

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

### QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended  
Sep 30, 2019
2. SEC Identification Number  
AS-093-8127
3. BIR Tax Identification No.  
002-834-075
4. Exact name of issuer as specified in its charter  
APC Group Inc.
5. Province, country or other jurisdiction of incorporation or organization  
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
G/F MyTown New York Bldg. General E. Jacinto St. corner Capas St. Brgy Guadalupe  
Nuevo, Makati City  
Postal Code  
1212
8. Issuer's telephone number, including area code  
8662-8888
9. Former name or former address, and former fiscal year, if changed since last report  
NA
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	7,504,203,997
11. Are any or all of registrant's securities listed on a Stock Exchange?  
Yes      No  
If yes, state the name of such stock exchange and the classes of securities listed therein:  
Philippine Stock Exchange/ Common
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes                  No

(b) has been subject to such filing requirements for the past ninety (90) days

Yes                  No

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



## APC Group, Inc. APC

### PSE Disclosure Form 17-2 - Quarterly Report *References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules*

For the period ended	Sep 30, 2019
Currency (indicate units, if applicable)	Philippine Peso

#### Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2019	Dec 31, 2018
Current Assets	154,302,354	158,976,139
Total Assets	275,762,975	279,923,337
Current Liabilities	108,043,276	108,496,412
Total Liabilities	111,375,841	111,828,977
Retained Earnings/(Deficit)	-7,799,664,499	-7,796,603,339
Stockholders' Equity	164,387,134	168,094,360

Stockholders' Equity - Parent	171,231,233	174,928,293
Book Value per Share	0.02	0.02

#### Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	0	0	0	0
Gross Expense	0	0	0	0
Non-Operating Income	1,170,997	805,380	3,995,032	2,752,775
Non-Operating Expense	2,232,053	5,763,784	3,071,326	11,761,735
Income/(Loss) Before Tax	1,061,056	-4,958,404	-3,071,326	-8,745,928
Income Tax Expense	0	0	0	0
Net Income/(Loss) After Tax	-1,061,056	-4,958,404	-3,071,326	-8,745,928
Net Income Attributable to Parent Equity Holder	-1,059,021	-4,955,223	-3,061,160	-8,706,084
Earnings/(Loss) Per Share (Basic)	0	0	0	0
Earnings/(Loss) Per Share (Diluted)	0	0	0	0

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

#### Other Relevant Information

None

#### Filed on behalf by:

Name	JACKSON ONGSIP
Designation	President and CEO



111052019002098



## SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Industry Classification  
Company Type Stock Corporation

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**APC GROUP, INC.**

(Company's Full Name)

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

(Company's Address)

**(632) 8662-8888**

(Telephone Numbers)

**30 September 2019**

(Quarter Ending)

**SEC FORM 17-Q**

(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the nine months ended **30 September 2019**
2. SEC identification number: **AS93008127**
3. BIR Tax Identification No. **002-834-075-000**
4. Exact name of registrant as specified in its charter: **APC Group Inc.**
5. Province, country or other jurisdiction of incorporation or organization: **Philippines**
6. Industry Classification Code:  (SEC Use Only)
7. Address of registrant's principal office:  
**G/F MyTown New York Bldg. General E. Jacinto St. cor. Capas St.,  
Brgy. Guadalupe Nuevo, Makati City, 1212**
8. Registrant's telephone number, including area code: **(632) 8662-8888**
9. Former name, former address and former fiscal year, if changed since last report:  
**n/a**
10. Securities registered pursuant to Sections in Securities Regulation Code

<u>Title of each class</u>	<u>Number of shares outstanding</u>
<b>Common Stock, ₱1.00 par value</b>	<b>7,504,203,997</b>

11. Are any or all of the Securities listed on the Philippine Stock Exchange? **Yes**
12. Indicate whether the registrant:
  - a) Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the SRC and SRC Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).  
**Yes**
  - b) Has been subject to such filing requirements for the past 90 days.  
**Yes**

**APC GROUP, INC.**

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

**FOR THE NINE MONTHS ENDED**

**30 September 2019**

# PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	₱ 139,087,655	₱ 144,787,138
Trade and other receivables - net	1,743,100	300,718
Financial assets at fair value through other comprehensive income	4,536,221	5,172,121
Other current assets	8,935,378	8,716,162
Total Current Assets	154,302,354	158,976,139
<b>Noncurrent Assets</b>		
Property and equipment	69,672	15,620
Investment property	10,028,870	10,028,870
Deferred exploration costs and other noncurrent assets	111,362,079	110,902,708
Total Noncurrent Assets	121,460,621	120,947,198
	₱ 275,762,975	₱ 279,923,337
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables	₱ 28,064,645	₱ 28,449,031
Advances from a related party	79,978,631	80,047,381
Total Current Liabilities	108,043,276	108,496,412
<b>Noncurrent Liabilities</b>		
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	111,375,841	111,828,977
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock	6,388,078,749	6,388,078,749
Additional paid-in capital	1,613,942,096	1,613,942,096
Unrealized gain on financial assets at fair value through other comprehensive income	3,688,220	4,324,120
Remeasurement loss on defined benefit obligation	(2,237,878)	(2,237,878)
Equity reserves	(3,140,235)	(3,140,235)
Deficit	(7,799,664,499)	(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	171,231,233	174,928,293
<b>Equity Attributable to Non-controlling Interests</b>	<b>(6,844,099)</b>	<b>(6,833,933)</b>
Total Equity	164,387,134	168,094,360
	₱ 275,762,975	₱ 279,923,337



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

APC GROUP INC. AND SUBSIDIARIES  
Consolidated Income Statements  
Comparable periods ended September 30, 2019 and September 30, 2018

	2019		2018	
	3rd Quarter	Year-to-date	3rd Quarter	Year-to-date
	(July to September)	(January to September)	(July to September)	(January to September)
<b>INCOME</b>				
Interest income	P 1,170,997	P 3,675,556	P 805,380	P 2,473,551
Dividend income	-	319,476	-	279,224
	1,170,997	3,995,032		2,752,775
<b>EXPENSES</b>				
General and administrative expenses	P (2,232,053)	(7,066,358)	P (2,747,977)	(8,482,896)
<b>OTHER INCOME (EXPENSES)</b>				
Loss on Sale of Investment Properties	-	-	(3,015,807)	(3,015,807)
<b>NET LOSS BEFORE AND AFTER INCOME TAX</b>	P (1,061,056)	(3,071,326)	(4,958,404)	P (8,745,928)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Unrealized loss on financial assets at fair value through other comprehensive income	(635,900)	(635,900)	-	(3,052,320)
<b>TOTAL COMPREHENSIVE LOSS</b>	P (1,696,956)	P (3,707,226)	P (4,958,404)	P (11,798,248)
<b>Net Loss Attributable to:</b>				
Equity holders of the Parent Company		(3,061,160)		(8,706,084)
Non-controlling interests		(10,166)		(39,844)
		P (3,071,326)		P (8,745,928)
<b>Total Comprehensive Loss Attributable to:</b>				
Equity holders of the Parent Company		(3,697,060)		(11,758,404)
Non-controlling interests		(10,166)		(39,844)
		P (3,707,226)		P (11,798,248)
<b>Basic/Diluted Loss Per Common Share</b>				
(P-3,071,326/7,504,203,997) September 30, 2019		P (0.000409)		
(P-11,798,248/7,504,203,997) September 30, 2018			P	(0.001165)
<b>Weighted average number of common shares:</b>				
Total common shares		7,511,809,997		7,511,809,997
Less: Treasury shares		7,606,000		7,606,000
<b>Weighted average common shares</b>		7,504,203,997		7,504,203,997

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

	<b>For the Nine Months Ended September 30</b>			
	<b>2019</b>		<b>2018</b>	
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
Authorized:				
Preferred stock - P1 par value	<b>6,000,000,000 shares</b>		6,000,000,000 shares	
Common stock - P1 par value	<b>14,000,000,000 shares</b>		14,000,000,000 shares	
Issued	<b>₱</b>	5,998,149,059	<b>₱</b>	5,998,149,059
Subscribed (net of subscription receivable)		389,929,690		389,929,690
<b>Capital stock</b>		<b>6,388,078,749</b>		<b>6,388,078,749</b>
<b>Additional paid-in capital</b>		<b>1,613,942,096</b>		<b>1,613,942,096</b>
<b>Unrealized gain/loss on financial assets at fair value through other comprehensive income</b>				
Balance at the beginning of period		3,688,220		7,821,570
Other comprehensive income		-		(3,052,320)
Balance at the end of period		<b>3,688,220</b>		<b>4,769,250</b>
<b>Remeasurement loss on defined benefit obligation</b>		<b>(2,237,878)</b>		<b>(2,237,878)</b>
<b>Equity Reserves</b>		<b>(3,140,235)</b>		<b>226,304</b>
<b>Deficit</b>				
Balance at the beginning of period		(7,796,603,339)		(7,785,133,308)
Net loss		(3,061,160)		(8,706,084)
Balance at the end of period		<b>(7,799,664,499)</b>		<b>(7,793,839,392)</b>
<b>Treasury shares - 7,606,000 shares</b>		<b>(29,435,220)</b>		<b>(29,435,220)</b>
<b>Minority interest</b>		<b>(6,844,099)</b>		<b>(10,192,486)</b>
	<b>₱</b>	<b>164,387,134</b>	<b>₱</b>	<b>171,311,423</b>



APC GROUP INC.

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

	For the Nine Months Ended September 30			
	2019		2018	
	(Unaudited)		(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax	₱	(3,071,326)	₱	(8,745,928)
Adjustments for:				
Interest income		(3,675,556)		(2,473,551)
Dividend income		(319,476)		(279,224)
Loss on fair value of investment				3,015,807.00
Depreciation and amortization		(54,052)		6,695
Operating loss before working capital changes		(7,120,410)		(8,476,201)
Decrease (increase) in:				
Trade and other receivables		(1,442,382)		563,730
Other current assets		(219,216)		(173,860)
Decrease in:				
Trade and other payables		(384,386)		(3,348,732)
Advances from a related party		(68,750)		
Cash used in operations		(9,235,144)		(11,435,063)
Interest received		3,675,556		2,473,551
Dividends received		319,476		279,224
Net cash used in operating activities		(5,240,112)		(8,682,288)
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in deferred exploration costs and noncurrent assets		(459,371)		(50,793,094)
Disposal of investment property				9,329,323
Net cash used in investing activities		(459,371)		(41,463,771)
NET DECREASE IN CASH AND CASH EQUIVALENTS				
		(5,699,483)		(50,146,059)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD				
		144,787,138		196,586,234
CASH AND CASH EQUIVALENTS AT END OF PERIOD				
	₱	139,087,655	₱	146,440,175

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

### Consolidated Statements of Comprehensive Income

	2019		2018		Horizontal Analysis		Vertical Analysis	
	3rd Quarter (July to September)	Year-to-date (January to September)	3rd Quarter (July to September)	Year-to-date (January to September)	Increase (Decrease) Amount	%	2019 %	2018 %
<b>INCOME</b>								
Interest income	₱ 1,170,997	₱ 3,675,556	₱ 805,380	₱ 2,473,551	1,202,005	49%	92%	90%
Dividend income	-	319,476	-	279,224	40,252	14%	8%	10%
	<b>1,170,997</b>	<b>3,995,032</b>		<b>2,752,775</b>	<b>1,242,257</b>	<b>45%</b>	<b>100%</b>	<b>100%</b>
<b>EXPENSES</b>								
General and administrative expenses	₱ (2,232,053)	₱ (7,066,358)	₱ (2,747,977)	₱ (8,482,896)	1,416,538	-17%	-177%	-308%
<b>OTHER INCOME (EXPENSES)</b>								
Loss on Sale of Investment Properties	-	-	(3,015,807)	(3,015,807)	3,015,807	-100%	0%	-110%
<b>NET LOSS BEFORE AND AFTER INCOME TAX</b>	<b>₱ (1,061,056)</b>	<b>₱ (3,071,326)</b>	<b>₱ (4,958,404)</b>	<b>₱ (8,745,928)</b>	<b>5,674,602</b>	<b>-65%</b>	<b>-77%</b>	<b>-318%</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>								
Unrealized loss on financial assets at fair value through other comprehensive income	(635,900)	(635,900)	-	(3,052,320)	2,416,420	-79%	-16%	-111%
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>₱ (1,696,956)</b>	<b>₱ (3,707,226)</b>	<b>₱ (4,958,404)</b>	<b>₱ (11,798,248)</b>	<b>8,091,022</b>	<b>-69%</b>	<b>-93%</b>	<b>-429%</b>

APC Group, Inc. and its subsidiaries (the Company) ended the third quarter of 2019 with total net loss of Php3.1 million, 65% lower than the Php8.7 million net loss in the same period in 2018. This improvement is attributable to the following: 1) One-time loss on sale of investment property in 2018 amounting to Php3.0 million, 2) Decrease in general and administrative expenses in 2019 by Php1.4 million (17%) and 3) Increase in income by Php1.2 million (49%) due to higher interest from cash placements and higher dividend income from its investment in shares of stock.

Considering the unrealized mark-to-market gain or loss for the period pertaining to movements in the Company's investments at FVOCI, comprehensive loss is at Php3.7 million.

As of September 30, 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 September 30, 2019 and September 30, 2018 except those mentioned above.

## Consolidated Statements of Financial Position

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2019 %	2018 %
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	P 139,087,655	P 144,787,138	(5,699,483)	-4%	51%	52%
Trade and other receivables - net	1,743,100	300,718	1,442,382	480%	0%	0%
Financial assets at fair value through other comprehensive income	4,536,221	5,172,121	(635,900)	-12%	2%	2%
Other current assets	8,935,378	8,716,162	219,216	3%	3%	3%
Total Current Assets	154,302,354	158,976,139	(4,673,785)	-3%	57%	57%
<b>Noncurrent Assets</b>						
Property and equipment	69,672	15,620	54,052	346%	0%	0%
Investment property	10,028,870	10,028,870	-	0%	4%	4%
Deferred exploration costs and other noncurrent assets	111,362,079	110,902,708	459,371	0%	40%	40%
Total Noncurrent Assets	121,460,621	120,947,198	513,423	0%	43%	43%
	P 275,762,975	P 279,923,337	(4,160,362)	-1%	100%	100%
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade and other payables	P 28,064,645	P 28,449,031	(384,386)	-1%	10%	10%
Advances from a related party	79,978,631	80,047,381	(68,750)	0%	29%	29%
Total Current Liabilities	108,043,276	108,496,412	(453,136)	0%	39%	39%
<b>Noncurrent Liabilities</b>						
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	111,375,841	111,828,977	(453,136)	0%	40%	40%
<b>Equity Attributable to Equity Holders of the Parent Company</b>						
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 gain on financial assets at fair value through other comprehensive income	3,688,220	4,324,120	(635,900)	-15%	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	(7,799,664,499)	(7,796,603,339)	(3,061,160)	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	171,231,233	174,928,293	(3,697,060)	-2%	63%	62%
<b>Equity Attributable to Non-controlling Interests</b>	<b>(6,844,099)</b>	<b>(6,833,933)</b>	<b>(10,166)</b>	<b>0%</b>	<b>-2%</b>	<b>-2%</b>
Total Equity	164,387,134	168,094,360	(3,707,226)	-2%	60%	60%
	P 275,762,975	P 279,923,337	(4,160,362)	-1%	100%	100%

As of September 30, 2019, consolidated assets of the Company amounted to ₱275.8 million, ₱4.2 million lower compared to the December 31, 2018 balance of ₱279.9 million.

- Cash and cash equivalents amounted to ₱139.1 million as of September 30, 2019, 4% lower compared to ₱144.8 million as of December 31, 2018. The decrease pertains to the advances made to third parties which are still for collection as of September 30, 2019 and is presented as part of other receivables.

The Company's consolidated liabilities amounted to ₱111.4 million. The minimal decrease pertains to the payment of the accrued and other payables.

Total equity as of September 30, 2019 and December 31, 2018 amounted to ₱164.4 million and ₱168.1 million, respectively. The decline, amounting to ₱3.7 million, is mostly attributable to the net loss incurred during the period.

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	YTD	YTD
	September 30, 2019	December 31, 2018	September 30, 2018
Return on Assets Ratio	(0.01)	(0.04)	(0.03)
Return on Equity Ratio	(0.02)	(0.07)	(0.05)
Current Ratio	1.43	1.47	1.50
Debt to Equity Ratio	0.68	0.67	0.65
Asset to Equity Ratio	1.68	1.67	1.65

### Discussion on the key performance indicators

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

The Company's ROA and ROE as of September 30, 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 September 30, 2019 and 2018.

#### **Current Ratio**

There is no significant change in the current ratio of the Company as of September 30, 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 September 30, 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 September 30, 2019 and as of December 31, 2018.

## **PART II OTHER INFORMATION**

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

## ANNEX TO THE MD&A SECTION

### 1. PRINCIPLES OF CONSOLIDATION

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

Subsidiaries	Percentage of Ownership		
	Direct	Indirect	Total
Aragorn Power & Energy Corporation (APEC) <sup>(1)</sup>	95.6%	-	95.6%
PRC Magma Energy Resources Inc. (PRC-Magma) <sup>(2)</sup>	-	85.0%	85.0%
APC Cement Corporation (APC Cement) <sup>(2)</sup>	100.0%	-	100.0%
APC Energy Resources, Inc. (APC Energy) <sup>(2)</sup>	100.0%	-	100.0%
APC Mining Corporation (APC Mining) <sup>(2)</sup>	83.0%	-	83.0%

*(1) Still in exploration stage*

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

### 2. RISK EXPOSURES

#### Financial Risk Management

The Company’s principal financial instruments comprise advances from related parties. The main purpose of these financial liabilities is to finance the Company’s operations. The Company has cash and cash equivalents, trade and other receivables, deposits and trade and other payables that arise directly from its operations. Other financial instruments consists of financial assets at fair value through other comprehensive income (FVOCI) and advances from a related party.

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

#### Credit Risk

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

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

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

#### Liquidity Risk

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

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









#### Equity Price Risk

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

There is no material change in the financial risk exposures of the company and its subsidiaries particularly on currency, interest, credit, market and liquidity risks on its September 30, 2019 interim financial statements compared to the December 31, 2018 audited consolidated financial statements of APC Group Inc.

#### Fair value of Financial Instruments

A comparison by category of the carrying values and estimated fair values of the Company's financial instruments that are carried in the consolidated financial statements as of September 30, 2019 and December 31, 2018 are as follows:

	September 30, 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	1,035,666	1,035,666 	300,718	300,718
Deposits*	190,398	190,398 	190,398	190,398
AFS financial assets	5,490,071	5,490,071 	5,172,121	5,172,121
<b>Total financial assets</b>	<b>149,048,563</b>	<b>149,048,563</b>	<b>150,450,375</b>	<b>150,450,375</b>
Financial liabilities -				
Other financial liabilities:				
Trade and other payables**	27,997,982	27,997,982 	36,531,489	36,531,489
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
<b>Total current financial liabilities</b>	<b>108,138,572</b>	<b>108,138,572</b>	<b>116,740,829</b>	<b>116,740,829</b>

\*Excluding cash on hand amounting to ₱10,000 as at September 30, 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.

#### Financial Assets at FVOCI

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

#### Deposits and Subscription Payable

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

The following tables provide the fair value measurement hierarchy of the Company's assets and liabilities as at September 30, 2019 and December 31, 2018:

September 30, 2019					
	Total		Level 1		Level 3
Assets measured at fair value:					
Investment properties	₱	10,028,870	₱	–	₱ 10,028,870
Financial assets at FVOCI		4,536,221		4,536,221	–
Total financial assets	₱	15,200,991	₱	5,172,121	₱ 10,028,870

December 31, 2018					
	Total		Level 1		Level 3
Assets measured at fair value:					
Investment properties	₱	10,028,870	₱	–	₱ 10,028,870
Financial assets at FVOCI		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 September 30, 2019 and year ended December 31, 2018.

### 3. OTHER REQUIRED DISCLOSURES

- A.) The attached interim financial reports were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial Statements for the period ended December 31, 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 September 30, 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 September 30, 2019.
- H.) There exist no material contingencies and other material events or transactions affecting the current interim period.



APC GROUP INC.

## SIGNATURES

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

Registrant: **APC Group, Inc.**

By:



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

November 5, 2019



APPENDIX 1  
APC GROUP INC. and SUBSIDIARIES  
Aging of Accounts Receivables  
As of September 30, 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	1,203,589	588,301	569,846	-	-	45,442
Advances to officers and employees	460,723	360,910	18,000	78,363	-	3,450
Other receivables	78,788	-	-	-	-	78,788
<b>TOTAL</b>	<b>1,743,100</b>	<b>949,211</b>	<b>587,846</b>	<b>78,363</b>	<b>-</b>	<b>127,680</b>