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

July 1, 2019; 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

May 31, 2019

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

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	Jul 1, 2019
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	May 31, 2019

Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

Other Relevant Information
Please see attached definitive information statement.

Filed on behalf by:

Name	Maria Neriza Banaria
Designation	Controller

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/Town/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

S T A M P S

APC GROUP INC.

29 May 2019

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City, 1307

Attention: **Mr. Vicente Graciano P. Felizmenio, Jr.**
Director
Market Securities and Regulations Department

Re: Definitive Information Statement
For the Annual Stockholders' Meeting
Of APC Group Inc. (the "Corporation")

Gentlemen:

We submit the Corporation's Definitive Information Statement (SEC Form 20-IS) for its 2019 Annual Stockholders' Meeting, incorporating the amendments as requested in your letter on this matter dated May 21, 2019 and received by our office on May 27, 2019.

Please see enclosed Annex for our response to your comments.

We trust that your concerns have been sufficiently addressed.

Thank you very much.

Very truly yours,

Jackson T. Ongsip
President

APC GROUP INC.

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
MAY 29 2019
MARKET REGULATION DEPT.
BY:

Notice of Annual Stockholders' Meeting
July 1, 2019 | 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 **July 1, 2019** at 3:00 p.m. at the Meeting Room 10, SMX Convention Center, Seashell Lane, Mall of Asia Complex, Pasay City.

AGENDA

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the Annual Meeting of Stockholders held on September 27, 2018
5. Approval of 2018 Operations and Results
6. Ratification of All Acts and Proceedings of the Board of Directors, Board Committees and the Management from the date of the last Annual Stockholders' Meeting to the date of this meeting.
7. Election of Directors for 2019-2020
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

Attached are the rationale for the above agenda items for reference.

In accordance with the rules of the Philippine Stock Exchange, the close of business on **May 31, 2019** 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. All stockholders who will not, are unable, or do not expect to attend the meeting in person are encouraged to fill out, date, sign the attached Proxy Form (which need not to be notarized), and send 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 business days before the date of the meeting or on or before **June 26, 2019**. 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 Pasig, May 28, 2019.

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, Atty. Richard Anthony D. Alcazar will certify that copies of this Notice were sent to Stockholders of record as of May 31, 2019.

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 Annual Meeting of Stockholders held on September 27, 2018.** The Minutes of the September 27, 2018 Annual Stockholders' Meeting (ASM) are available on the Corporation's website: http://www.apcaragorn.net/index.php/component/jdownloads/category/101-minutes-of-all-general-or-special-stockholders-meetings-2018?Itemid=-1. Copies of the minutes of the annual stockholders' meeting held on September 27, 2018 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 (SEC). The minutes, as recommended by the Board of Directors, are subject to stockholders' approval during this year's stockholders' meeting.

5. **Approval of 2018 Operations and Results.** The Company's 2018 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 2018. 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 ASM.

6. **Ratification of all Acts of the Board of Directors, Board Committees and the Management during their term of office.** 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 ASM held on September 27, 2018 will be presented to the shareholders for their confirmation, approval and ratification. The Company's performance in 2018, 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 2019-2020.** Incumbent Directors of the Company, including Independent Directors, have been pre-qualified by the Company's Corporate Governance Committee for election as directors for 2019-2020. 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 2019-2020 will be elected during this year's stockholders' meeting. If elected, they shall serve as such from July 1, 2019 until their successors shall have been duly qualified and elected.

8. **Appointment of External Auditor.** As pre-screened and recommended by the Audit Committee, the Board has endorsed for stockholder approval the re-appointment of SyCip Gorres Velayo & Co. (SGV&Co.) as the Company's external auditor for 2019. SGV&Co. is one of the top auditing firms in the country and is duly accredited by the SEC. The appointment of SGV&Co. as external auditor of the Company for 2019 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 2019.

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 July 1, 2019 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 meeting held on September 27, 2018. ___ Yes ___ No ___ Abstain

3. Approval of 2018 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 July 1, 2019. ___ 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 _______.

<table>
<tr><th></th><th>EXPERIENCE / EDUCATION</th></tr>
<tr><td>WILLY N. OCIER
</td><td>Mr. Ocier, 62, is the Chairman of the Board and Director of the Company. Likewise, he is the Chairman of Premium Leisure Corp., PremiumLeisure and Amusement, Inc. and is concurrently one of the 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, Chairman of Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc. and The Spa and Lodge, Inc., and Vice Chairman of Highlands Prime, Inc. He also sits as Chairman and Chief Executive Officer of Philippine Global Communications, Inc., Chairman of Total Gaming and Technologies, Inc., and Director of Leisure and Resorts World Corporation, Vantage Equities, Philequity Management, Inc. Philequity Funds, AbaCore Capital Holdings, Inc. and Toyota Corporation Batangas.

He graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics.</td></tr>
<tr><td>JACKSON T. ONGSIP
</td><td>Mr. Jackson T. Ongsip, 45, is an Executive 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.</td></tr>
<tr><td>VIRGINIA A. YAP
</td><td>Ms. Virginia A. Yap, 68, is a Non-Executive Director of the Company. She is also a director of Belle Corporation. Ms. Yap is Senior Vice President in several companies within the SM Group.

She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao.</td></tr>
<tr><td>EDMUNDO L. TAN
</td><td>Atty. Edmundo L. Tan, 73, is a Non-Executive Director of the Company from 2000 up to the present and was Corporate Secretary from 2000 to 2017. He serves as Director of Philippine Global Communications, Inc. from 2000 up to the present and was Corporate Secretary from 2000 until 2010. He is a director of Aragorn Power and Energy Corporation from 2005 up to the present and was Corporate Secretary from 2005 up to 2012. He is currently a Director of PRC MAGMA Resources, Inc. (2010 up to the present), OCP Holdings, Inc. (2012 up to the present) and Sagittarius Mines, Inc. (2016 up to the present). Atty. Tan was a charter member and elected as Trustee of the Philippine Dispute Resolution Center, Inc. on Aug 2016 and became President on July 2017 up to the present. 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.

Atty. Tan holds a Bachelor of Arts degree from De De La Salle College,</td></tr>
</table>

	EXPERIENCE / EDUCATION
	Bacolod and Bachelor's degree in Law from the University of the Philippines.
BERNARDO D. LIM 	Mr. Bernardo D. Lim, 72, is a Non-Executive Director of the Company since 2001. He previously served as the Executive Vice President- Chief Financial Officer of the Company and retired on March 2014. Mr. Lim 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., and Vice President of Aragorn Coal Resources, Inc. and APC Mining Corporation. Mr. Lim holds a Bachelor of Science in Business Administration degree from the University of the Philippines. He is a Certified Public Accountant.
TOMAS D. SANTOS	Mr. Tomas D. Santos, 67, 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.
LAURITO E. SERRANO 	Mr. Laurito E. Serrano, 59, an Independent Director of the Company from 18 June 2013 up to the present. He is currently an Independent Director of Atlas Consolidated Mining and Development Corporation, Pacific Online Systems Corp., 2GO Group, Inc. and Rizal Commercial Banking Corporation. He is currently a Director of Axelum Resources Corp. and MRT Dev't. Corporation. Mr. Serrano was a former partner of the Corporate Finance Consulting Group of SGV & Co. Mr. Serrano is a Certified Public Accountant with a Master's degree in Business Administration from Harvard Graduate School of Business. His area of specialization is Financial Advisory and Corporate Finance.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

Information Statement Pursuant to Section 20 of the Securities Regulation Code

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
MAY 29 2019
MARKET REGULATION DEPT.
BY: Sheng TIME: 4:10

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: **AS093-8127**

5. BIR Tax Identification Number: **002-834-075**

6. Address of principal office
    G/F MyTown New York Bldg. Gen. E. Jacinto St. corner Capas St., Brgy. Guadalupe Nuevo, Makati City, 1212

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

8. Date, time and place of the meeting of security holders:
    July 1, 2019; 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: **May 31, 2019**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**7,504,203,997 shares (As of April 30, 2019)**

11. Are any or all of these securities listed on a stock exchange?

    Yes (x)   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: **July 1, 2019**
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 **May 31, 2019**

(c) The complete mailing address of the principal office of **APC Group, Inc.** ("the Company") is:
G/F MyTown New York Bldg. Gen. 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 **July 1, 2019** 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 2019-2020.

(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 **April 30, 2019**, the Registrant had **7,504,203,997** common shares outstanding and each share is entitled to one vote. As of **April 30, 2019**, out of the outstanding capital stock of the Corporation, **583,791,564** common shares or **7.78%** is owned by foreigners.

The record date with respect to the determination of the stockholders entitled to notice of and vote at the Annual Stockholders' Meeting is **May 31, 2019**

(b) 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).

(c) 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 **April 30, 2019**:

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	% Held
Common	Belle Corporation (Belle) * 5/F Tower A, Two E-Com Center Palm Coast Ave., Mall of Asia Complex, CPB-1A Pasay City	Belle Corporation (affiliate shareholder)	Filipino	3,500,000,000	46.64
Common	PCD Nominee Corp. (Filipino) ** G/F Makati Stock Exchange, 6767 Ayala Avenue, Makati City	*(please see footnote)*	Filipino	2,176,998,165	29.94

*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 April 30, 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 April 30, 2019:

Title of Class	Name of Beneficial Owner	Amount and nature of beneficial ownership		Citizenship	Percent
Common	Willy N. Ocier	2,207,001	Direct/ Indirect	Filipino	0.03%
Common	Edmundo L. Tan	234,701	Direct/ Indirect	Filipino	0%
Common	Virginia A. Yap	10,001	Direct	Filipino	0%
Common	Bernardo D. Lim	1,000	Direct	Filipino	0%
Common	Jackson T. Ongsip	1	Direct	Filipino	0%
Common	Tomas D. Santos	1	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%
	Total	**2,452,706**			

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, 2018 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	62	Year 1999	Chairman	Filipino
Jackson T. Ongsip	45	August 13, 2015	Director/President/CEO	Filipino
Edmundo L. Tan	73	Year 2000	Director	Filipino
Bernardo D. Lim	72	Year 2001	Director	Filipino
Virginia A. Yap	68	June 6, 2012	Director	Filipino
Tomas D. Santos	67	June 6, 2012	Independent Director	Filipino
Laurito E. Serrano	58	June 18, 2013	Independent Director	Filipino
Ian Jason R. Aguirre	44	August 13, 2015	EVP-CFO / Compliance Officer	Filipino
Richard Anthony D. Alcazar	49	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 of the Board
Non-Executive Director
Date of First Appointment: Year 1999
Chairman, Executive Committee
Chairman, Compensation and Remuneration Committee

Mr. Ocier, 62, is the Chairman of the Board and Director of the Company. Likewise, he is the Chairman of Premium Leisure Corp., PremiumLeisure and Amusement, Inc. and is concurrently one of the 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, Chairman of Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc. and The Spa and Lodge, Inc., and Vice Chairman of Highlands Prime, Inc. He also sits as Chairman and Chief Executive Officer of Philippine Global Communications, Inc., Chairman of Total Gaming and Technologies, Inc., and Director of Leisure and Resorts World Corporation, Vantage Equities, Philequity Management, Inc. Philequity Funds, AbaCore Capital Holdings, Inc. and Toyota Corporation Batangas.

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

Jackson T. Ongsip
President and Chief Executive Officer
Executive Director
Date of First Appointment: August 2015
Member, Executive Committee
Chief Risk Officer

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
Non-Executive Director
Date of First Appointment: Year 2000
Member, Compensation and Remuneration Committee

Atty. Edmundo L. Tan, 73, is a Director of the Company from 2000 up to the present and was Corporate Secretary from 2000 to 2017. He serves as Director of Philippine Global Communications, Inc. from 2000 up to the present and was Corporate Secretary from 2000 until 2010. He is a director of Aragorn Power and Energy Corporation from 2005 up to the present and was Corporate Secretary from 2005 up to 2012. He is currently a Director of PRC MAGMA Resources, Inc. (2010 up to the present), OCP Holdings, Inc. (2012 up to the present) and Sagittarius Mines, Inc. (2016 up to the present). Atty. Tan was a charter member and elected as Trustee of the Philippine Dispute Resolution Center, Inc. on Aug 2016 and became President on July 2017 up to the present. 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.

Atty. Tan holds a Bachelor of Arts degree from De De La Salle College, Bacolod and Bachelor's degree in Law from the University of the Philippines.

Bernardo D. Lim
Non-Executive Director
Date of First Appointment: Year 2001
Chairman, Risk Management Committee
Member, Audit Committee
Member, Corporate Governance Committee
Member, Related Party Transactions Committee

Mr. Bernardo D. Lim, 72, is a Director of the Company since 2001. He previously served as the Executive Vice President- Chief Financial Officer of the Company and retired on March 2014. Mr. Lim 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., and Vice President of Aragorn Coal Resources, Inc. and APC Mining Corporation.

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
Non-Executive Director
Date of First Appointment: June 2012
Member, Executive Committee
Member, Compensation and Remuneration Committee

Ms. Virginia A. Yap, 68, is a Director of the Company. She is also a director of Belle Corporation. Ms. Yap is Senior Vice President in several companies within the SM Group.

She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao.

Tomas D. Santos
Independent Director
Non-Executive Director
Date of First Appointment: June 2012
Chairman, Corporate Governance Committee
Chairman, Related Party Transactions Committee
Member, Risk Management Committee
Member, Audit Committee

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

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

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

Laurito E. Serrano
Independent Director

Non-Executive Director
Date of First Appointment: June 2013
Chairman, Audit Committee
Member, Risk Management Committee
Member, Corporate Governance Committee
Member, Related Party Transactions Committee

Mr. Laurito E. Serrano, 59, an Independent Director of the Company from 18 June 2013 up to the present. He is currently an Independent Director of Atlas Consolidated Mining and Development Corporation, Pacific Online Systems Corp., 2GO Group, Inc. and Rizal Commercial Banking Corporation. He is currently a Director of Axelum Resources Corp. and MRT Dev't. Corporation. Mr. Serrano was a former partner of the Corporate Finance Consulting Group of SGV & Co.

Mr. Serrano is a Certified Public Accountant with a Master's degree in Business Administration from Harvard Graduate School of Business. His area of specialization is Financial Advisory and Corporate Finance.

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

Ian Jason R. Aguirre
Executive Vice President
Chief Finance Officer and Chief Compliance Officer

Mr. Ian Jason R. Aguirre was appointed as the Executive Vice President, Chief Financial Officer and Compliance 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 were re-elected as Independent Directors during September 27, 2018 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:

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

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:

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

Parent of Registrant and Basis of Control

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

Certain Relationships and Related Transactions

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.

Disagreement 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[1]
   CEO & President
2. Ian Jason Aguirre[1]
   CFO & Executive Vice-President

Summary of Compensation Table

	Year	Salary/Per Diem Allowance	Other Annual Compensation
	2017 (actual)	₱1,404,000	₱1,066,000
CEO & Most Highly Compensated	2018 (actual)	1,404,000	1,066,000
Executive Officer	2019 (estimate)	1,404,000	1,066,000
All Other officers as a group unnamed	2017 (actual)	–	–
	2018 (actual)	–	–
	2019 (estimate)	–	–

[1]*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 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 2018-2019 is SyCip Gorres Velayo & Co. (SGV), with Mr. Johnny F. Ang 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, 2018 and 2017 are as follows:

2018	₱486,000
2017	450,000

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 2019-2020 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

There is no action to be taken with respect to any report of the Company or of its directors, officers or committees except for the approval of the minutes of the previous annual meeting of the Company.

At the annual meeting, shareholders will be asked to approve and rectify the acts of the Board of Directors during their term of office. The matters for stockholders' ratification are acts of the Board, its Committees and Management for the previous year up to the date of the annual meeting which were entered into or made in the ordinary course of business, the significant acts or transactions of which are covered by appropriate disclosures with the Securities and Exchange Commission and Philippine Stock Exchange, Inc. are as follows:

Date	Subject
September 28, 2018	Submission of the Results of the Annual Stockholders' and Organizational Board Meetings of APC Group Inc.
May 15, 2019	Setting of Annual Stockholders' Meeting on *July 1, 2019 (3:00pm)*, to be held at SMX Convention Cente, Seashell Lane, Mall of Asia Complex, Pasay City, *with May 31, 2019* as the Record Date for shareholders entitled to notice of and to vote at, the meeting.

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.

SIGNATURE

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 Makati this 28th day of May, 2019.

APC GROUP, INC.

JACKSON T. ONGSIP
President and Chief Executive Officer

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 March 31, 2019.

Subsidiaries

A. APEC

APEC is still in the exploration 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 (GRESC) in March 2010 to avail of the incentives provided under the Renewable Energy (RE) Act of 2008. GRESC 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.

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 (FOA) 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.

On August 13, 2018, APEC has secured an extension of the GRESC exploration period from DOE until September 23, 2020.

On August 14, 2018, pursuant to Executive Order No. 30, the Energy Investment Coordinating Council (EICC) through the Department of Energy approved the application of APEC for its Kalinga Geothermal Project (KGP) to qualify as an Energy Project of National Significance. The Certificate of Energy Project of National Significance (CEPNS) for Pre-Development Phase, entitles the KGP to all the rights privileges provided for under Executive Order No. 30 series 2017.

On September 18, 2018, AKL assigned its Farm-out interest and all its associated rights and obligation under the FOA and related agreements to its affiliate, Allfirst Kalinga Holdings, Inc.

As at February 15, 2019, APEC has completed sub-phases 1 and 2 covering, geochemical and geophysical surveys. APEC is already in the sub-phase 3 stage of the project. 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.

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.

This KGP 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.

B. APC Energy

APC Energy was established to engage in exploration, development and utilization of renewable energy resources. As at December 31, 2018, 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, 2018, 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, 2018, 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, 2018, 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:

	2019		2018		2017	
	High	**Low**	High	Low	High	Low
First Quarter	**0.49**	**0.41**	0.91	0.42	0.59	0.49
Second Quarter	-	-	0.60	0.44	0.57	0.49
Third Quarter	-	-	0.69	0.46	0.76	0.49
Fourth Quarter	-	-	0.48	0.34	0.57	0.47

The price information as of the close of the latest practicable trading date, 27 May 2019, is Php0.40.

SECURITY HOLDERS

As of April 30, 2019**,** Registrant had 594 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- *Filipino/Others*	2,246,498,165	29.94
3. Dominion Equities, Inc.	340,000,000	4.53
4. Compact Holdings, Inc.	281,000,000	3.74
5. Integrated Holdings, Inc.	180,000,000	2.40
6. Elite Holdings, Inc.	168,500,000	2.25
7. Parallax Resources, Inc.	165,722,334	2.21
8. Eastern Sec. Dev. Corp. – *Others*	160,000,000	2.13
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 - *Others*	18,000,000	0.24
15. Tak Chang Investments Co., Ltd. - *Others*	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

There were no issued preferred shares as of April 30, 2019.

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 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 2018 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 of 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 ₱486,000 and ₱450,000 in 2018 and 2017, respectively.

2. No other assurance and related services were rendered in 2018 and 2017.

3. No tax services were rendered by the external auditor in 2018 and 2017.

4. There were no other fees paid to the external auditor in 2018 and 2017.

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

For the Financial Year Ended 2018 compared to Year Ended 2017

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2018	Dec 31 2017	Increase (Decrease) Amount	%	2018	2017
Interest Income	**3,569,449**	3,900,176	(330,727)	*-8%*	*93%*	*96%*
Dividend Income	**279,224**	178,688	100,536	*56%*	*7%*	*4%*
Total Revenue	**3,848,673**	4,078,864	(230,191)	*-6%*	*100%*	*100%*
General and Administrative Expenses	**(12,350,727)**	(20,511,515)	8,160,788	*40%*	*-321%*	*-503%*
Total Costs and Expenses	**(12,350,727)**	(20,511,515)	8,160,788	*40%*	*-321%*	*-503%*
Loss on Sale of Investment Properties	**(3,015,807)**	-	(3,015,807)	*-100%*	*-78%*	*0%*
Other Income/Loss	**-**	17,816	(17,816)	*-100%*	*0%*	*0%*
Total Other Income(Loss)	**(3,015,807)**	17,816	(3,033,623)	*-17028%*	*-78%*	*0%*
Net Loss	**(11,517,861)**	(16,414,835)	4,896,974	*-30%*	*-299%*	*-402%*
Net Loss Attributable to:						
Equity holders of the Parent Company	**(11,470,031)**	(16,324,751)	4,854,720	*-30%*	*-298%*	*-400%*
Non-controlling interests	**(47,830)**	(90,084)	42,254	*-47%*	*-1%*	*-2%*
	(11,517,861)	(16,414,835)	4,896,974	*-30%*	*-299%*	*-402%*

APC Group, Inc. reported consolidated net loss of ₱11.5 million for 2018, 30% better than the ₱16.4 million net loss reported in the previous year.

Revenue

The Company recorded revenues of ₱3.8 million for the year ended 2018, 6% lower than the ₱4.1 million revenues recognized in 2017. This decrease in revenue is due to the Company's lower interest income from money market placements because the cash and cash equivalent decreased by 26% during the period. On the other hand, dividend income increased by 56% in 2018 due to higher dividends declared and paid from the Company's available-for-sale (AFS) investments.

Costs and Expenses

The Company's costs and expenses amounting to ₱12.4 million in 2018 is 40% lower than the ₱20.5 million expenses recorded in 2017 due to the one-time expenses incurred by the Company in 2017 comprising of the listing fee and professional fees paid amounting to ₱4.9 million and ₱2.9 million, respectively.

Other Income (Expenses)

The Company incurred a loss of ₱3.0 million from the sale of investment properties with a total fair market value of ₱12.3 million.

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2018	Dec 31 2017	Increase (Decrease) Amount	%	2018	2017
Net Loss	**(11,517,861)**	(16,414,835)	4,896,974	-30%	-299%	-402%
Other Comprehensive Income (Loss)						
Unrealized mark-to-market gain/(loss) on available-for-sale financial assets	**(3,497,450)**	1,144,620	(4,642,070)	-406%	-91%	28%
Remeasurement gain on defined benefit obligation	**-**	625,727	(625,727)	-100%	0%	15%
Total Comprehensive Loss for the period	**(15,015,311)**	(14,644,488)	(370,823)	3%	-390%	-359%
Total Comprehensive Loss Attributable to:						
Equity holders of the Parent Company	**(14,967,481)**	(14,554,404)	(413,077)	3%	-389%	-357%
Non-controlling interests	**(47,830)**	(90,084)	42,254	-47%	-1%	-2%
	(15,015,311)	(14,644,488)	(370,823)	3%	-390%	-359%

Comprehensive Loss

The Company incurred unrealized loss amounting to ₱3.5 million in 2018 due to the movement in the share price of its AFS. This resulted to total comprehensive loss of ₱15.0 million for 2018.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2018	Dec 31 2017	Increase (Decrease) Amount	%	2018	2017
ASSETS						
Cash and cash equivalents	**144,787,138**	196,586,234	(51,799,096)	-26%	52%	66%
Trade and other receivables - net	**300,718**	941,677	(640,959)	-68%	0%	0%
Available-for-sale financial assets	**5,172,121**	8,669,571	(3,497,450)	-40%	2%	3%
Other current assets	**8,716,162**	8,504,516	211,646	2%	3%	3%
Property and equipment	**15,620**	24,546	(8,926)	-36%	0%	0%
Investment properties	**10,028,870**	22,374,000	(12,345,130)	-55%	4%	8%
Other noncurrent assets - net	**110,902,708**	59,892,558	51,010,150	85%	40%	20%
Total Assets	**279,923,337**	296,993,102	(17,069,765)	-6%	100%	100%
LIABILITIES AND EQUITY						
Trade and other payables	**28,449,031**	31,051,650	(2,602,619)	-8%	10%	10%
Advances from related parties	**80,047,381**	80,004,536	42,845	0%	29%	27%
Subscriptions payable	**161,959**	161,959	-	0%	0%	0%
Accrued retirement costs	**3,170,606**	2,665,286	505,320	19%	1%	1%
Total Liabilities	**111,828,977**	113,883,431	(2,054,454)	-2%	40%	38%
Capital Stock	**6,388,078,749**	6,388,078,749	-	0%	2282%	2151%
Additional paid-in capital	**1,613,942,096**	1,613,942,096	-	0%	577%	543%
Unrealized mark-to-market gain on available-for-sale financial assets	**4,324,120**	7,821,570	(3,497,450)	-45%	2%	3%
Gain on dilution	**226,304**	226,304	-	0%	0%	0%
Remeasurement loss on defined benefit obligation	**(2,237,878)**	(2,237,878)	-	0%	-1%	-1%
Deficit	**(7,796,603,339)**	(7,785,133,308)	(11,470,031)	0%	-2785%	-2621%
Treasury shares	**(29,435,220)**	(29,435,220)	-	0%	-11%	-10%
Equity Attributable to Non-controlling Interests	**(10,200,472)**	(10,152,642)	(47,830)	0%	-4%	-3%
Total Equity	**168,094,360**	183,109,671	(15,015,311)	-8%	60%	62%
Total Liabilities and Equity	**279,923,337**	296,993,102	(17,069,765)	-6%	100%	100%

Assets
The Company recorded consolidated assets of ₱279.9 million as at December 31, 2018, lower by 6% from ₱297.0 million in 2017. The main movements in the balance sheet are as follows:

- Cash and cash equivalents amounted to ₱144.8 million as of December 31, 2018, 26% lower compared to ₱196.6 million as of December 31, 2017. The decrease was mainly attributable to the additional exploration costs of Aragorn Power and Energy Corporation (a subsidiary) (APEC) and the release of the 2nd tranche funds for the Kalinga project community development scholarships for the school year 2017-2018 which are presented as part of Other noncurrent assets account. The decrease was slightly offset by the collection from the sale of investment properties.
- Available-for-sale financial assets decreased by 40% as a result of the movement in stock prices of the shares held by the Company as of December 31, 2018.
- Investment property decreased by 55% or ₱12.3 million due to the sale of parcels of lots in Cebu in 2018.
- Other noncurrent assets increased by 85% due to the additional deferred exploration costs of APEC.

Liabilities
The Company's consolidated liabilities decreased slightly by 2% due to the release of the 2nd tranche funds for community development scholarships for the school year 2017-2018.

Equity
Stockholders' equity decreased by 8% from ₱183.1 million in 2017 down to ₱168.1 million in 2018 due to comprehensive net loss and unrealized mark-to-market loss on AFS recognized in 2018 amounting to ₱11.5 million and ₱3.5 million, respectively.

The Company does not foresee any cash flow problems during the next twelve months. The Company has enough cash to meet cash requirements in 2019.

There were no events that will trigger or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There were no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the year.

As of December 31, 2018, 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, 2018 to December 31, 2017.

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 2017 compared to Year Ended 2016

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2017	Dec 31 2016	Increase (Decrease) Amount	%	2017	2016
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%*
Total Revenue	**4,078,864**	1,361,741	2,717,123	*200%*	*100%*	*100%*
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%*
Total Costs and Expenses	**(20,511,515)**	(34,831,415)	14,319,900	*-41%*	*-503%*	*-2558%*
Loss on Sale of Investment Properties	**-**	(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%*
Total Other Income(Loss)	**17,816**	(13,595,075)	13,612,891	*-100%*	*0%*	*-998%*
Net Loss	**(16,414,835)**	(47,064,749)	30,649,914	*-65%*	*-402%*	*-3456%*
Net Loss Attributable to:						
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%*
	(16,414,835)	(47,064,749)	30,649,914	*-65%*	*-402%*	*-3456%*

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 2017	Dec 31 2016	Increase (Decrease) Amount	%	2017	2016
Net Loss	**(16,414,835)**	(47,064,749)	30,649,914	*-65%*	*-402%*	*-3456%*
Other Comprehensive Income						
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%*
Total Comprehensive Loss	**(14,644,488)**	(43,694,479)	29,049,991	*-66%*	*-359%*	*-3209%*
Total Comprehensive Loss Attributable to:						
Equity holders of the Parent Company	**(14,554,404)**	(42,759,468)	28,205,064	-66%	*-357%*	*-3140%*
Non-controlling interests	**(90,084)**	(935,011)	844,927	-90%	*-2%*	*-69%*
	(14,644,488)	(43,694,479)	29,049,991	-66%	*-359%*	*-3209%*

Comprehensive 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)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2017	Dec 31 2016	Increase (Decrease) Amount	%	2017	2016
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 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 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 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.

KEY PERFORMANCE INDICATORS

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

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

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

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

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

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

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

Financial Ratios	YTD 31 December 2018	YTD 31 December 2017
Return on Assets Ratio	(0.04)	(0.05)
Return on Equity Ratio	(0.07)	(0.09)
Current Ratio	1.47	1.93
Debt to Equity Ratio	0.67	0.62
Asset to Equity Ratio	1.67	1.62

Discussion on the key performance indicators

Return on Assets Ratio and Return on Equity Ratio
The Company's ROA and ROE for 2018 and 2017 are negative due to the reported a net loss for both years. The negative ratio improved for 2018 because of the decrease in the net loss incurred in the current year compared to 2017.

Current Ratio
Current Ratio decreased by 0.46x in 2018 due to the decrease in the current assets brought by the additional exploration costs of a subsidiary and 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, 2018 and 2017.

Assets to Equity Ratio
There is no significant change in the Company's assets to equity ratio as of December 31, 2018 and 2017.

1st Quarter 2019 Management's Discussion and Analysis

Item 1. Financial Statements

APC GROUP INC. AND SUBSIDIARIES
Consolidated Statements of Financial Position

		March 31, 2019 (Unaudited)		December 31, 2018 (Audited)
ASSETS				
Current Assets				
Cash and cash equivalents	₱	**142,332,428**	₱	144,787,138
Trade and other receivables - net		**1,035,666**		300,718
Available-for-sale financial assets		**5,490,071**		5,172,121
Other current assets		**8,834,319**		8,716,162
Total Current Assets		**157,692,484**		158,976,139
Noncurrent Assets				
Property and equipment		**13,389**		15,620
Investment property		**10,028,870**		10,028,870
Deferred exploration costs and other noncurrent assets		**111,080,103**		110,902,708
Total Noncurrent Assets		**121,122,362**		120,947,198
	₱	**278,814,846**	₱	279,923,337
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱	**28,013,901**	₱	28,449,031
Advances from a related party		**79,978,631**		80,047,381
Total Current Liabilities		**107,992,532**		108,496,412
Noncurrent Liabilities				
Subscriptions payable		**161,959**		161,959
Accrued retirement costs		**3,170,606**		3,170,606
Total Noncurrent Liabilities		**3,332,565**		3,332,565
Total Liabilities		**111,325,097**		111,828,977
Equity Attributable to Equity Holders of the Parent Company				
Capital stock		**6,388,078,749**		6,388,078,749
Additional paid-in capital		**1,613,942,096**		1,613,942,096
Unrealized mark-to-market gain on available-for-sale financial assets		**4,642,070**		4,324,120
Remeasurement loss on defined benefit obligation		**(2,237,878)**		(2,237,878)
Equity reserves		**(3,140,235)**		(3,140,235)
Deficit		**(7,797,518,037)**		(7,796,603,339)
Treasury shares - 7,606,000 shares		**(29,435,220)**		(29,435,220)
Total Equity Attributable to Equity Holders of the Parent Company		**174,331,545**		174,928,293
Equity Attributable to Non-controlling Interests		**(6,841,796)**		(6,833,933)
Total Equity		**167,489,749**		168,094,360
	₱	**278,814,846**	₱	279,923,337

APC GROUP INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	For the Three Months Ended March 31			
		2019 (Unaudited)		2018 (Unaudited)
INCOME				
Interest Income	₱	**1,271,726**	₱	916,884
Dividend Income		**319,476**		279,224
		1,591,202		1,196,108
EXPENSES				
General and administrative expenses		**(2,513,763)**		(2,674,234)
NET LOSS BEFORE AND AFTER INCOME TAX		**(922,561)**		(1,478,126)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized mark-to-market gain/(loss) on available-for-sale financial assets		**317,950**		(1,716,930)
TOTAL COMPREHENSIVE LOSS	₱	**(604,611)**	₱	(3,195,056)
Net Loss Attributable to:				
Equity holders of the Parent Company		**(914,698)**		(1,475,785)
Non-controlling interests		**(7,863)**		(2,341)
	₱	**(922,561)**	₱	(1,478,126)
Total Comprehensive Loss Attributable to:				
Equity holders of the Parent Company		**(596,748)**		(3,192,715)
Non-controlling interests		**(7,863)**		(2,341)
	₱	**(604,611)**	₱	(3,195,056)
Basic/Diluted Loss Per Common Share				
(P-922,561/7,504,203,997) March 31, 2019	₱	**(0.000123)**		
(P-1,478,126/7,504,203,997) March 31, 2018			₱	(0.000197)
Weighted average number of common shares:				
Total common shares		**7,511,809,997**		7,511,809,997
Less: Treasury shares		**7,606,000**		7,606,000
Weighted average common shares		**7,504,203,997**		7,504,203,997

APC GROUP INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

	For the Three Months Ended March 31	
	2019	2018
	(Unaudited)	(Unaudited)
Authorized:		
Preferred stock - P1 par value	**6,000,000,000 shares**	6,000,000,000 shares
Common stock - P1 par value	**14,000,000,000 shares**	14,000,000,000 shares
Issued	**₱ 5,998,149,059**	₱ 5,998,149,059
Subscribed (net of subscription receivable)	**389,929,690**	389,929,690
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/loss on available-for-sale financial assets		
Balance at the beginning of period	4,324,120	7,821,570
Other comprehensive income	317,950	(1,716,930)
Balance at the end of period	**4,642,070**	6,104,640
Remeasurement loss on defined benefit obligation	**(2,237,878)**	(2,237,878)
Equity Reserves	**(3,140,235)**	226,304
Deficit		
Balance at the beginning of period	(7,796,603,339)	(7,785,133,308)
Net loss	(914,698)	(1,475,785)
Balance at the end of period	**(7,797,518,037)**	(7,786,609,093)
Treasury shares - 7,606,000 shares	**(29,435,220)**	(29,435,220)
Minority interest	**(6,841,796)**	(10,154,983)
	₱ 167,489,749	₱ 179,914,615

APC GROUP INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the Three Months Ended March 31	
	2019	**2018**
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	₱ **(922,561)**	₱ (1,478,126)
Adjustments for:		
Interest income	**(1,271,726)**	(916,884)
Dividend income	**(319,476)**	(279,224)
Depreciation and amortization	**2,231**	2,232
Operating loss before working capital changes	**(2,511,532)**	(2,672,002)
Decrease (increase) in:		
Trade and other receivables	**(734,948)**	606,263
Other current assets	**(118,157)**	(111,271)
Decrease in:		
Trade and other payables	**(435,130)**	(657,590)
Advances from a related party	**(68,750)**	(25,907)
Cash used in operations	**(3,868,517)**	(2,860,507.00)
Interest received	**1,271,726**	916,884.00
Dividends received	**319,476**	279,224.00
Net cash used in operating activities	**(2,277,315)**	(1,664,399.00)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in deferred exploration costs and noncurrent assets	**(177,395)**	(50,605,224.00)
Net cash used in investing activities	**(177,395)**	(50,605,224)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,454,710)**	(52,269,623)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**144,787,138**	196,586,234.00
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱ **142,332,428**	₱ 144,316,611

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

Consolidated Statements of Comprehensive Income

	For the Three Months Ended March 31		Horizontal Analysis		Vertical Analysis	
	2019 (Unaudited)	2018 (Unaudited)	Increase (Decrease) Amount	%	2019 %	2018 %
INCOME						
Interest Income	₱ **1,271,726**	₱ 916,884	354,842	39%	80%	77%
Dividend Income	**319,476**	279,224	40,252	14%	20%	23%
	1,591,202	1,196,108	395,094	33%	100%	100%
EXPENSES						
General and administrative expenses	**(2,513,763)**	(2,674,234)	160,471	-6%	-158%	-224%
NET LOSS BEFORE AND AFTER INCOME TAX	**(922,561)**	(1,478,126)	555,565	-38%	-58%	-124%
OTHER COMPREHENSIVE INCOME (LOSS)						
Unrealized mark-to-market gain/(loss) on available-for-sale financial assets	**317,950**	(1,716,930)	2,034,880	-119%	20%	-144%
TOTAL COMPREHENSIVE LOSS	₱ **(604,611)**	₱ (3,195,056)	2,590,445	-81%	-38%	-267%

APC Group, Inc. and its subsidiaries (the Company) ended the first quarter of 2019 with total income of ₱1.6 million, 33% higher compared to the income for the same period in 2018. This is due to higher interest income received from the money market placements and higher dividend income received from the Company's available-for-sale (AFS) investments.

There is no significant movement in general and administrative expenses.

Net loss amounted to ₱0.9 million as of March 31, 2019, 38% lower than the comparable period in 2018. The Company recorded unrealized mark to market gain from AFS investments amounting to ₱0.3 million as of March 31, 2019, 119% higher than the loss incurred in the comparable period in 2018. This unrealized mark to market gain partly offsets the net loss for the period resulting to total comprehensive loss of ₱0.6 million in 2019.

As of March 31, 2019, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company for the periods ended March 31, 2019 and March 31, 2018 except those mentioned above.

Consolidated Statements of Financial Position

		March 31, 2019 (Unaudited)		December 31, 2018 (Audited)	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2019 %	2018 %
ASSETS								
Current Assets								
Cash and cash equivalents	₱	**142,332,428**	₱	144,787,138	(2,454,710)	-2%	51%	52%
Trade and other receivables - net		**1,035,666**		300,718	734,948	244%	0%	0%
Available-for-sale financial assets		**5,490,071**		5,172,121	317,950	6%	2%	2%
Other current assets		**8,834,319**		8,716,162	118,157	1%	3%	3%
Total Current Assets		**157,692,484**		158,976,139	(1,283,655)	-1%	57%	57%
Noncurrent Assets								
Property and equipment		**13,389**		15,620	(2,231)	-14%	0%	0%
Investment property		**10,028,870**		10,028,870	-	0%	4%	4%
Deferred exploration costs and other noncurrent assets		**111,080,103**		110,902,708	177,395	0%	40%	40%
Total Noncurrent Assets		**121,122,362**		120,947,198	175,164	0%	43%	43%
	₱	**278,814,846**	₱	279,923,337	(1,108,491)	0%	100%	100%
LIABILITIES AND EQUITY								
Current Liabilities								
Trade and other payables	₱	**28,013,901**	₱	28,449,031	(435,130)	-2%	10%	10%
Advances from a related party		**79,978,631**		80,047,381	(68,750)	0%	29%	29%
Total Current Liabilities		**107,992,532**		108,496,412	(503,880)	0%	39%	39%
Noncurrent Liabilities								
Subscriptions payable		**161,959**		161,959	-	0%	0%	0%
Accrued retirement costs		**3,170,606**		3,170,606	-	0%	1%	1%
Total Noncurrent Liabilities		**3,332,565**		3,332,565	-	0%	1%	1%
Total Liabilities		**111,325,097**		111,828,977	(503,880)	0%	40%	40%
Equity Attributable to Equity Holders of the Parent Company								
Capital stock		**6,388,078,749**		6,388,078,749	-	0%	2291%	2282%
Additional paid-in capital		**1,613,942,096**		1,613,942,096	-	0%	579%	577%
Unrealized mark-to-market gain on available-for-sale financial assets		**4,642,070**		4,324,120	317,950	7%	2%	2%
Remeasurement loss on defined benefit obligation		**(2,237,878)**		(2,237,878)	-	0%	-1%	-1%
Equity reserves		**(3,140,235)**		(3,140,235)	-	0%	-1%	-1%
Deficit		**(7,797,518,037)**		(7,796,603,339)	(914,698)	0%	-2797%	-2785%
Treasury shares - 7,606,000 shares		**(29,435,220)**		(29,435,220)	-	0%	-11%	-11%
Total Equity Attributable to Equity Holders of the Parent Company		**174,331,545**		174,928,293	(596,748)	0%	63%	62%
Equity Attributable to Non-controlling Interests		**(6,841,796)**		(6,833,933)	(7,863)	0%	-2%	-2%
Total Equity		**167,489,749**		168,094,360	(604,611)	0%	60%	60%
	₱	**278,814,846**	₱	279,923,337	(1,108,491)	0%	100%	100%

As of March 31, 2019, consolidated assets of the Company amounted to ₱278.8 million, ₱1.1 million lower compared to the December 31, 2018 balance of ₱297.9 million.

- Cash and cash equivalents amounted to ₱142.3 million as of March 31, 2019, 2% lower compared to ₱144.8 million as of December 31, 2018. The minimal decrease pertains to additional exploration costs of Aragorn Power and Energy Corporation (a subsidiary) and payment of accrued and other payables and expenses during the period ended.
- Trade and other receivables increased by ₱0.7 million as of March 31, 2019. This is primarily attributable to the additional receivables from third parties not yet collected.
- Available-for-sale financial assets increased by 6% as a result of the movement in share prices of the stocks held by the Company as of March 31, 2019.

The Company's consolidated liabilities amounted to ₱111.3 million. The minimal decrease pertains to the payment of the accrued and other payables.

Total equity as of March 31, 2019 and December 31, 2018 amounted to ₱167.5 million and ₱168.1 million, respectively. The decline, amounting to ₱0.6 million, is attributable to the net loss incurred during the period offset by the unrealized mark-to-market gain on AFS investments.

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 March 31 2019	YTD December 31 2018	YTD March 31 2018
Return on Assets Ratio	0.00	(0.01)	(0.01)
Return on Equity Ratio	(0.01)	(0.01)	(0.01)
Current Ratio	1.46	1.47	1.45
Debt to Equity Ratio	0.66	0.67	0.63
Asset to Equity Ratio	1.66	1.67	1.63

Discussion on the key performance indicators

Return on Assets Ratio and Return on Equity Ratio

The Company's ROA and ROE as of March 31, 2019 and 2018 are negative due to the reported net loss for both years.

There is no significant change in the ROA and ROE of the Company as of March 31, 2019 and 2018.

Current Ratio

There is no significant change in the current ratio of the Company as of March 31, 2019 and as of December 31, 2018.

Debt to Equity Ratio

There is no significant change in the debt to equity ratio of the Company as of March 31, 2019 and as of December 31, 2018.

Assets to Equity Ratio

There is no significant change in the asset to equity ratio of the Company as of March 31, 2019 and as of December 31, 2018.

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) (1)	95.6%	-	95.6%
PRC Magma Energy Resources Inc. (PRC-Magma) (2)	-	85.0%	85.0%
APC Cement Corporation (APC Cement) (2)	100.0%	-	100.0%
APC Energy Resources, Inc. (APC Energy) (2)	100.0%	-	100.0%
APC Mining Corporation (APC Mining) (2)	83.0%	-	83.0%

(1) Still in exploration stage
(2) Still in the pre-operating stage

2. RISK EXPOSURES

Financial Risk Management

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

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

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

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

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

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

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

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

There is no material change in the financial risk exposures of the company and its subsidiaries particularly on currency, interest, credit, market and liquidity risks on its March 31, 2019 interim financial statements compared to the December 31, 2018 audited consolidated financial statements of APC Group Inc.

Information Technology

With the current business environment, Information Technology risks are ever increasing. These cover unauthorized access to confidential data, loss or release of critical information, corruption of data, regulatory violations, and possible increase in costs and inefficiencies.

In order to address these risks, APC, through its parent company, Belle Corporation, has a co-location arrangement with redundant capability and automatic fail-over set-up for disaster recovery. It also continues to implement enterprise security solutions to manage external and internal threats. Annual review of technology roadmap to ensure the alignment between the business and information technology is performed.

Data Privacy

APC may be at risk for breach of data privacy as detailed information is gathered from customers and prospective buyers, suppliers, contractors and other business partners. This risk is mitigated through company-wide orientation on the Data Privacy Act, the topics of which include legal bases and implementing rules and regulations, rights of the individuals owning the information, exercising breach reporting procedures and other advisories.

Enterprise Risk Management Committee

The Company has an Enterprise Risk Management Committee (ERMC), comprised of certain Directors and Executives of the Company, which is an oversight committee created to act as the monitoring body for the individual risk management activities of the Corporation. The ERMC has the responsibility of developing a formal framework to assist the Company in managing its risks and is mandated to report regularly to the Risk Management Committee of the Board of Directors on any risk concerns.

3. FINANCIAL INSTRUMENTS

Fair value of Financial Instruments

A comparison by category of the carrying values and estimated fair values of the Company's financial instruments that are carried in the consolidated financial statements as of March 31, 2019 and December 31, 2018 are as follows:

	March 31, 2019		December 31, 2018	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets:				
Loans and receivables:				
Cash and cash equivalents*	₱ 142,332,428	₱ 142,332,428	₱ 144,787,138	₱ 144,787,138
Trade and other receivables	982,334	982,334	881,095	300,718
Advances to officers and employees	53,332	53,332	46,168	46,168
Deposits**	23,821	23,821	123,821	23,821
AFS financial assets	5,490,071	5,490,071	5,172,121	5,172,121
Total financial assets	**₱ 148,881,986**	**₱ 148,881,986**	₱ 151,010,343	₱ 151,010,343

Financial liabilities:

	March 31, 2019		December 31, 2018	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Other financial liabilities:				
Trade and other payables***	₱ 27,937,231	₱ 27,937,231	₱ 28,423,954	₱ 28,423,954
Advances from related parties	79,978,631	79,978,631	80,047,381	80,047,381
Subscriptions payable	161,959	161,959	161,959	161,959
Total financial liabilities	**₱ 108,077,821**	**₱ 108,077,821**	₱ 108,633,294	₱ 108,633,294

**Excluding cash on hand amounting to ₱10,000 as at March 31, 2019 and December 31, 2018*
*** Included in "Other noncurrent assets" account*
****Excluding statutory liabilities.*

Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables and Advances from Related Parties
Due to the short-term nature of the transactions, the carrying values approximate the fair values at reporting dates.

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

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

The following tables provide the fair value measurement hierarchy of the Company's assets and liabilities as at March 31, 2019 and December 31, 2018:

	March 31, 2019		
	Total	**Level 1**	**Level 3**
Assets measured at fair value:			
Investment property	**₱ 10,028,870**	**₱ –**	**₱ 10,028,870**
AFS financial assets	**5,490,071**	**5,490,071**	**–**
Total financial assets	**₱ 15,518,941**	**₱ 5,490,071**	**₱ 10,028,870**

	December 31, 2018		
	Total	Level 1	Level 3
Assets measured at fair value:			
Investment properties	₱ 10,028,870	₱ –	₱ 10,028,870
AFS financial assets	5,172,121	5,172,121	–
Total financial assets	₱ 15,200,991	₱ 5,172,121	₱ 10,028,870

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements during the period ended March 31, 2019 and year ended December 31, 2018.

4. 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, 2018.

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

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

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

E.) There were no material events that occurred subsequent to March 31, 2019 and up to the date of this report that need disclosure herein.

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

G.) There were no changes in contingent liabilities or contingent assets since December 31, 2018 and as of March 31, 2019.

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

COMPLIANCE WITH THE MANUAL ON CORPORATE GOVERNANCE

Compliance

The Company established a system to measure adherence with good governance practices by working closely with the parent company to determine the level of compliance of the Board of Directors and top level management with APC's Manual on Corporate Governance. An annual assessment is done using the corporate governance scorecard, with noticeable improvements from year 2017 versus 2018 scores.

Measures

Several measures were identified and are being undertaken by the Company to fully comply with the adopted leading practices on good corporate governance. One of these is that the members of the BOD and key officers attend an annual training as part of their continuing education. Employees undergo Governance orientation and regular refresher sessions on the Manual of Corporate Governance, Code of Business Conduct and Ethics and Company Policies for awareness, with emphasis on compliance. Timely reminders on policies are uploaded in the company website and intranet, emailed and also posted on bulletin boards, i.e. Insider Trading, Acceptance of Gifts, Whistle-blowing, etc.

Deviations

There are so far no deviations noted from the Company's Manual of Corporate Governance. Any violations will be dealt with in accordance with the Company's Code of Conduct.

Plans for improvement

The Company works closely with the parent company to keep abreast of the latest Memo Circulars from SEC/PSE to ensure that respective governance documentation and processes are up-to-date and that employees may always be ready to comply in case of any changes. In 2018, three (3) Corporate Governance Committee meetings were held, which was an indication of how the Board actively participated in discussions regarding best practices.

APC GROUP INC. and SUBSIDIARIES
Aging of Accounts Receivables
As of March 31, 2019

Trade and Other Receivables	Total	1 Month	2 - 3 Months	4 - 6 Months	7 Months to 1 Year	More than 1 year
Trade receivables	**939,689**	758,558	135,689	-	-	45,442
Advances to officers and employees	**53,332**	30,000	-	-	23,332	-
Other receivables	**42,645**	1,357	-	-	-	41,288
TOTAL	**1,035,666**	**789,915**	**135,689**	**-**	**23,332**	**86,730**

FINANCIAL STATEMENTS

The audited Financial Statements and Supplementary Schedules for the year 2018 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

Supplementary Schedules

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:

ATTY. RICHARD ANTHONY D. ALCAZAR
Corporate Secretary
Tan Acut Lopez & Pison Law Offices
23rd Floor, Philippine Stock Exchange Centre
East Tower Exchange Road, Ortigas Center
Pasig City 1605

CERTIFICATE OF INDEPENDENT DIRECTOR

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

1. I am an independent director of **APC Group Inc.** duly elected by Stockholders during the last Annual Stockholders' Meeting held on September 27, 2018.

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Irvine Construction Corporation	President	1994 to present
Shamu Marketing	Owner	1990 to present
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 for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

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 above mentioned information within five days from its occurrence.

Done, this 15 MAY 2019 day of ____________ at MAKATI CITY.

TOMAS D. SANTOS
Affiant

SUBSCRIBED AND SWORN to before me this 15 MAY 2019 day of ____________ at MAKATI CITY, Affiant personally appeared before me and exhibited to me his/her ____________________ issued at ____________________ on ____________________.

ATTY. GERVACIO B. ORTIZ, JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
PTR NO. 7333104/01-03-2019 MAKATI
IBP NO 656185 LIFETIME MEMBER
APPT. NO. M-171 2017/ROLL NO. 4009
MCLE COMPLIANCE NO. V-0006934
UNIT 102 PENINSULA COURT BLDG
8735 MAKATI AVE., MAKATI CITY

Doc. No. 66;
Page No. 15;
Book No. XX;
Series of 2019;

CERTIFICATE OF INDEPENDENT DIRECTOR

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

1. I am an independent director of **APC Group Inc.** duly elected by Stockholders during the last Annual Stockholders' Meeting held on September 27, 2018.

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Atlas Consolidated Mining and Development Corporation	Independent Director	Since August 2012
MRT Dev. Corporation	Director	Since July 2013
Pacific Online Systems Corp.	Independent Director	Since May 2014
Axelum Resources Corp.	Director	Since 2017
2GO Group, Inc.	Independent Director	Since April 2017
Rizal Commercial Banking Corporation	Independent Director	Since March 2019

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of APC Group Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. 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 above mentioned information within five days from its occurrence.

Done, this 10 MAY 2019 day of ______ at MAKATI CITY.

LAURITO E. SERRANO
Affiant

SUBSCRIBED AND SWORN to before me this 10 MAY 2019 day of ______ at MAKATI CITY, Affiant personally appeared before me and exhibited to me his ______ issued at ______ on ______.

ATTY. GERVACIO B. ORTIZ, JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
PTR NO. 7333104/01-03-2019/MAKATI
IBP NO 658155 LIFETIME MEMBER
APPT. NO. M-[illegible] ROLL NO. 4009[illegible]
MCLE COMPLIANCE NO V-0006934
UNIT 1[illegible] PENINSULA COURT BLDG
8735 MAKATI AVE., MAKATI CITY

Doc. No. 261;
Page No. 54;
Book No. XVIII;
Series of 2019;

CERTIFICATION

I, **RICHARD ANTHONY D. ALCAZAR**, of legal age, Filipino and with office address at 2303A, 23rd 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 non 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 May 28, 2019 at Pasig City.

RICHARD ANTHONY D. ALCAZAR
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAY 2 8 2019 2019 at Pasig City, affiant exhibiting to me his Comm. Tax Cert. No. 211714390 issued on January 11, 2019 at Pasig City and SSS No. 33-30928147 as competent evidence of his identity.

DENISE JANE B. DUEÑAS
Notary Public for the Cities of Pasig, San Juan, and Municipality of Pateros
Appointment No. 137 (2019-2020)
Commission Expires on 31 December 2020
2303-A East Tower, PSE Centre, Exchange Road
Ortigas Center, Pasig City, Metro Manila
Roll No. 70650
PTR No. 5174713; 01/12/2019; Pasig City
IBP No. 061209; 01/04/2019; Makati City
MCLE Compliance No. VI-0013718; 10/12/2018

Doc. No. 57;
Book No. 1;
Page No. 13;
Series of 2019

APC GROUP INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of APC Group, Inc. and Subsidiaries ("APC Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, 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

February 15, 2019

SUBSCRIBED AND SWORN to before me this 27 FEB 2019 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.	Valid until	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

DOC. NO. 462
PAGE NO. 94
BOOK NO. XVI
SERIES OF 2019

ATTY. GERVACIO ORTIZ, JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
PTR NO. 7332104/01-03-2019 MAKATI
IBP NO 036155 LIFETIME MEMBER
APPT. NO. M104/2017/ROLL NO. 4009
MCLE COMPLIANCE NO. V-0006934
UNIT 102 PENINSULA COURT BLDG
8735 MAKATI AVE., MAKATI CITY

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

	A	S	-	0	9	3	8	1	2	7

C O M P A N Y   N A M E

APC GROUP, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	SEC	NA

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
apcgrpinc@gmail.com	c/o 6628888 loc. 2144	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
595	Second Thursday of June	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jackson T. Ongsip	apcgrpinc@gmail.com	c/o 6628888 loc. 2144	–

CONTACT PERSON's ADDRESS

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

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

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

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
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 Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, 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, 2018, 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 Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 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 Group 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, 2018, the carrying value of the Group's deferred exploration costs amounted to ₱110.9 million. These deferred exploration costs pertain to the Aragorn Power and Energy Corporation (APEC)'s participating interest in Geothermal Renewable Service Contract (GRESC) and the expenditures incurred by APEC 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 amount exceeds the recoverable amount. The ability of APEC 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 Group'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 inspected the license/permit of the exploration period of GRESC to determine that the period for which APEC has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We reviewed the summary of the status of APEC's exploration project as at December 31, 2018, as certified by APEC's technical head, and compared it with the disclosures submitted to regulatory agencies. We reviewed the contracts and agreements, and budget for GRESC exploration costs. We checked the work program and corresponding budget furnished to the Department of Energy. We also read the minutes of the meetings of the Group's Board of Directors for the discussion of management plans.

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, 2018, 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, 2018 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 Group 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 Johnny F. Ang.

SYCIP GORRES VELAYO & CO.

Johnny F. Ang
Partner
CPA Certificate No. 0108257
SEC Accreditation No. 1284-AR-1 (Group A),
June 9, 2016, valid until June 9, 2019
Tax Identification No. 221-717-423
BIR Accreditation No. 08-001998-101-2018,
November 6, 2018, valid until November 5, 2021
PTR No. 7332518, January 3, 2019, Makati City

February 15, 2019

APC GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 18 and 19)	**₱144,787,138**	₱196,586,234
Trade and other receivables (Notes 6, 18 and 19)	**300,718**	941,677
Available-for-sale financial assets (Notes 7, 18 and 19)	**5,172,121**	8,669,571
Other current assets	**8,716,162**	8,504,516
Total Current Assets	**158,976,139**	214,701,998
Noncurrent Assets		
Property and equipment (Note 8)	**15,620**	24,546
Investment property (Notes 9 and 19)	**10,028,870**	22,374,000
Deferred exploration costs and other noncurrent assets (Notes 10, 18 and 19)	**110,902,708**	59,892,558
Total Noncurrent Assets	**120,947,198**	82,291,104
	₱279,923,337	₱296,993,102
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11, 18 and 19)	**₱28,449,031**	₱31,051,650
Advances from a related party (Notes 16, 18 and 19)	**80,047,381**	80,004,536
Total Current Liabilities	**108,496,412**	111,056,186
Noncurrent Liabilities		
Accrued retirement costs (Note 14)	**3,170,606**	2,665,286
Subscriptions payable (Notes 18 and 19)	**161,959**	161,959
Total Noncurrent Liabilities	**3,332,565**	2,827,245
Total Liabilities	**111,828,977**	113,883,431
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 12 and 18)	**6,388,078,749**	6,388,078,749
Additional paid-in capital (Notes 12 and 18)	**1,613,942,096**	1,613,942,096
Unrealized mark-to-market gain on available-for-sale financial assets (Note 7)	**4,324,120**	7,821,570
Remeasurement loss on defined benefit obligation (Note 14)	**(2,237,878)**	(2,237,878)
Equity reserves (Note 2)	**(3,140,235)**	226,304
Deficit	**(7,796,603,339)**	(7,785,133,308)
Treasury shares - 7,606,000 shares (Notes 12 and 17)	**(29,435,220)**	(29,435,220)
Total Equity Attributable to Equity Holders of the Parent Company	**174,928,293**	193,262,313
Non-controlling Interests	**(6,833,933)**	(10,152,642)
Total Equity	**168,094,360**	183,109,671
	₱279,923,337	₱296,993,102

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2018	2017	2016
REVENUES			
Interest income (Note 5)	**₱3,569,449**	₱3,900,176	₱1,225,022
Dividend income (Note 7)	**279,224**	178,688	136,719
	3,848,673	4,078,864	1,361,741
EXPENSES			
General and administrative expenses (Note 13)	**(12,350,727)**	(20,510,625)	(21,848,917)
Write-off/provision for impairment of deferred exploration costs and mining rights	**–**	–	(12,911,061)
	(12,350,727)	(20,510,625)	(34,759,978)
OTHER INCOME (EXPENSES)			
Loss on:			
Sale of investment property (Note 9)	**(3,015,807)**	–	(18,689,020)
Disposal of property and equipment (Note 8)	**–**	(26,684)	–
Impairment of goodwill	**–**	–	(5,992,907)
Gain on change in fair value of investment property	**–**	–	7,515,020
Foreign exchange gain	**–**	–	403
Other income - net	**–**	44,500	3,571,429
	(3,015,807)	17,816	(13,595,075)
LOSS BEFORE INCOME TAX	**(11,517,861)**	(16,413,945)	(46,993,312)
PROVISION FOR INCOME TAX (Note 15)	**–**	890	71,437
NET LOSS	**(11,517,861)**	(16,414,835)	(47,064,749)
OTHER COMPREHENSIVE INCOME (LOSS)			
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)	**(3,497,450)**	1,144,620	3,370,270
Item not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain on defined benefit obligation (Note 14)	**–**	625,727	–
	(3,497,450)	1,770,347	3,370,270
TOTAL COMPREHENSIVE LOSS	**(₱15,015,311)**	(₱14,644,488)	(₱43,694,479)

Net Loss Attributable to:			
Equity holders of the Parent Company (Note 17)	**(₱11,470,031)**	(₱16,324,751)	(₱46,129,738)
Non-controlling interests	**(47,830)**	(90,084)	(935,011)
	(₱11,517,861)	(₱16,414,835)	(₱47,064,749)
Total Comprehensive Loss Attributable to:			
Equity holders of the Parent Company	**(₱14,967,481)**	(₱14,554,404)	(₱42,759,468)
Non-controlling interests	**(47,830)**	(90,084)	(935,011)
	(₱15,015,311)	(₱14,644,488)	(₱43,694,479)
Basic/Diluted Loss Per Common Share (Note 17)	**(₱0.001528)**	(₱0.002175)	(₱0.006147)

See accompanying Notes to Consolidated Financial Statements.

APC GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock (Notes 12 and 18)	**Additional Paid-in Capital** (Notes 12 and 18)	**Unrealized Mark-to-Market Gain (Loss) on Available-for-Sale Financial Assets** (Note 7)	**Remeasurement Loss on Defined Benefit Obligation** (Note 14)	**Equity Reserves**	**Deficit**	**Treasury Shares** (Notes 12 and 17)	**Total**	**Non-controlling Interests**	**Total**
Balances at January 1, 2018	**₱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**
Net loss during the year	**–**	**–**	**–**	**–**	**–**	**(11,470,031)**	**–**	**(11,470,031)**	**(47,830)**	**(11,517,861)**
Other comprehensive loss	**–**	**–**	**(3,497,450)**	**–**	**–**	**–**	**–**	**(3,497,450)**	**–**	**(3,497,450)**
Total comprehensive loss	**–**	**–**	**(3,497,450)**	**–**	**–**	**(11,470,031)**	**–**	**(14,967,481)**	**(47,830)**	**(15,015,311)**
Change in ownership interest in a subsidiary without loss of control (Note 2)	**–**	**–**	**–**	**–**	**(3,366,539)**	**–**	**–**	**–**	**3,366,539**	**–**
Balances at December 31, 2018	**₱6,388,078,749**	**₱1,613,942,096**	**₱4,324,120**	**(₱2,237,878)**	**(₱3,140,235)**	**(₱7,796,603,339)**	**(₱29,435,220)**	**₱178,294,832**	**(₱6,833,933)**	**₱168,094,360**
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 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 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

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax:	**(₱11,517,861)**	(₱16,413,945)	(₱46,993,312)
Adjustments for:			
Interest income (Note 5)	**(3,569,449)**	(3,900,176)	(1,225,022)
Dividend income (Note 7)	**(279,224)**	(178,688)	(136,719)
Retirement costs (Note 14)	**505,320**	490,513	435,900
Depreciation and amortization (Notes 8 and 13)	**8,926**	65,522	70,418
Loss on:			
Sale of investment property (Note 9)	**3,015,807**	–	18,689,020
Disposal of property and equipment (Note 8)	**–**	26,684	–
Impairment of goodwill	**–**	–	5,992,907
Write-off/provision for impairment of deferred exploration costs and other noncurrent assets	**–**	–	12,911,061
Gain on change in fair value of investment property	**–**	–	(7,515,020)
Operating loss before working capital changes	**(11,836,481)**	(19,910,090)	(17,770,767)
Decrease (increase) in:			
Trade and other receivables	**640,959**	80,828,202	(4,319,637)
Other current assets	**(211,646)**	(970,977)	(224,544)
Increase (decrease) in:			
Trade and other payables	**(2,602,619)**	(5,543,905)	7,189,276
Advances from a related party	**42,845**	232,530	–
Cash generated from (used for) operations	**(13,966,942)**	54,635,760	(15,125,672)
Interest received	**3,569,449**	3,900,176	1,225,022
Income taxes paid	**–**	(72,327)	(342)
Dividend received	**279,224**	178,688	136,719
Net cash provided by (used in) operating activities	**(10,118,269)**	58,642,297	(13,764,273)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale of investment property (Notes 9 and 20)	**9,329,323**	–	19,200,000
Disposal of property and equipment (Note 8)	**–**	35,610	–
Acquisition of property and equipment (Note 8)	**–**	(26,777)	–
Increase in deferred exploration costs and other noncurrent assets	**(51,010,150)**	(689,322)	(619,023)
Net cash provided by (used in) investing activities	**(41,680,827)**	(680,489)	18,580,977
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from collection of subscription receivables	**–**	–	6,601
Cash provided by financing activities	**–**	–	6,601
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(51,799,096)**	57,961,808	4,823,305
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 5)	**196,586,234**	138,624,426	133,801,121
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱144,787,138**	₱196,586,234	₱138,624,426

See accompanying Notes to Consolidated Financial Statements.

APC GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

APC Group, Inc. (the Parent Company or APC) and subsidiaries (the Group) 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 February 15, 2019.

Status of Operations

In 2005, the Group incorporated Aragorn Power and Energy Corporation (APEC), a subsidiary. APEC was established in line with the government's thrust in developing the country's energy sector. Thus, the Group will concentrate in energy resource exploration and development. The government's thrust to encourage investments in the energy sector augurs well with the Group's investment direction. Other subsidiaries are in the pre-operating stage.

As at February 15, 2019, the following are the status of operations of the Group.

a. APEC

As at February 15, 2019, APEC is still in the exploration 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 Service Contract (GRESC) in March 2010 to avail of the incentives provided under the Renewable Energy (RE) Act of 2008. GRESC 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.

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 (FOA) 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.

On August 13, 2018, APEC has secured an extension of the GRESC exploration period from DOE until September 23, 2020.

On August 14, 2018, pursuant to Executive Order No. 30, the Energy Investment Coordinating Council (EICC) through the Department of Energy approved the application of APEC for its Kalinga Geothermal Project (KGP) to qualify as an Energy Project of National Significance. The Certificate of Energy Project of National Significance (CEPNS) for Pre-Development Phase, entitles the KGP to all the rights privileges provided for under Executive Order No. 30 series 2017.

On September 18, 2018, AKL has assigned its Farm-out interest, including all associated rights and obligations under the FOA, in favor of its affiliate, Allfirst Kalinga Holdings, Inc. (AKHI).

As at February 15, 2019, APEC has completed sub-phases 1 and 2 covering, geochemical and geophysical surveys. APEC is already in the sub-phase 3 stage of the project. 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.

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.

This KGP 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$300.0 million.

b. APC Energy Resources Inc. (APC Energy)

APC Energy was established to engage in exploration, development and utilization of renewable energy resources. As at February 15, 2019, APC Energy 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 February 15, 2019, APC Mining 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 February 15, 2019, APC Cement 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 February 15, 2019, PRC Magma 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 Group'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, 2018:

		Percentage of Ownership		
Subsidiaries	Nature of Business	Direct	Indirect	Total
APEC (1)	Energy	95.6	–	95.6(3)
PRC - Magma (1, 2)	Energy	–	85.0	85.0
APC Cement (1)	Manufacturing	100.0	–	100.0
APC Energy (1)	Mining	100.0	–	100.0
APC Mining (1)	Mining	83.0	–	83.0

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at December 31, 2017:

		Percentage of Ownership		
Subsidiaries	Nature of Business	Direct	Indirect	Total
APEC (1)	Energy	90.0	–	90.0
PRC - Magma (1, 2)	Energy	–	85.0	85.0
APC Cement (1)	Manufacturing	100.0	–	100.0
APC Energy (1)	Mining	100.0	–	100.0
APC Mining (1)	Mining	83.0	–	83.0

(1) Still in the pre-operating stage
(2) A direct subsidiary of APEC
(3) On April 10, 2018, the Parent Company subscribed to additional shares of APEC through capital infusion amounting to ₱76.5 million which increased the ownership interest of the Parent Company from 90% to 95.6%. This resulted to change in ownership interests in APEC without loss of control and accounted for as deemed acquisition of NCI. Loss on dilution of NCI amounted to ₱3.4 million, presented as part of "Equity Reserves" in the Statement of Financial Position.

All of the subsidiaries were incorporated in the Philippines.

Control is achieved when the Parent Company is exposed, or has right, to variable returns from its involvement with the investee. Specifically, 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 Parent Company has less than a majority of the voting or similar rights of an investee, the Parent 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 Group's voting rights and potential voting rights.

The Parent 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 Group obtains control over the subsidiary and ceases when the Parent 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 Parent Company gains control until the date the Group 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 Group's accounting policies. All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group 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 Group 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.

<u>Non-controlling Interests (NCI)</u>
NCI represent the portion of profit or loss and the net assets not held by the Group 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 owners 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.

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

- PFRS 9, *Financial Instruments*, replaces Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement,* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied PFRS 9 using modified retrospective approach, with an initial application date of January 1, 2018. The effect of adopting PFRS 9 follows:

(a) Classification and measurement

Under PFRS 9, debt instruments are subsequently measured at fair value through profit of loss (FVTPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018, and then applied prospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39.

The following are the changes in the classification of the Group's financial assets:

- Cash and cash equivalents, and trade and other receivables amounting to ₱197.5 million as at December 31, 2017 previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortized cost beginning January 1, 2018.

- Equity instruments previously classified as available-for-sale (AFS) financial assets amounting to ₱8.7 million as at December 31, 2017 are now classified and measured as equity instrument at FVOCI. There were no impairment losses recognized in profit or loss for these investments in prior periods.

There are no changes in classification and measurement for the Group's financial liabilities.

(b) Impairment

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking ECL approach.

The adoption of ECL approach has no significant impact on the allowance for impairment losses recognized in the consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
- PFRS 15, *Revenue from Contracts with Customers*
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRS* 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) - 22, *Foreign Currency Transactions and Advance Consideration*

Future Changes in Accounting Policies

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

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Summary of Significant Accounting Policies

Current versus Noncurrent Classification
The Group 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 Group 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 Group.

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 Group 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 Group 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 Group determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Group 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 Group 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 Group 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 Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial Instruments - Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments). This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through OCI (debt instruments). The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments). Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group 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 of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group 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 Group could be required to repay.

Impairment of financial assets. The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement. The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings. This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

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

Other Current Assets

Other current assets include input value-added tax (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 to 5 years
Leasehold improvements	5 years or term of the lease, whichever is shorter

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

The standard requires all entities to measure the fair value of investment property, for the purpose of either measurement (if the entity uses the fair value model) or disclosure (if it uses the cost model). An entity is encouraged, but not required, to measure the fair value of investment property on the basis of a valuation by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

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 statements 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 provision for impairments is provided for unrecoverable mining rights and deferred exploration costs based on the Group'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 Group 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 Group'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 Group 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 Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group'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 Group, 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 (APIC)

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 APIC.

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 Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized as APIC.

Deficit
The amount included in deficit includes cumulative amount of profit (loss) attributable to the Group's equity holders.

Revenue from contracts with customers

The Group is organized to engage in the oil and gas exploration and development in the Philippines. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

The Group is still in the pre-operating stage as at December 31, 2018.

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 Group's right to receive the payment is established.

Expenses
General and administrative expenses are recognized as incurred.

Employee Benefits

Retirement Costs. The Group 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 net 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 the net 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 OCI 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 statements 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 OCI are included in the related OCI 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.

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.

<u>Foreign Currency-Denominated Transactions</u>
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 statements 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 Group 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 Group 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.

Events after the Reporting Period
Post year-end events that provide additional information about the Group'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 Group has no dilutive potential common shares outstanding.

3. Significant Judgment, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgment, estimates and assumptions that affect certain reported amounts and disclosures. In preparing the consolidated financial statements, management has made its best judgment and estimates of certain amounts, giving due consideration to materiality. The judgment, 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.

Judgment, 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 Group believes that the following represent a summary of these significant judgment, 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 financial assets. The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The carrying values of cash and cash equivalents, trade and other receivables and deposits amounted to ₱145.1 million and ₱197.7 million as at December 31, 2018 and 2017, respectively (see Notes 5 and 6).

Classification of AFS Financial Assets. The Group holds various AFS financial assets. The Group 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 Group. Consequently, these are classified as part of current assets in the consolidated statements of financial position.

AFS financial assets amounted to ₱5.2 million and ₱8.7 million as at December 31, 2018 and 2017, 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 Group's nonfinancial assets that are subject to impairment testing when certain impairment indicators are present are as follows:

	2018	2017
Deferred exploration costs and mining rights (see Note 10)	**₱110,878,886**	₱59,702,160
Property and equipment (see Note 8)	**15,620**	24,546

Write off/provision for impairment of deferred exploration costs and mining rights amounted to nil both in 2018 and 2017 and ₱12.9 million in 2016 (see Note 10).

Fair Value of Investment Property. The Group 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.

As at December 31, 2018, the Group did not engage an independent valuation specialist to determine the fair value of its investment property and used the 2016 appraisal report as basis in determining the fair value of the investment property. Furthermore, the standard encouraged an entity, but it does not require, to measure the fair value of investment property on the basis of a valuation by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Because of this, the Group referred to PAS 16*, Property, Plant and Equipment*, which states that the frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Some items of property, plant and equipment experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.

Based on the Group's assesments, there are no significant changes in fair value from the 2016 appraisal report. The fair value of investment property amounted to ₱10.0 million and ₱22.4 million as at December 31, 2018 and 2017, respectively (see Note 9).

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 future 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 future taxable profit will be generated to allow all or part of the deferred tax assets to be utilized. The Group'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 Group's past results and future expectations on revenue and expenses.

Unrecognized deferred tax assets amounted to ₱51.2 million and ₱52.2 million as at December 31, 2018 and 2017, 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 Group'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 2018 and 2017 and ₱0.4 million in 2016. Accrued retirement costs amounted to ₱3.2 million and ₱2.7 million as at December 31, 2018 and 2017, 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 Group's defense in these matters and is based upon an analysis of potential results. The Group is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Group'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 Group's consolidated financial statements. Accordingly, no provision for probable losses arising from legal contingencies was recognized in the consolidated statements of comprehensive income in 2018, 2017 and 2016.

4. Segment Information

The Group'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 Group is engaged in mining and exploration activities, among others.

Following are the segments of the Group:

a. Mining and Exploration - pertain to the mining, coal and power and energy business of the Group.

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 Group are shown below.

	Mining and Exploration	**Unallocated Corporate Balances and Other Operations**	**Combined**	**Eliminations**	**Total Operations**
Year Ended December 31, 2018					
Segment expenses	**(₱1,007,892)**	**(₱11,342,835)**	**(₱12,350,727)**	**₱–**	**(₱12,350,727)**
Provision for impairment of investment and advances in subsidiaries	**–**	**(3,984,335)**	**(3,984,335)**	**3,984,335**	**–**
Loss on sale of investment property	**–**	**(3,015,807)**	**(3,015,807)**	**–**	**(3,015,807)**
Dividend and other income	**–**	**279,224**	**279,224**	**–**	**279,224**
Interest income	**15,215**	**3,554,234**	**3,569,449**	**–**	**3,569,449**
Net loss	**(₱992,677)**	**(₱14,509,519)**	**(₱15,502,196)**	**₱3,984,335**	**(₱11,517,861)**
As at December 31, 2018					
Other information:					
Segment assets	**₱ 115,883,864**	**₱ 300,013,961**	**₱415,897,825**	**(₱135,974,488)**	**₱279,923,337**
Segment liabilities	**100,703,636**	**119,186,193**	**219,889,829**	**(108,060,852)**	**111,828,977**
Depreciation and amortization	**–**	**8,926**	**8,926**	**–**	**8,926**

	Mining and Exploration	Unallocated Corporate Balances and Other Operations	Combined	Eliminations	Total Operations
Year Ended December 31, 2017					
Segment expenses	(₱973,595)	(₱19,537,030)	(₱20,510,625)	₱–	(₱20,510,625)
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 in a subsidiary	–	(32,593,901)	(32,593,901)	32,593,901	–
Provision for income tax	–	(890)	(890)	–	(890)
Net loss	(₱969,000)	(₱48,039,736)	(₱49,008,736)	₱32,593,901	(₱16,414,835)
As at December 31, 2017					
Other information:					
Segment assets	₱65,411,299	₱305,843,305	₱371,254,604	(₱74,261,502)	₱296,993,102
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 Exploration	Unallocated Corporate Balances and Other Operations	Combined	Eliminations	Total Operations
Year Ended December 31, 2016					
Segment expenses	(₱2,190,282)	(₱19,658,635)	(₱21,848,917)	₱–	(₱21,848,917)
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	(₱11,361,463)	(₱35,703,286)	(₱47,064,749)	₱–	(₱47,064,749)
As at December 31, 2016					
Other information:					
Segment assets	₱67,926,725	₱355,299,530	₱423,226,255	(₱106,070,639)	₱317,155,616
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

5. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand and in banks	**₱4,026,348**	₱4,393,939
Short-term investments	**140,760,790**	192,192,295
	₱144,787,138	₱196,586,234

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 Group, and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and short-term investments amounted to ₱3.6 million, ₱3.9 million and ₱1.2 million in 2018, 2017 and 2016, respectively.

6. Trade and Other Receivables

This account consists of:

	2018	2017
Trade	**₱197,770**	₱490,767
Advances to officers and employees	**46,168**	60,582
Others	**56,780**	390,328
	₱300,718	₱941,677

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.
- Other receivables consist of advances to contractors and suppliers.

7. Available-for-Sale Financial Assets

This account consists of:

	2018	2017
Premium Leisure Corp. (PLC)	**₱5,087,200**	₱8,584,650
Others	**84,921**	84,921
	₱5,172,121	₱8,669,571

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

	2018	2017
Balance at beginning of year	**₱8,669,571**	₱7,524,951
Unrealized mark-to-market gain (loss)	**(3,497,450)**	1,144,620
Balance at end of year	**₱5,172,121**	₱8,669,571

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:

	2018	2017
Balance at beginning of year	**₱7,821,570**	₱6,676,950
Unrealized mark-to-market gain (loss)	**(3,497,450)**	1,144,620
Balance at end of year	**₱4,324,120**	₱7,821,570

The Group received dividend income from PLC shares amounting to ₱0.3 million in 2018, ₱0.2 million in 2017 and ₱0.1 million in 2016.

8. Property and Equipment

This account consists of office and other equipment:

	2018
Cost	
Balance at beginning of year	**₱1,614,133**
Accumulated Depreciation and Amortization	
Balance at beginning of year	**1,589,587**
Depreciation and amortization (see Note 13)	**8,926**
Balance at end of year	**1,598,513**
Net Book Value	**₱15,620**

	2017
Cost	
Balance at beginning of year	₱1,746,767
Additions	26,777
Disposals	(159,411)
Balance at end of year	1,614,133
Accumulated Depreciation and Amortization	
Balance at beginning of year	1,639,541
Depreciation and amortization (see Note 13)	47,163
Disposals	(97,117)
Balance at end of year	1,589,587
Net Book Value	₱24,546

There were no idle assets as at December 31, 2018 and 2017.

9. Investment Property

The movement of this account follows:

	2018	2017
Balance at beginning of year	**₱22,374,000**	₱22,374,000
Disposal	**(12,345,130)**	–
Balance at end of year	**₱10,028,870**	₱22,374,000

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

In 2018, the Group sold parcels of land for a total consideration amounting to ₱9.3 million which resulted to a loss on sale of investment property of ₱3.0 million.

The fair value of the remaining investment property as at December 31, 2018 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 Group 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, 2018, the Group's management believes that there were no conditions present in 2018 that would significantly reduce the fair value of the investment properties from that determined in 2016.

The Group recognized gain on fair value change in investment property amounting to nil both in 2018 and 2017, and ₱7.5 million in 2016.

10. Deferred Exploration Costs and Other Noncurrent Assets

This account consists of:

	2018	2017
Deferred exploration costs - net	**₱110,878,886**	₱59,702,160
Deposits and others (see Notes 18 and 19)	**23,822**	190,398
	₱ 110,902,708	₱59,892,558

Deferred Exploration Costs - net
Deferred exploration costs are carried at cost net of allowance for impairment losses. Movements in the account are as follows:

	2018	2017
Cost:		
Balance at beginning of year	**₱123,367,084**	₱122,838,947
Additions	**51,176,726**	528,137
Balance at end of year	**174,543,810**	123,367,084
Less allowance for impairment	**63,664,924**	63,664,924
Net book value	**₱110,878,886**	₱59,702,160

Deferred exploration costs relate to geothermal projects. The ability of the Group to recover its deferred exploration cost would depend on the success of exploration activities and on the commercial viability of the reserves (see Note 1).

The Group incurred exploration costs amounting to ₱51.2 million, ₱0.5 million and ₱0.6 million in 2018, 2017 and 2016, respectively, in connection with the exploration activities, engineering design and technical feasibility of its Geothermal Kalinga Project.

No impairment loss was recognized in 2018 and 2017.

11. Trade and Other Payables

This account consists of:

	2018	2017
Trade	**₱4,825,199**	₱7,182,500
Accrued expenses:		
Professional fees	**1,308,826**	1,088,332
Others	**575,703**	606,202
Payable to third parties	**12,978,972**	13,399,223
Nontrade payables	**8,735,254**	8,735,254
Payable to government agencies	**25,077**	40,139
	₱28,449,031	₱31,051,650

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 Social Security System (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 both for December 31, 2018 and 2017 follow:

	Number of Shares	Amount
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 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 February 15, 2019, the Parent Company's BOD has not authorized any issuance of preferred shares.

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

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

The total number of shareholders is 595 and 594 as at December 31, 2018 and 2017, 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 APIC to wipe out the Group 's deficit. As at February 15, 2019, 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:

	2018	2017	2016
Salaries and employee benefits	**₱4,899,059**	₱4,933,334	₱4,710,238
Professional fees and outside services	**2,366,669**	6,147,392	6,181,176
Taxes and licenses	**1,775,476**	5,430,419	6,194,571
Entertainment, amusement and recreation	**1,298,363**	1,495,626	1,634,285
Transportation and travel	**852,331**	660,685	415,358
Retirement costs (see Note 14)	**505,320**	490,513	435,900
Meetings	**346,412**	283,609	218,484
Rental	**53,571**	405,054	843,175
Depreciation and amortization (see Note 8)	**8,926**	65,522	70,418
Others	**244,600**	598,471	1,145,312
	₱12,350,727	₱20,510,625	₱21,848,917

14. Retirement Plan

The Group 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 (RA) No. 7641, an act amending Article 287 of Presidential Decree (PD) No. 442, as amended, otherwise known as the *Labor Code of the Philippines*, 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:

	2018	2017	2016
Balance at beginning of year	**₱2,665,286**	₱2,800,500	₱2,364,600
Retirement costs (Note 13):			
Current service cost	**351,000**	331,165	340,800
Interest cost	**154,320**	159,348	95,100
	505,320	490,513	435,900

(Forward)

	2018	2017	2016
Remeasurement loss (gain) in other comprehensive income:			
Actuarial changes due to experience adjustments	**₱–**	(₱1,209,385)	₱–
Actuarial changes arising from changes in financial assumptions	**–**	583,658	–
	–	(625,727)	–
	₱3,170,606	₱2,665,286	₱2,800,500

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

	2018	2017	2016
Discount rate	**5.79%**	5.79%	5.69%
Future salary increase rate	**8.00%**	8.00%	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) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
Discount rate		
2018	**100**	**–**
	(100)	**–**
2017	100	(247,529)
	(100)	283,057
Future salary increase rate		
2018	**100**	**–**
	(100)	**–**
2017	100	247,191
	(100)	(222,288)

The following are other defined benefit plan information:

	2018	2017
A. Weighted Average Duration of PVDBO	**9.90 years**	9.90 years
B. Maturity Analysis of Undiscounted Retirement Benefit Payments		
More than one year up to 5 years	**₱517,628**	₱517,628
More than 5 years up to 10 years	**2,087,323**	2,087,323
C. Plan Membership Information		
Number of Active Plan Members	**7**	7
Average Attained Age	**41.9 years**	40.9 years
Average Past Service	**7.8 years**	6.8 years
Average Future Service	**18.1 years**	19.1 years

15. **Income Tax**

In 2017 and 2016, 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:

	2018	2017	2016
Benefit from income tax at statutory income tax rate	**(₱3,455,358)**	(₱4,924,184)	(₱14,097,994)
Increase (decrease) in income tax resulting from:			
Change in unrecognized deferred tax assets	**(936,656)**	2,951,878	5,298,190
Expired NOLCO and MCIT	**5,143,848**	2,748,167	1,911,405
Nondeductible expenses	**402,768**	448,688	4,016,158
Interest income subjected to final tax	**(1,070,835)**	(1,170,053)	(367,506)
Dividend income exempt from income tax	**(83,767)**	(53,606)	(41,016)
Loss on sale of investment property	**–**	–	5,606,706
Gain on change in fair value of investment property	**–**	–	(2,254,506)
Effective income tax	**₱–**	₱890	₱71,437

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:

	2018	2017	2016
Allowance for impairment of deferred exploration costs and mining rights	**₱111,919,832**	₱111,919,832	₱111,919,832
NOLCO	**55,383,285**	59,009,651	48,824,729
Accrued retirement costs	**3,170,606**	2,665,286	2,800,500
Excess of MCIT over RCIT	**72,327**	72,669	323,421
Others	**714**	714	714
	₱170,546,764	₱173,668,152	₱163,869,196
Unrecognized deferred tax assets	**₱51,214,658**	₱52,151,314	₱49,387,154

Deferred tax assets were not recognized as at December 31, 2018 and 2017 as management believes it is not probable that future taxable profits will be sufficient against which these can be utilized.

As at December 31, 2018, the Group'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
2016	2019	23,357,961	71,437
2017	2020	18,506,671	890
2018	2021	13,518,653	–
		₱55,383,285	₱72,327

The movements in NOLCO and MCIT follow:

	2018	2017
NOLCO:		
Balance at beginning of year	**₱59,009,651**	₱48,824,729
Additions	**13,518,653**	18,506,671
Expirations	**(17,145,019)**	(8,321,749)
Balance at end of year	**₱55,383,285**	₱59,009,651

	2018	2017
MCIT:		
Balance at beginning of year	**₱72,669**	₱323,421
Additions	**–**	890
Expirations	**(342)**	(251,642)
Balance at end of year	**₱72,327**	₱72,669

RA No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect on 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 Group that gives them significant influence over the Group, key management personnel, including directors and officers of the Group 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 Group. 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/ Volume of Transactions	Advances from a Related Party	Terms	Conditions
Stockholder					
Belle					
(1) Advances	**2018**	**₱–**	**(₱79,406,947)**	On demand;	Unsecured
	2017	–	(79,406,947)	Noninterest-bearing	
(2) Share in expenses	**2018**	**(42,845)**	**(640,434)**	On demand;	Unsecured
	2017	–	(597,589)	Noninterest-bearing	
Total					
Advances from a related party	**2018**	**(₱42,845)**	**(₱80,047,381)**		
	2017	–	(80,004,536)		

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

	2018	2017	2016
Salaries and short-term employee benefits	**₱3,480,000**	₱3,480,000	₱3,640,000
Retirement costs	**190,543**	190,543	198,800
	₱3,670,543	₱3,670,543	₱3,838,800

17. Basic/Diluted Loss Per Common Share

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

	2018	2017	2016
Loss attributable to equity holders of the Parent Company (a)	**(₱11,470,031)**	(₱16,324,751)	(₱46,129,738)
Weighted average number of common shares	**7,511,809,997**	7,511,809,997	7,511,809,997
Treasury shares	**(7,606,000)**	(7,606,000)	(7,606,000)
Divided by weighted average common shares (b)	**7,504,203,997**	7,504,203,997	7,504,203,997
Basic/diluted loss per share	**(₱0.001528)**	(₱0.002175)	(₱0.006147)

There were no dilutive potential common shares for purposes of calculation of loss per share in 2018, 2017 and 2016.

18. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise advances from related parties. The main purpose of these financial liabilities is to finance the Group's operations. The Group 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 a related party.

The main risks arising from the Group'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 Group's cash resources is managed so as to minimize risk while seeking to enhance yield. The Group is exposed to credit risk, if the counterparty is unwilling or unable to fulfill its obligations and the Group 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 Group. Since the Group trades only with recognized third parties, there is no requirement for collateral. The carrying values of the Group'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:

	2018				
	Neither Past Due nor Impaired	**Past Due but not Impaired**			
		1-60 Days	**>60 Days**	**Impaired**	**Total**
Cash and cash equivalents*	**₱144,777,138**	**₱–**	**₱–**	**₱–**	**₱144,777,138**
Trade and other receivables:					
Trade	**–**	**–**	**197,770**	**–**	**197,770**
Advances to officers and employees	**1,086**	**–**	**45,082**	**–**	**46,168**
Others	**15,512**	**–**	**41,268**	**–**	**56,780**
Deposits**	**23,822**	**–**	**–**	**–**	**23,822**
AFS financial assets	**5,172,121**	**–**	**–**	**–**	**5,172,121**
	₱149,989,679	**₱–**	**₱284,120**	**₱–**	**₱150,273,799**

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

**Excluding cash on hand amounting to ₱10,000 as at December 31, 2018 and 2017.*
***Included as part of "Deferred exploration costs and other noncurrent assets" account.*

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

	2018		
	High Grade	**Standard Grade**	**Total**
Cash and cash equivalents*	**₱144,777,138**	**₱–**	**₱144,777,138**
Deposits**	**–**	**23,822**	**23,822**
AFS financial assets	**–**	**5,172,121**	**5,172,121**
	₱144,777,138	**₱5,195,943**	**₱149,973,081**

	2017		
	High Grade	Standard 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
	₱196,576,234	₱8,859,969	₱205,436,203

**Excluding cash on hand amounting to ₱10,000 as at December 31, 2018 and 2017.*
***Included as part of "Deferred exploration costs and other noncurrent assets" account.*

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

a. 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.

b. 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 Group may encounter difficulties in raising funds to meet commitments from financial instruments. The Group's objective is to maintain continuity of funding. The Group'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 Group 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 Group'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 ₱150.3 million and ₱206.2 million as at December 31, 2018 and 2017, respectively.

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

	2018				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 1 Year**	**Total**
Trade and other payables*	**₱28,423,954**	**₱–**	**₱–**	**₱–**	**₱28,423,954**
Advances from a related party	**80,047,381**	**–**	**–**	**–**	**80,047,381**
Subscriptions payable	**–**	**–**	**–**	**161,959**	**161,959**
	₱108,471,335	**₱–**	**₱–**	**₱161,959**	**₱108,633,294**

	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 a related party	80,004,536	–	–	–	80,004,536
Subscriptions payable	–	–	–	161,959	161,959
	₱111,016,047	₱–	₱–	₱161,959	₱111,178,006

**Excluding statutory liabilities to the government.*

Equity Price Risk

The Group's investments in equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group 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 Group's senior management on a regular basis. The Group's BOD reviews and approves all equity investment decisions.

The Group's exposure to quoted securities amounted to ₱5.2 million and ₱8.7 million as at December 31, 2018 and 2017, 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, 2018 and 2017) due to reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in Equity Price*	Effect on Equity
2018	**7%**	**₱356,539**
	(7%)	**(356,539)**
2017	1%	₱88,048
	(1%)	(88,048)

**Based on PSE market index*

Capital Management
The main objective of the Group is to maintain a strong and healthy financial position.

Presently, the cash requirements of the Group 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 Group should be able to maintain a strong and solid capital structure.

The capital structure of the Group consists of capital stock and additional paid-in capital amounting to ₱7,972.6 million after deduction treasury shares at December 31, 2018 and 2017, respectively.

There were no changes in the objectives, policies or procedures during the years ended December 31, 2018 and 2017.

19. **Financial Assets and Liabilities**

A comparison by category of the carrying values and estimated fair values of the Group's financial instruments that are carried in the consolidated statements of financial position as at December 31, 2018 and 2017 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 Group's assets and liabilities as at December 31, 2018 and 2017:

		2018		
	Valuation Date	**Total**	**Level 1**	**Level 3**
Assets measured at fair value:				
Investment property (Note 9)	**October 12, 2016**	**₱10,028,870**	**₱–**	**₱10,028,870**
AFS financial assets (Note 7)	**December 31, 2018**	**5,172,121**	**5,172,121**	**–**
Total financial assets		**₱15,200,991**	**₱5,172,121**	**₱10,028,870**

		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

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, 2018 and 2017.

20. Note to the Consolidated Statements of Cash Flows

There are no non-cash activities in 2018 and 2017.

In 2016, non-cash investing activities include the sale of investment property for ₱96.0 million, of which ₱76.8 million was subsequently collected in 2017.

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

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

The Stockholders and 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 (the Group) as at December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018 and have issued our report thereon dated February 15, 2019. Our audits were made for the purpose of forming an opinion on the basic consolidated 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 Group'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 consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Johnny F. Ang
Partner
CPA Certificate No. 0108257
SEC Accreditation No. 1284-AR-1 (Group A),
June 9, 2016, valid until June 9, 2019
Tax Identification No. 221-717-423
BIR Accreditation No. 08-001998-101-2018,
November 6, 2018, valid until November 5, 2021
PTR No. 7332518, January 3, 2019, Makati City

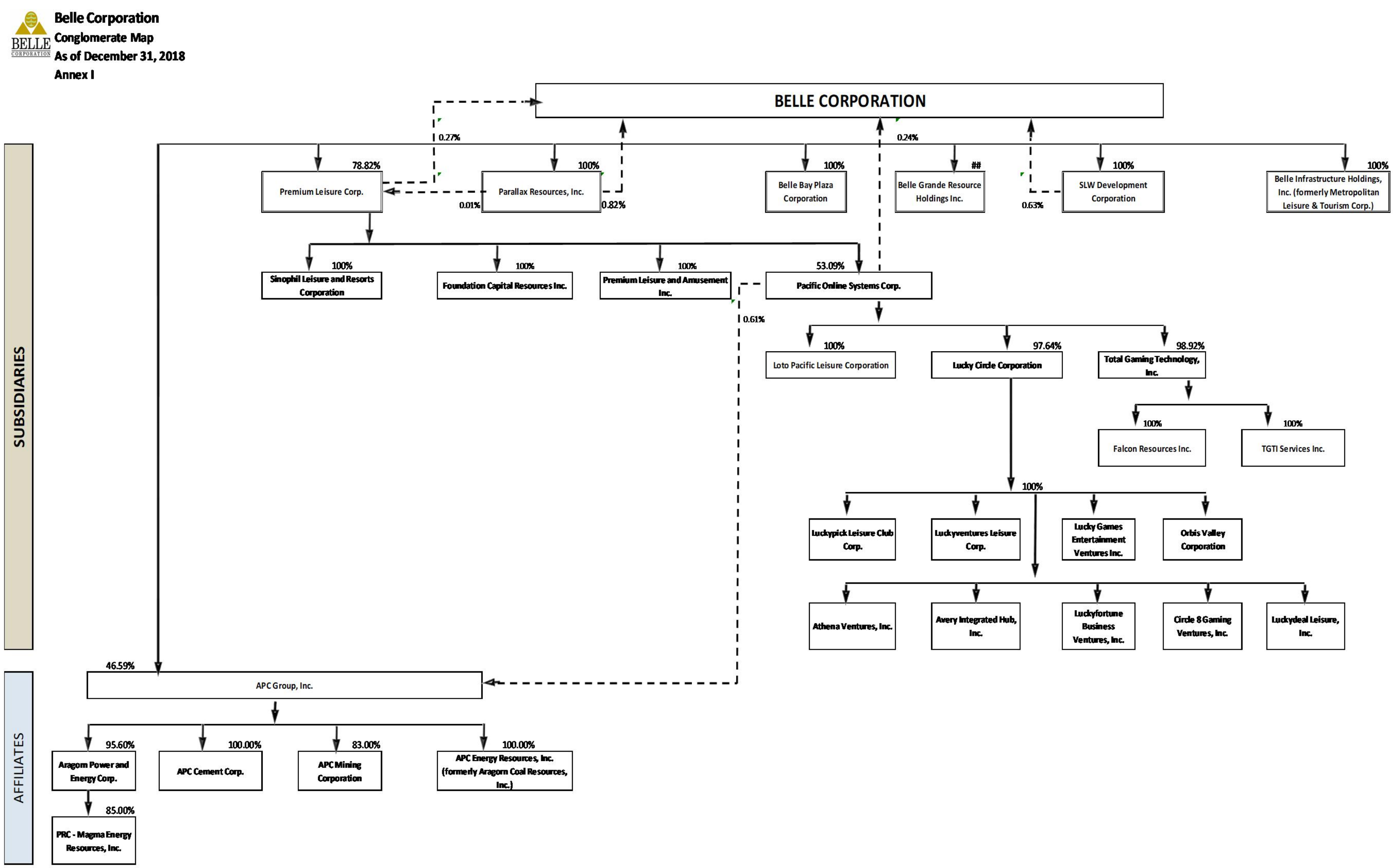
February 15, 2019

APC GROUP, INC. AND SUBSIDIARIES
Index to the Consolidated Financial Statements and Supplementary Schedules
December 31, 2018

APC GROUP, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIP OF THE COMPANY WITHIN THE GROUP

DECEMBER 31, 2018



APC GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES REQUIRED BY PARAGRAPH 6D, PART II OF SRC RULE 68, AS AMENDED (2011)

DECEMBER 31, 2018

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
Loans and receivables				
Cash and cash equivalents	₱144,787,138	₱144,787,138	N/A	₱3,569,449
Trade receivables and other receivables	254,550	254,550	N/A	–
Advances to officers and employees	46,168	46,168	N/A	–
Deposits	23,822	23,822	N/A	–
	145,111,678	145,111,678		3,569,449
AFS financial assets				
Premium Leisure Corp	6,359,000	5,087,200	5,087,200	–
Others	12,500	84,921	–	–
	6,371,500	5,172,121	5,087,200	–
		₱150,283,799	₱5,087,200	₱3,569,449

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	₱60,582	₱504,000	(₱518,414)	₱–	₱46,168	₱–	₱46,168

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	₱78,579,282	₱31,161	(₱52,337)	(₱78,558,106)	₱–	₱–	₱–
APC Cement Corporation	5,655,637	20,061	–	(5,675,698)	–	–	–
APC Energy Resources, Inc.	7,593,901	30,712	–	(7,593,901)	30,712	–	–
Aragorn Power and Energy Corporation	15,841,924	52,070,273	(62,921,012)	–	11,408	4,979,777	4,991,185
	₱107,670,744	₱52,152,207	(₱62,973,349)	(₱91,827,705)	₱42,120	₱4,979,777	₱4,991,185

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	₱80,004,536	₱68,751	(₱25,906)	₱80,047,381	₱–	₱80,047,381

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, 2018

Financial Ratios	Formula	**2018**	2017
Return on Assets Ratio	Net income / Average total assets	**(0.04)**	**(0.05)**
Return on Equity Ratio	Net income / Average total stockholders' equity	**(0.07)**	**(0.09)**
Current Ratio	Current assets / Current liabilities	**1.47**	**1.93**
Asset to Equity Ratio	Total assets / Total stockholders 'equity	**1.67**	**1.62**
Debt-to-Equity Ratio	Total interest-bearing debt / Total stockholders' equity	Not Applicable	
Net Debt-to-Equity Ratio	Total interest-bearing debt less cash and cash equivalents / Total stockholders 'equity	Not Applicable	
Interest Rate Coverage Ratio	Earnings before interest and taxes / Interest expense	Not Applicable	

APC GROUP, INC. AND SUBSIDIARIES

SCHEDULE OF LIST OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

EFFECTIVE AS AT DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	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			✓
PFRS 2	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			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
	Amendments to PFRS 3: Business Combinations*	Not Early Adopted		
	Amendments to PFRS 3: Definition of a Business*	Not Early Adopted		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 4: Applying PFRS 9 with PFRS 4			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposals			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets-Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Disclosures - Servicing Contracts	✓		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**	Not Early Adopted		
	Amendments to PFRS 10: Consolidated Financial Statements*	Not Early Adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
	Amendments to PFRS 11: Joint Arrangements: Previously Held Interest in a Joint Operation*	Not Early Adopted		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28 - Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12, Clarification of the Scope of the Standard			✓
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	✓		
PFRS 16	Leases*	Not Early Adopted		
PFRS 17	Insurance Contracts*	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	✓		
	Amendments to PAS 1: Presentation of Financial Statements*	Not Early Adopted		
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	✓		
	Amendments to PAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*	Not Early Adopted		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
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	✓		
	Amendments to PAS 12: Income Tax Consequences of Payments on Financial Instruments Classified as Equity*	Not Early Adopted		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of Servicing Equipment	✓		
	Amendment to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation / Amortization			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution	✓		
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Amendments to PAS 19: Employee Benefits, Plan Amendment, Curtailment or Settlement*	Not Early Adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
	Amendments to PAS 23: Borrowing Costs, Borrowing Costs Eligible for Capitalization*	Not Early Adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Consolidated and Separate Financial Statements	✓		
	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	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		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	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	✓		
PAS 33	Earnings per Share	✓		
PAS 34	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’	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as at December 31, 2018**		**Adopted**	**Not Adopted**	**Not Applicable**
PAS 38	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	✓		
PAS 39	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	✓		
	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			✓
PAS 40	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	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	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			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*	✓		
IFRIC 23	Uncertainty over Income Tax Treatments*	Not Early Adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

** Standards and interpretations which will become effective subsequent to December 31, 2018.*
*** Standards and interpretations with deferred effectivity*

Note: Standards and interpretations tagged as "Not applicable" are those standards which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2018.