901)                    | -                  | -                 | -                        |
| Aragorn Power and Energy Corporation | 15,274,036                     | 567,888         | -                 | -                              | 10,703,520         | 5,138,404         | 15,841,924               |
|                                      | <b>₱106,877,587</b>            | <b>₱793,157</b> | <b>₱-</b>         | <b>(₱87,843,370)</b>           | <b>₱14,688,970</b> | <b>₱5,138,404</b> | <b>₱19,827,374</b>       |

**Schedule D. Intangible Assets - Other Assets**

| Description | Beginning Balance | Additions at cost | Charged to cost and expenses | Charged to other accounts | Other changes additions (deductions) | Ending Balance |
|-------------|-------------------|-------------------|------------------------------|---------------------------|--------------------------------------|----------------|
| None        | -                 | -                 | -                            | -                         | -                                    | -              |

**Schedule E. Long-term Debt**

| Title of Issue and Type of Obligation | Amount Authorized by Indenture | Amount Shown under caption "Current portion of long-term debt" the statement of financial position | Amount Shown under "Long-Term Debt" the statement of financial position |
|---------------------------------------|--------------------------------|--|---|
| None                                  | -                              | -  | -   |

**Schedule F. Indebtedness to Related Parties**

| Name of Related Parties | Balance at Beginning of Period | Additions | Amounts Paid | Current     | Not Current | Balance at end of Period |
|-------------------------|--------------------------------|-----------|--------------|-------------|-------------|--------------------------|
| Belle Corporation       | ₱79,772,006                    | ₱232,530  | ₱-           | ₱80,004,536 | ₱-          | ₱80,004,536              |



**Schedule G. Guarantees of Securities of Other Issuers**

| Name of issuing entity of securities guaranteed by the company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owned by person for which statement is filed | Nature of Guarantee |
|--|---|---|---|---------------------|
| None   | —   | —                                       | —   | —                   |

**Schedule 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****FINANCIAL RATIOS - KEY PERFORMANCE INDICATORS****DECEMBER 31, 2017**

| Financial Ratios                    | Formula   | 2017           | 2016   |
|-------------------------------------|---|----------------|--------|
| <b>Return on Assets Ratio</b>       | $\frac{\text{Net income}}{\text{Average total assets}}$   | <b>(0.05)</b>  | (0.14) |
| <b>Return on Equity Ratio</b>       | $\frac{\text{Net income}}{\text{Average total stockholders' equity}}$   | <b>(0.09)</b>  | (0.21) |
| <b>Current Ratio</b>                | $\frac{\text{Current assets}}{\text{Current liabilities}}$  | <b>1.93</b>    | 2.02   |
| <b>Asset to Equity Ratio</b>        | $\frac{\text{Total assets}}{\text{Total stockholders' equity}}$   | <b>1.62</b>    | 1.60   |
| <b>Debt-to-Equity Ratio</b>         | $\frac{\text{Total interest-bearing debt}}{\text{Total stockholders' equity}}$                                | Not Applicable |        |
| <b>Net Debt-to-Equity Ratio</b>     | $\frac{\text{Total interest-bearing debt less cash and cash equivalents}}{\text{Total stockholders' equity}}$ | Not Applicable |        |
| <b>Interest Rate Coverage Ratio</b> | $\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$                                   | Not Applicable |        |

**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.**

G/F My Town New York Bldg.  
General E. Jacinto St. cor. Capas St.  
Guadalupe Nuevo, Makati City

## CERTIFICATION

I, **RICHARD ANTHONY D. ALCAZAR**, of legal age, Filipino and with office address at 2303A, 23<sup>rd</sup> Floor, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, being the Corporate Secretary of **APC GROUP, INC.** (the "Corporation"), a corporation duly organized and existing under Philippine laws, with office address at G/F MyTown New York Bldg., General E. Jacinto St. corner Capas St., Brgy. Guadalupe Nuevo, Makati City hereby certify that none of the directors and officers of the Corporation works in the government, or any of its subdivisions, agencies or instrumentalities.

This Certification is issued in compliance with Rule 20 of the 2015 Implementing Rules and Regulations of the Securities Regulation Code (2015 SCR IRR).

IN WITNESS WHEREOF, I have hereunto signed this certificate this AUG 20 2018 of \_\_\_\_\_ 2018 at Pasig City.




**RICHARD ANTHONY D. ALCAZAR**  
*Corporate Secretary*

SUBSCRIBED AND SWORN to before me this AUG 20 2018 2018 at Pasig City, affiant exhibiting to me his Comm. Tax Cert. No. 07845158 issued on January 18, 2018 at Pasig City and SSS No. 33-30928147 as competent evidence of his identity.

Doc. No. 04 ;  
Book No. 2 ;  
Page No. IV ;  
Series of 2018.

ndf/8.1.44 APC/2018 SEC Folder/Certification

  
**CATHERINE GAIL C. DIZON**  
Notary Public for the Cities of Pasig, San Juan,  
and Municipality of Pateros  
Appointed No. 159 (2018-2019)  
Commission Expires on 31 December 2018  
2303-A East Tower, PSE Center, Exchange Road  
Ortigas Center, Pasig City, Metro Manila  
PTR No. 8887680, 01/10/2018, Pasig City  
IBP License No. 10714; 08/08/2012; RSM  
MCLE Compliance No. 7-0010759

## CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am an independent director of APC GROUP, INC. duly elected by Stockholders during the last Annual Stockholders' Meeting held 27 September 2017.

2. I am affiliated with the following Companies or organizations:

| Company/Organization                                   | Position/<br>Relationship | Period of Service |
|--|---------------------------|-------------------|
| Irvine Construction Corporation                        | President                 | 1994 to present   |
| Shamu Marketing  | Owner                     | 1990 to present   |
| Filipino Chinese Youth Volunteer Fire Department, Inc. | President                 | 2011 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 in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.


4. I am not related to any of the directors/officers or substantial stockholders of the Company or any of its subsidiaries or affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. 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..

7. I shall inform the Corporate Secretary of APC GROUP, INC. of any changes in the abovementioned information within five days from its occurrence.

Done this 13 day of August 2018 at MAKATI CITY

  
TOMAS D. SANTOS  
Affiant

SUBSCRIBED AND SWORN to before me this 13 day of AUGUST 2018 at MAKATI CITY affiant exhibiting to me his Government Issued ID Passport No. \_\_\_\_\_ with expiry date on \_\_\_\_\_ as competent evidence of his identity.

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Page No. 71  
Book No. XIX;  
Series of 2018.

  
ATTY. GERVASIO A. RIZ/JK  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2018  
PTR NO. 588951-1 / 03-2017 / MAKATI  
IBP NO. 658155 - REGIME MEMBER  
APPT. NO. M104 / 2017 / ROLL NO. 4009  
MCLE COMPLIANCE NO. V-0006934  
UNIT 102 PENINSULA COURT BLDG  
9785 MAKATI AVE., MAKATI CITY



## CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am an independent director of APC GROUP, INC. duly elected by the Stockholders during the last Annual Stockholders' Meeting held on 27 September 2017.

2. I am affiliated with the following Companies or organizations:

| Company/Organization                                  | Position/<br>Relationship | Period of Service    |
|---|---------------------------|----------------------|
| Atlas Consolidated Mining and Development Corporation | Independent Director      | Since August 2012    |
| Pacific Online Systems Corp.                          | Independent Director      | Since May 2014       |
| MJC Investments Corporation                           | Independent Director      | Since May 2014       |
| MRT Dev. Corporation                                  | Director                  | Since July 2013      |
| United Paragon Mining Corporation                     | Independent Director      | Since September 2016 |
| Axelum Resources Corp.                                | 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 in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I am not related to any of the directors/officers or substantial stockholders of the Company or any of its subsidiaries or affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. 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..

7. I shall inform the Corporate Secretary of APC GROUP, INC. of any changes in the abovementioned information within five days from its occurrence.

AUG 13 2018

Done this \_\_\_\_\_ day of August 2018 at \_\_\_\_\_

MAKATI CITY

*Laurito E. Serrano*

LAURITO E. SERRANO  
Affiant

AUG 13 2018

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ th day of \_\_\_\_\_ 2018 at \_\_\_\_\_  
MAKATI CITY affiant exhibiting to me his Government Issued ID Driver's  
License No. N05-79-030116 valid until \_\_\_\_\_ and TIN#102-097-361  
competent evidence of his identity.

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Series of 2018.

~~ATTY. GERVASIO M. RUIZ, JR.  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2018  
PTR NO. 5809514 / 01-03-2017 / MAKATI  
IBP NO. 658155 LIFETIME MEMBER  
APPT. NO. M104 / 2017 / ROLL NO. 4-009  
MCLE COMPLIANCE NO. V-0006934  
JUNIT 102 PENINSULA COURT BLDG  
3735 MAKATI AVE., MAKATI CITY~~