

COVER SHEET

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S.E.C. Registration Number

S P C P O W E R C O R P O R A T I O N
(f o r m e r l y S A L C O N P O W E R C O R P .)

(Company's Full Name)

7 t h F l o o r C e b u H o l d i n g s C e n t e r
A r c h b i s h o p R e y e s A v e n u e ,
C e b u B u s i n e s s P a r k , C e b u C i t y

(Business Address: No. Street City/ Town / Province)

Mr. Jaime M. Balisacan

Contact Person

810 44 74 to 77

Company Telephone Number

DEFINITIVE INFORMATION STATEMENT

SEC FORM

1 2 3 1
Month Day

Calendar Year

2 0 - I S
FORM TYPE

0 5 3 0
Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

**INFORMATION STATEMENTS PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box
☐ Preliminary Information Statement
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter : SPC Power Corporation
3. Philippines
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number : AS094-002365
5. BIR Identification Code : 003-868-048
6. 7th Floor, Cebu Holdings Center, Cebu Business Park, Cebu City 6000
 Address of principal office Postal Code
7. Registrant's telephone number, including area code : (63 32) 232 0377 (63 2) 810-4474 to 77
8. May 28, 2018 – 10:00 A.M. at the Sinulog Ballroom 1 of the City Sports Club Cebu, Inc. in Cebu City
 Date, time and place of the meeting of security holders
9. Appropriate date on which the Information Statement is first to be sent or given to security holders:
May 7, 2018
10. In case of Proxy Solicitations:
 Name of Person Filing the Statement/Solicitor: N/A
 Address and Telephone No. : N/A
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):

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding</u>
Common Shares (as of December 31, 2017)	1,496,551,803 shares
Total Debt (as of December 31, 2017)	P1,507,934,692

12. Are any or all of registrant's security listed in a Stock Exchange?

Yes ☒ No ☐

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange, Inc. / Common Share

**SPC POWER CORPORATION
NOTICE OF ANNUAL STOCKHOLDERS MEETING**

Name

Address

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

Sir/Madam:

Notice is hereby given that the annual stockholders meeting of SPC Power Corporation (the Company) shall be held on May 28, 2017 (starting at 10:00 A.M.) at the Sinulog Ballroom 1 of the City Sports Club Cebu, Inc., Cebu City.

The Agenda for the meeting is attached hereto/enclosed herewith as Attachment "1".

Likewise attached hereto/enclosed herewith are copies of the Management Report/Audited Consolidated Financial Statements of the Parent Company and Subsidiaries as of and for the year ended December 31 2017.

Proxies (which must be duly accompanied by supporting documents, e.g. notarized Secretary's Certificate or Minutes of Meeting, evidencing appointment and authority of the designated proxy) must be presented to the Corporate Secretary for inspection/validation at the following address:

7th Floor, Citibank Center
8741 Paseo de Roxas, Makati City 1209
Tel. Nos.: 810 44 74 to 77, 810 44 50, 810 44 65
Fax. No. : 893 48 44
E-Mail Address: info@spcpower.com

at least five (5) business days prior to the date of the meeting. Unvalidated proxies shall not be honored.

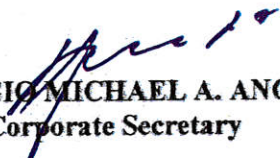
For the purpose of the meeting, stockholders of record as of May 7, 2018 are entitled to notice of and to vote in the said meeting. Registration for the meeting begins at 8:00 a.m. on the meeting date. For convenience in registering your attendance, please bring an identification document (e.g. driver's license, voter's ID, TIN card, SSS card, passport).

In connection with the subject meeting, please be informed of the following "Dissenter's Right of Appraisal":

"With respect to any matter to be acted upon at the annual meeting which may give rise to the right of appraisal, in order that a dissenting stockholder may exercise his appraisal right, such dissenting stockholder, within thirty (30) days after the date of the annual meeting at which meeting such stockholder voted against the corporate action, shall make a written demand on the Corporation for the value of his shares.

The procedures to be followed in exercising the appraisal right shall be in accordance with Sections 81 to 86 of the Corporation Code.”

For your information/guidance.


REMIGIO MICHAEL A. ANCHETA II
Corporate Secretary

Copy Furnished:

Securities and Exchange Commission
SEC Building, EDSA, San Juan, Metro Manila

Philippine Stock Exchange, Inc.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City, Metro Manila

Metropolitan Bank & Trust Company
17th Floor, GT Tower International
6813 Ayala Avenue cor. H.V. dela Costa Street
Makati City

ATR-KIM ENG Capital Partners, Inc.
17th Floor, Tower One and Exchange Plaza
Ayala Avenue, Makati City

**AGENDA FOR THE ANNUAL STOCKHOLDERS' MEETING
OF
SPC POWER CORPORATION**

- I Call to Order
- II Certification of Due Notice and Presence of a Quorum
- III Approval of Minutes of Previous Meeting
- IV Report of the Chairman/Presentation of Audited Financial Statements as of and for the Year Ended December 31, 2017
- V Approval of Directors' Fees/Bonus for CY 2017
- VI Ratification of All Previous Actions of the Board of Directors and Officers of the Corporation Since the Last Annual/Regular Meeting
- VII Election of Directors (2018-2019) *
- VII Appointment/Reappointment of External Auditors
- IX Other Matters
- X Adjournment


REMIGIO MICHAEL A. ANCHETA II
Corporate Secretary

-
- Organizational meeting of the newly elected Board of Directors will follow immediately after adjournment of stockholders' meeting.

INFORMATION REQUIRED IN INFORMATION STATEMENT

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

General Information

Date, Time and Place of Meeting of Security Holders

The annual stockholders' meeting will be held on May 28, 2018 at 10:00 A.M. at the Sinulog Ballroom 1 of the City Sports Club Cebu, Inc., Cebu City.

The complete mailing address of the registrant's principal office is at the 7th Floor, Cebu Holdings Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu City.

The approximate date when the information statement will be first sent to security holders will be on May 7, 2018.

Dissenters' Right of Appraisal

As provided in Title X of the Corporation Code, a stockholder may exercise his appraisal right in the following instances:

1. when there is a change or restriction in the rights of any stockholder or class of shares;
2. when the corporation authorizes preferences in any respect superior to those of outstanding shares of any class;
3. when there is an extension or shortening of the corporate existence;
4. in case of a sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets;
5. in case of a merger or consolidation.

In the exercise of the appraisal right, Title X provides the procedure on how it may be exercised:

- 1) A dissenting stockholder files a written demand within 30 days after the date on which the vote was taken. Failure to file the demand within the 30-day period constitutes a waiver of the right. Within 10 days from demand, the dissenting stockholder shall submit the stock certificates to the corporation for notation that such shares are dissenting shares. From the time of demand for payment until either abandonment of the corporate action or purchase of the shares by the corporation, all rights accruing to the shares shall be suspended, except the stockholders' right to receive payment of the fair value of his shares.
- 2) If corporate action is implemented, the corporation pays the stockholder the fair value of his shares upon surrender of the certificate/s of stock. Fair value is determined by the value of shares on the day prior to the date of which the vote was taken, excluding appreciation/depreciation in anticipation of such corporate action.
- 3) If the fair value is not determined within 60 days from date of action, it will be determined by 3 disinterested persons (one chosen by the corporation, another chosen by the dissenting stockholder, and the last one chosen by both). The findings of the said appraisers will be final, and their award will be paid by the corporation within 30 days after such award is made. Upon such payment, the stockholder shall forthwith transfer his shares to the corporation. No payment shall be made to the dissenting stockholder unless the corporation has unrestricted retained earnings.

- 4) If the stockholder is not paid within 30 days from such award, his voting and dividend rights shall be immediately restored.

There are no corporate actions that will be taken up at the Annual Stockholders' Meeting for which a stockholder may exercise the right of appraisal under Title X of the Corporation Code of the Philippines.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

Except for the approval of Directors'/Officers' fees and bonuses for CY 2017, the directors, officers, nominees for directors and their associates do not have a substantial interest, direct or indirect, in any matter to be acted upon, other than election to office.

The registrant has not been informed in writing by any person that he intends to oppose any action to be taken by the registrant at the meeting.

Control and Compensation Information

Voting Securities and Principal Stockholders

As of March 31, 2018, there are 1,496,551,803 outstanding common shares (at ₱1.00 per share) entitled to notice and to vote during the meeting. Each common share is entitled to one vote, except with respect to the election of directors where the stockholders are entitled to cumulative voting. There is no classification of voting securities.

Of the total issued and outstanding common and voting shares of 1,496,551,803 as of March 31, 2018, 13.14% or 196,589,823 shares are held by the public. Equity ownership of foreigners amounts to 575,672,475 shares out of the total and outstanding shares of the Corporation.

The record date to determine the stockholders entitled to notice and to vote at the meeting is on May 7, 2018.

The election of the board of directors for the current year will be taken up and all stockholders have the right to cumulate their votes in favor of their chosen nominees for director in accordance with Section 24 of the Corporation Code. Section 24 provides that a stockholder may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate 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 candidates as he shall see it. The total number of votes cast by such stockholder should not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected.

Persons Known to the Registrant to be Directly or Indirectly the Record or Beneficial Owner of More Than 5% of Any Class of the Registrant's Voting Securities

As of March 31, 2018, the following stockholders beneficially own more than 5% of the Parent Company's common shares:

Title of Class	Name and Address of Record Owner and Relationship with the Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number Of Shares	Percent of Class
Common	KEPCO Philippines Holdings, Inc. ¹ 18 th Floor, Citibank Center 8741 Paseo de Roxas, Makati City (Stockholder) ³	KEPCO Philippines Corp. Mr. Go, Jae-Han, President & CEO	Korean	568,098,822	37.96%
Common	Intrepid Holdings, Inc. ² 7 th Floor, Citibank Center 8741 Paseo de Roxas, Makati City (Stockholder) ³	Intrepid Holdings, Inc. Mr. Dennis T. Villareal, President	Filipino	321,905,611	21.52%
Common	JAD Holdings, Inc. ² 7 th Floor, Citibank Center 8741 Paseo de Roxas, Makati City (Stockholder) ³	JAD Holdings, Inc. Mr. Dennis T. Villareal, President	Filipino	293,201,397	19.59%

¹ Mr. Go, Jae-Han shall exercise the voting power of KEPCO Philippines Holdings, Inc.

² Mr. Dennis T. Villareal shall exercise the voting power for JAD Holdings, Inc. and Intrepid Holdings, Inc.

³ The above record owners are purely stockholders.

Security Ownership of Management

The following Directors/Management personnel own shares in the Company as of March 31, 2018:

Title of Class	Name of Beneficial Owner	Citizenship	Number of Shares and Nature of Ownership	Percent of Ownership
Common	Dennis T. Villareal*	Filipino	6,425,501(d)	0.43 %
Common	Alfredo L. Henares*	Filipino	1 (d)	n.m.
Common	Alberto P. Fenix, Jr.*	Filipino	855,933 (d)	0.06
Common	Ramon Y. Sy.*	Filipino	2 (d)	n.m.
Common	Roberto F. de Ocampo ¹	Filipino	1 (d)	n.m.
Common	Enrique L. Benedicto ²	Filipino	1 (d)	n.m.
Common	Guillermo P. Dabbay, Jr. ³	Filipino	1 (d)	n.m.
Common	Go, Jae-Han	Korean	1 (d)	n.m.
Common	Ahn, Soonchan	Korean	1 (d)	n.m.
Common	Sergio R. Ortiz-Luis, Jr.	Filipino	1 (d)	n.m.
Common	Shin, Dong-Woo	Korean	1 (d)	n.m.
Common	Jaime M. Balisacan**	Filipino	51,000 (d)	n.m.
Common	Maria Luz L. Caminero**	Filipino	137, 098	0.01
Common	Cesar O. Villegas**	Filipino	685, 492	0.05
Common	Remigio Michael A. Ancheta II	Filipino	0	0
Directors and Management personnel as a Group			8,155,034	0.54%

d-direct

n.m.- not material

* SEC Form 23-A filed on April 2, 2002; Dennis T. Villareal – SEC Form 23-B filed on January 27, 2003, July 28, 2003, September 19, 2003, October 15, 2003, March 2, 2006 and March 3, 2006. Alfredo L. Henares – SEC Form 23-B filed on August 9, 2002 and Alberto Fenix, Jr. – SEC Form 23-B filed on January 21, 2003.

¹ Roberto F de Ocampo – SEC Form 23-A filed on January 29, 2003

² Enrique L. Benedicto – SEC Form 23-A filed on September 29, 2008

³ Guillermo P., Dabbay, Jr. – SEC Form 23-A filed on May 30, 2012

** Jaime M. Balisacan, Maria Luz L. Caminero and Cesar O. Villegas – SEC form 23-A filed on May 2, 2018

The above company directors and officers shall hold office for one (1) year until their successors are duly elected and qualified. Such other officers may, from time to time, be appointed by the Board of Directors and shall hold office for such period as the Board of Directors may determine.

Voting Trust Holder/s

The Company is not aware of any existing voting trust as of the date of this report.

Change in Control

As of December 31, 2004, the Parent Company is 39.3% owned by Salcon Holdings Philippines, Inc. (SHPI).

On December 14, 2005, SHPI, ATC Engineering SDN BHD (ATC) and Boustead Singapore Limited entered in a Share Purchase Agreement with KEPSCO Philippines Corporation (KEPHILCO), JAD Holdings, Inc. (JAD) and Intrepid Holdings, Inc. (INTREPID) whereby 654,995,108 shares of the Parent Company will be sold at ₱1.80 per share. KEPHILCO will purchase 588,102,367 shares owned by SHPI and ATC while JAD and INTREPID will purchase the remaining offered shares including other shares offered by other shareholders. As a result of the tender offer which expired on February 2, 2006, the Parent Company became 53.77% owned by the existing shareholders represented by JAD and INTREPID while 40% of the shares of stocks were owned by KEPHILCO.

On September 20, 2011, the two major shareholders of the Parent Company, namely, the Dennis T. Villareal Group ("DTV Group") and KEPSCO Philippines Holdings, Inc. ("KPHI") decided to consolidate a portion of their respective stockholdings in the Parent Company in a joint venture company known as KV Holdings, Inc. ("KVHI"), 60% of the capital of which is owned by the DTV Group and 40% by KPHI. For this purpose, KPHI and Rayfield Holdings, Inc. ("RHI") (one of the companies in the DTV Group) entered into a Sale and Purchase Agreement with KVHI for the sale by RHI and KPHI of 3% and 2%, respectively, of the outstanding Parent Company shares they own to KVHI. The sale was done on September 28, 2011 via a special block sale on the Philippine Stock Exchange ("PSE") at the agreed price of ₱2.57 per share as approved by the PSE. At the same time, JAD Holdings, Inc. ("JHI") and Intrepid Holdings, Inc. ("IHI") (the two other companies in the DTV Group) signed a Sale and Purchase Agreement with RHI for the sale by RHI to JHI and IHI of the balance of its shares representing 2.12% of the Parent Company's outstanding capital stock. This was done so that all of the Parent Company shares held by the DTV Group (aside from those held by Mr. Villareal and his family) will be consolidated in the two DTV Group of companies, JHI and IHI. This sale was done via a special block sale on the Philippines Stock Exchange ("PSE") at the agreed price of ₱2.57 per share as approved by the PSE.

On December 7, 2012, JAD Holdings, Inc., one of the principal stockholders of the Parent Company, with stockholdings equivalent to 24.83% of total issued and outstanding shares of 1,495,521,903 shares at the time of such sale, sold 82,000,000 shares to Boxboard Containers Corporation and Cancorp, Inc. at ₱4.75 per share through a cross sale on the PSE, bringing JAD Holdings, Inc.'s share down to 289,336,647 equivalent to 19.33% of the issued and outstanding shares of the Parent Company.

On June 27, 2014, JAD Holdings, Inc. (represented by Dennis T. Villareal), along with some officers of SPC and certain individuals, bought the Parent Company's shares being offered by Shanghai Shangnan Thermal Power Co., Ltd. totaling 13,709,845 shares. The share of JAD Holdings, Inc. in this transaction was 3,864,750 shares, bringing up its total stockholdings in the Parent Company to 293,201,397 equivalent to 19.59% of the issued and outstanding shares of the Parent Company.

As of March 31, 2018, the percentage of the Parent Company's outstanding shares owned directly by the DTV Group (JHI, IHI, and the Villareal family) is 41.77%, while KPHI directly owns 37.96%, and KVHI, 4.99%.

Directors and Executive Officers

Hereunder is the list of directors and executive officers of the Parent Company for 2017-2018 and their respective positions.

<u>Name</u>	<u>Nationality</u>	<u>Position with the Company</u>
Alfredo L. Henares ^{1,2}	Filipino	Chairman & Treasurer
Dennis T. Villareal ¹	Filipino	Director, President & CEO
Alberto P. Fenix, Jr. ¹	Filipino	Executive Director
Roberto F. de Ocampo ³	Filipino	Director (Independent)
Enrique L. Benedicto ⁴	Filipino	Director (Independent)
Ramon Y. Sy ⁵	Filipino	Director (Independent)
Guillermo P. Dabbay, Jr. ⁶	Filipino	Director
Go, Jae-Han ⁷	Korean	Director
Choi, Bong-Joo ⁸	Korean	Director
Ahn, Soon-Chan ⁹	Korean	Director
Sergio R. Ortiz-Luis, Jr. ¹⁰	Filipino	Director (Independent)
Shin, Dong-Woo ¹¹	Korean	Director
Maria Luz L. Caminero ¹²	Filipino	SVP, Legal/Regulatory Affairs
Reynante C. del Rosario ¹³	Filipino	Chief Financial Officer
Cesar O. Villegas ¹⁴	Filipino	SVP-Operations and Business Development
Jaime M. Balisacan ¹⁵	Filipino	SVP – Finance and Administration
Remigio Michael A. Ancheta II ¹⁶	Filipino	Corporate Secretary

¹ Directors and officers since incorporation on August 17, 1994.

² Mr. Alfredo L. Henares elected as Chairman on May 30, 2014 up to the present.

³ Director from November 25, 2002 up to the present.

⁴ Director from September 16, 2008 up to the present.

⁵ Director from Nov. 12, 1998 to Nov. 25, 2002 and from Feb. 15, 2006 up to the present.

⁶ Director from May 30, 2012 up to the present.

⁷ Director from March 30, 2016 up to the present.

⁸ Director from October 8, 2015 up to April 2, 2017.

⁹ Director from March 30, 2016 up to the present.

¹⁰ Director from May 30, 2017 up to the present.

¹¹ Director from May 30, 2017 up to the present.

¹² SVP since November 18, 2013.

¹³ CFO from August 6, 2013 up to August 31, 2017.

¹⁴ VP-Business Development and Commercial Operations from December 3, 2014; SVP-Operations and Business Development effective April 3, 2018.

¹⁵ VP-Finance from Aug. 6, 1997; SVP-Finance and Admin. effective Apr. 3, 2018.

¹⁶ Corporate Secretary from November 20, 2017 up to present

Unless otherwise provided by law, the powers, business and allocation of resources of the Parent Company are exercised, conducted and controlled by an eleven-member Board of Directors.

The Nomination Committee, created by the Board under its Manual of Corporate Governance, nominated the majority of the incumbent directors. The Nomination Committee further endorsed to the Board the Final List of Candidates for Independent Directors in the persons of Mr. Roberto F. de Ocampo, Mr. Enrique L. Benedicto, Mr. Ramon Y. Sy, and Mr. Sergio R. Ortiz-Luis, Jr. Mr. Dennis T. Villareal was the one who nominated the Independent Directors. Mr. Dennis T. Villareal is not related to Messrs. De Ocampo Benedicto, Sy and Ortiz-Luis by consanguinity nor affinity. Neither is there a professional relationship between Mr. Dennis T. Villareal and Messrs. De Ocampo, Benedicto, Sy and Ortiz-Luis.

In compliance with the provisions of SRC Rule 38, the Board of Directors amended its By-laws on December 8, 2004 and March 11, 2005 to include a provision on the procedure and selection of Independent Directors.

Each Director has a term of office of one year and is eligible for re-election every year. Each Director beneficially owns at least one share of the capital stock of the Parent Company. The members receive such compensation as determined by the Board of Directors.

By resolution passed by the Board, the Directors may designate one or more committees which, to the extent provided by said resolution, shall have and may exercise any of the powers of the Board which may lawfully be delegated in the management of the business and affairs of the Parent Company.

The officers of the Company are elected or appointed by the Board of Directors. The Chairman of the Board and the President/Chief Executive Officer are elected from the members of the Board.

Profile of the Incumbent Board of Directors and Executive Officers

Alfredo L. Henares, Filipino, 64 years old, has been the Treasurer and Director of the Parent Company since 1994. On May 30, 2014, he was elected as Chairman and continues to serve as Chairman and Treasurer up to the present. He is also currently the Chairman of the Board Executive Committee and a member of the Audit Committee and Nomination Committee. He is likewise the Treasurer and Director of the following corporations: Salcon Philippines, Inc.; Salcon International Inc.; SPC Property and Development Corp.; SPEC Properties Inc.; Western Panay Hydropower Corp.; SPC Electric Co., Inc.; and SPC Light Co., Inc. He was a Director of Bohol Light Company, Inc. and Bohol Water Utilities, Inc. for about seven years prior to his appointment as Chairman of both companies effective May 2007. In the year 2015, he relinquished his Chairman position to Mr. Lim Chan Lok and went back to being a Director in Bohol Water Utilities, Inc. He is also the Chairman of SPC Island Power Corporation, SPC Malaya Power Corporation and KV Holdings, Inc. He is likewise the President of Progressive Broadcasting Corp.; a Director of Isarog Pulp and Paper Co., Inc.; the Finance Director of Vegoil Phil., Inc. and the Executive Vice President and Chief Financial Officer of KEPCO SPC Power Corporation. He graduated from Harvard Graduate School with an MBA degree and from the Ateneo de Manila University with a Bachelor's Degree in Business Management.

Dennis T. Villareal, Filipino, 76 years old, is the Founding President, Chief Executive Officer and a Director of the Parent Company. Currently, he is also a member of the Board Executive Committee and Corporate Governance Committee. He is likewise the President and a Director of the following corporations: Salcon Philippines, Inc.; Salcon International, Inc.; SPC Island Power Corp.; SPC Property and Development Corp.; SPEC Properties, Inc.; Mactan Electric Company, Inc.; Bohol Light Co., Inc.; Bohol Water Utilities, Inc.; Western Panay Hydropower Corp.; SPC Electric Co., Inc.; Rayfield Holdings, Inc.; SPC Light Co., Inc.; SPC Malaya Power Corporation; KV Holdings, Inc.; Filipinas Palmoil Processing Inc.; Filipinas Palmoil Plantations, Inc.; Filipinas Palmoil Properties, Inc.; Isarog Pulp and Paper Co., Inc.; Dentrade, Inc.; JAD Holdings, Inc.; and Intrepid Holdings, Inc. He is also the Vice Chairman and a Director of KEPCO SPC Power Corporation. In addition, he is the Vice-President and a Director of Dowell Packaging Corp.; Rowell Industrial

Corp.; and Rowell Plastic Corp. He graduated from the University of Missouri with a Bachelor of Science Degree in Business Administration.

Alberto P. Fenix, Jr., Filipino, 73 years old, has been a Director of the Company since 1994. He has also been an Executive Director of the Parent Company since September 28, 2001 and a member of the Board Executive Committee since March 7, 2006. He is likewise a Director of SPC Electric Company, Inc. starting 2001; SPC Light Company, Inc. effective 2002; Bohol Light Company, Inc. effective May 2007; SPC Island Power Corporation effective November 2007; Western Panay Hydropower Corp. since 1997; SPC Malaya Power Corporation in September 2011 and KV Holdings, Inc. since December 13, 2010. In March 2009, he was appointed as Managing Director of SPC Island Power Corporation until his resignation on August 31, 2010 but remained as a Director up to the present. He is the Chairman of Fenix Management and Capital, Inc. and President of Ivoclar Vivadent, Inc. and Alpina Realty, Inc. He serves as Trustee of the Angeles University Foundation, Inc. His prior positions include directorships at National Steel Corp.; Refractories Corporation of the Philippines, Inc.; Pryce Corp.; Pryce Gases, Inc.; Philippine National Oil Corp.; Newtech Pulp, Inc. and Victorias Milling Company, Inc. Dr. Fenix is a business leader, having been President in 1998 and 1999, and currently the Honorary President of the Philippine Chamber of Commerce and Industry (PCCI) and President of the PCCI Human Resources Development Foundation, Inc. He graduated with a Bachelor's Degree in Mathematics (cum laude) from the Ateneo de Manila University and Master's and Doctorate degrees in Industrial Management from the Sloan School of Management of the Massachusetts Institute of Technology.

Roberto F. de Ocampo, Filipino, 71 years old, has been an Independent Director of the Parent Company and Chairman of the Board Audit Committee since November 25, 2002. He was the secretary of Finance (1994-1998) during the presidency of Fidel V. Ramos. As Secretary of Finance, he was concurrently a member of the Board of Governors of the World Bank Monetary Fund. He also served as Chairman and CEO of the Development Bank of the Philippines (1989 – 1994) and Chairman of the APEC Finance Ministers (1997). He was named "Asian Finance Minister of the Year" by the Euromoney and Asianmoney magazines in 1996 and 1997, respectively. He was conferred the Legion of Honor, the highest honor conferred on Filipino civilians, by the Republic of the Philippines in 1998 for his outstanding contributions to the country. He is currently the President of PAMI Global Bond Fund, Inc.; Philam Bond Fund, Inc.; Philam Dollar Bond Fund, Inc.; Philam Fund, Inc.; Philam Managed Income Fund, Inc.; and Philam Strategic Growth Fund, Inc. He is also the Chairman and/or Board Member of several companies in the Philippines and abroad including, among others, DFNN International; Bankard, Inc.; EEI Corporation; Rizal Commercial and Banking Corporation; Globe Telecom; Corporate Governance Institute of the Philippines; Philippine Cancer Society; Asian Institute of Management; Makati Business Club; Foundation for Economic Freedom; Philippine Quality & Productivity Movement, Inc.; Investment & Capital Corporation of the Philippines; Asian Aerospace, Inc.; and Pacific Gaming Investments Pte. Limited. Dr. de Ocampo received his MBA from the University of Michigan, a post-graduate diploma from the London School of Economics and has been conferred three Doctorates (Honoris Causa).

Enrique L. Benedicto, Filipino, 76 years old, was appointed as Independent Director of the Parent Company on September 16, 2008 and continue to serve as such up to the present. Currently, he is also a member of the Board Audit Committee and Corporate Governance Committee. He is a recipient of the Entrepreneur of the Year award (Grand Chamber Award) given by the Cebu Chamber of Commerce on June 28, 2013. He is also the Honorary Consul of the Royal Consulate of Belgium from 1996 up to the present. He is Chairman of the following companies: Enrison Holdings, Inc.; Enrison land, Inc.; Mabuhay Filcement, Inc.; Benedict Ventures, Inc.; and Berben Wood Industries, Inc. He is likewise the Vice Chairman of Bernardo Benedicto Foundation, Inc. Previously, he was either the Chairman or President of the following: Consular Corps of the Philippines, Cebu Chapter; Philippine Foundation, Inc.; Cebu Jaycee Foundation; and Cebu Jaycee Senate. He was also a Vice Chairman of the Cebu Investment Promotion Center and Trustee of the Cebu Chamber of Commerce & Industry, Inc. Mr. Benedicto is a recipient of the following

prestigious awards: "Officer in the Order of Leopold II" award conferred by His Majesty Baudowin King of the Belgians; Most Outstanding Cebuano Citizen presented during the 54th Cebu City's Charter day celebration; Great Cebuano Award conferred by the Province of Cebu, Mandaue Chamber of Commerce and Industry, Inc., Kapisanan Ng Mga Broadcaster ng Pilipinas (KBP), and Sugbuanong Kumintaristang Nagpakabana (SUKNA); Most Outstanding Alumnus conferred by the University of San Jose-Recoletos; Recognition Award for Outstanding Achievements by the Cebu City Government; and Recognition Award as a Member of the Board of Trustees for Ten Consecutive Years of the Cebu Investment Promotions Center. Mr. Benedicto has a Bachelor of Science in Commerce degree from the University of San Jose Recoletos.

Ramon Y. Sy, Filipino, 86 years old, was a Director of the Parent Company from November 12, 1998 to November 25, 2002 and reelected from February 15, 2006 up to the present. He was also appointed as Independent Director and member of the Board Audit Committee and Corporate Governance Committee on May 30, 2017. He used to be the President of the Bankers Association of the Philippines and President and Chief Executive Officer of the United Coconut Planters Bank from October 2007 to November 15, 2011. He is presently the Vice Chairman and Director of Asia United Bank. He is also the Chairman of Ramsy Corporation, Travelman, Inc., Xcell Property Ventures, Inc. And Apex Mining Co., Inc. and a Trustee of the St. Luke's Medical Center and St. Luke's Medical School. He is presently a director of Philippine Equity, Maxicare Health Care Corporation, Asian Alliance Holding and Development Corp., Asian Alliance Investment Corporation and Monte Oro Resources and Energy, Inc. He was previously the President and Chief Executive Officer of International Exchange Bank; Chairman and Chief Executive Officer of United Coconut Planters Bank and various companies associated with the coconut industry including CIIF Management Company, Inc.; Chairman of Asean Fund Limited; President of Megalink, Inc; Director of ANSCOR Insurance Brokerage Corporation and San Miguel Corporation; Country Manager of Bank of America; and President of BA-Finance Corporation. He earned his MBA degree at the University of the Philippines and his Bachelor of Science in Commerce degree at the Far Eastern University.

Guillermo P. Dabbay, Jr., Filipino, 58 years old, has been a Director of the Parent Company since May 30, 2012. Currently, he is also a member of the Corporate Governance Committee. He is also the Corporate Secretary, Director and General Counsel for KEPCO Philippines Corporation and KEPCO SPC Power Corporation. He is also the Corporate Secretary and General Counsel for KEPCO Ilijan Corporation. He is also a director of Mactan Electric Company, Inc. He is also the Corporate Secretary of KEPCO Philippine Holdings, Inc. and KEPCO International Philippines, Inc. He was a Senior Associate with Angara Abello Concepcion Regala & Cruz Law Offices. He earned his Bachelor of Arts in Political Science Degree (with distinction) at the University of the Philippines and Bachelor of Laws, also at the University of the Philippines.

Go, Jae-Han, Korean, 58 years old, was elected to the Parent Company's Board on March 30, 2016 to replace Mr. Lyu, Hyang-Reol who was recalled to the KEPCO Headquarters in Korea for new assignments. Currently, he is also a member of the Board Executive Committee. He joined Korea Electric Power Corporation in 1986 and was General Manager of KEPCO Branch Office in New York. He was then the General Manager and Director General for Overseas Project Management Department of KEPCO Korea. He was also the Vice President, Head of Overseas Project Strategy Department; Vice President, Head of Nuclear Project Export Promotion Department; and Head of Overseas Project Management Department. He is now the President and CEO of KEPCO Philippines Corporation. He graduated with a degree in Business Administration from Soongsil University in Seoul, South Korea and completed his MBA at Korea University also in Seoul, South Korea.

Choi, Bong-Joo, Korean, 57 years old, was elected to the Parent Company's Board on October 8, 2015 and served as such until his recall to the KEPCO Headquarters in Korea for new assignments effective April 3, 2017. He joined Korea Electric Power Corporation in 1979 as Assistant Manager. He was then the Manager of Overseas Division tasked in the development of overseas IPP projects

and management of Malaya TPP projects. He was also the General Manager of KEPCO Overseas Division handling the billing and calculation of electricity tariff bills and management of the Philippine projects and operation companies. He graduated at Chung-Ang University in Seoul, Korea with a degree in Accounting. He completed his masteral degree in international business also at Chung-Ang University in Seoul, South Korea.

Ahn, Soon-Chan, Korean, 48 years old, was elected to the Parent Company's Board on March 30, 2016. Currently, he is also a member of the Board Executive Committee and Audit Committee. He joined Korea Electric Power Corporation in 1997. He was the Manager of KEPCO Overseas Project Department and Project Development in KEPCO Philippines. He was also a Senior Manager of the Overseas Project Development Department and General Manager of KEPCO's Gyeongnam District Division. He is currently the General Manager of Planning Department of KEPCO Ilijan Power Corporation. He graduated with a degree in Business Administration at Konkuk University in Korea.

Sergio R. Ortiz-Luis, Jr., Filipino, 74 years old, was appointed as Independent Director, Chairman of the Board's Corporate Governance Committee and member of the Audit Committee on May 30, 2017. He is also the Honorary Chairman/Treasurer of the Philippine Chamber of Commerce and Industry; President and CEO of Philippine Exporters Confederations, Inc.; Honorary Chairman and Past President of Employers Confederation of the Philippines; Chairman of the National Center for Mediation; Vice Chairman/Independent Director of VC Securities Corporation; Director and Past President of Philippine Foundation, Inc.; Founding Director of International Chamber of Commerce of the Philippines, Vice Chairman of Alliance Global, Inc.; Honorary Chairman of Integrated Concepts & Solutions, Inc.; He is likewise a Director of Waterfront Philippines, Inc., The Wellex Group, Manila Exposition Complex, Inc., Lasaltech Academy; Philippine Estate Corporation; B.A. Securities (independent); Rural Bank of Baguio; Acesite Hotel Philippines, Inc.; Forum Pacific, Inc.; Jollville Holdings Corporation; Calapan Ventures, Inc.; LikeCash Asia & the Pacific Corporation; and Asia Pacific Chinese Media, Inc. His government affiliation includes being Vice Chairman of Export Development Council; Commissioner of Patrol 117; BPLS Champion of National Competitiveness Council; Member of the Industry Development Council and Private Sector Representative to the Philippine Bamboo Council. His civic organization affiliation includes being the Chairman of Rotary Club of Green Meadows Foundation; the Past President of Rotary Club Green Meadows Quezon City RI District 3780; a Senator of the Philippine Jaycee Senate; a Captain of the Philippine Coastguard Auxiliary; the Director/Treasurer of PILAK Foundation and the Vice Chairman of JARDELI Club Foundation. He is also the Honorary Consul General of the Consulate of Romania in the Philippines; Treasurer of the consular Corps of the Philippines and Honorary Adviser of the International Association of Educators for Work Peace. He was a recipient of various awards like the Business Leadership Award by the Business News Magazine, ICCP Global Excellence Award, ORAS Award, Presidential Merit Award Medal, Ulirang Ama, Most Outstanding Pasigueño, Most Outstanding Citizen of Nueva Ecija in the field of Business and International Peace Award for Economic Development to name a few. He graduated from De La Salle University with a degree of Bachelor of Arts and Bachelor of Science in Business Administration. He also took his masteral degrees in Business Administration; PhD in Humanities. and PhD in Business Technology at at De La Salle University, Central Luzon University and Eulogio "Amang" Rodriguez Institute of Science and Technology, respectively.

Shin, Dong-Woo, Korean, 49 years old, was elected to the Parent Company's Board on May 30, 2017. He first joined Korea Electric Power Corporation in 1996 and became its Senior Manager of its KEPCO Beijing Office in 2004. He also was a Senior Manager of KEPCO's Corporate Planning Department; Senior Manager of KEPCO's Overseas Project Management Department, KEPCO Shanxi and Gansu. He was the General Manager of the Project Management Team 1 and the China Project Management Team. He graduated from the Korea Military Academy in 1991 and took his MBA at Chonnam National University in Korea.

Maria Luz L. Caminero, Filipino, 55 years old, was appointed Senior Vice President for Legal/Regulatory Affairs of the Parent Company on November 18, 2013 and continues to serve as such up to the present. Atty. Caminero was also appointed as Corporate Secretary from December 3, 2014 to November 20, 2017. She was also designated as Compliance Officer on November 20, 2017 up to the present. She has practiced law for twenty-five (25) years. Her present practice focuses on energy law, particularly in the power industry in the Philippines. From 2003-October 2013, she was the Vice-President and General Counsel of the Power Sector Assets and Liabilities Management Corporation (PSALM). During her ten-year stint in PSALM, she was designated as Acting President from April-June 2010 and thereafter appointed as OIC from June-September 15 of the same year. Prior to her work at PSALM, she was the Chief Corporate Attorney for National Power Corporation (NPC) in the Tax Counseling Corporate Affairs and Government Relations Department and Litigation Department, Office of the General Counsel. She also served as legal adviser to the Office of the NPC President during the terms of two NPC presidents. In the transition period in anticipation of the implementation of the EPIRA, she was cap badged and assigned to TRANSCO to work on transmission business transactions. Atty Caminero worked for NPC from 1995 -2003, although eventually detailed to work for PSALM in 2001-2003. Atty. Caminero also worked with the Judiciary for a period of six years. She was the Head Lawyer (Court Attorney V) of the Office of Associate Justice Florida Ruth P. Romero, Supreme Court from 1991-1995. Earlier, she worked in the Office of Associate Justice Fidel P. Purisima, Court of Appeals, as Court Attorney V from 1989 -1991. As an underbar, she worked with the Office of Senator Santanina T. Rasul in the latter part of 1988 -1989.

Cesar O. Villegas, Filipino, 56 years old, was appointed as Senior Vice President for Operations and Business Development on April 3, 2018. He joined the SPC Group on February 2, 2010 as Senior Manager for Business Development/Technical Assistant to the President and later as Vice President for Business Development and Commercial Operation effective December 3, 2014. Before joining the SPC Group, he was a Technical Manager of Ultrawaters, Inc. (a water treatment company); Electrical Engineer at Rudell & Associates; Project Manager at Pangea Green Energy Phils. Inc.; Operations Manager and Operations Shift Manager at Enron Power Philippines; Planning & Scheduling Chief, Instrumentations Engineer and Control Switchboard Engineer with National Power Corporation; and Plant Electrical Engineer at Coco-Chemicals Philippines. He obtained his Bachelor of Science in Electrical Engineering degree from the Mapua Institute of Technology, he is a Registered Electrical Engineer.

Reynante C. del Rosario, Filipino, 61 years old, was the Parent Company's Chief Financial Officer from August 6, 2013 up to his resignation on August 31, 2017. Before joining the SPC Group, Mr. Del Rosario worked with Good Year Philippines, Inc. starting as Accounts Payable Clerk on May 2, 1978 and thereafter rose from the ranks occupying various positions in Finance including as Finance Director and Treasurer, a position he held for nine years up to June 30, 2013. He graduated from University of the East with a degree in Bachelor of Science in Business Administration.

Jaime M. Balisacan, Filipino, 63 years old, was appointed as Senior Vice President for Finance and Administration on April 3, 2018. He joined the SPC Group on August 16, 1997 as Vice President for Finance of the Parent Company. He also renders financial services to certain subsidiaries in the SPC Group. Before joining the SPC Group, he was the Controller of Toledo Power Company from July 1994 to August 1997. He also worked as Financial Services Director/Specialist with Atlas Consolidated Mining and Development Corporation (ACMDC) from March 1989 to June 1994. He likewise served ACMDC in other capacities as Inventory Control Superintendent – Materials Management Division, Group Head/Inventory Accountant, Accounting Supervisor and Audit Clerk – Comptrollers Division. Mr. Balisacan is a Certified Public Accountant. He graduated from the Divine Word College of Laoag, Laoag City with a degree in Bachelor of Science in Commerce, Major in Accounting.

Remigio Michael A. Ancheta II, Filipino, 45 years old, was appointed/elected as Corporate Secretary of the Parent Company on November 20, 2017. He also serves as the Corporate Secretary of SPC Island Power Corporation, Cebu Naga Power Corporation, Bohol Light Company, Inc., Bohol Water Utilities, Inc., SPC Malaya Power Corporation, SPC Light Company, Inc., SPC Electric Company, Inc., Salcon International, Inc., Salcon Philippines, Inc., and other corporations. He is the Managing Partner of Ancheta & Associates Attorneys-at-Law, and he practices various areas of law, including energy, water, public utilities, property, commercial law, intellectual property law, civil, criminal, and administrative laws, and appellate practice. He actively litigates before regular courts and quasi-judicial bodies in many parts of the country. He is a Professorial Lecturer on Civil Law subjects at the College of Law of the Lyceum of the Philippines University (LPU) in Makati City. He was also a Professorial Lecturer at the De La Salle University – Far Eastern University Institute of Law in Makati City. He served as a legal consultant to the Department of Environment and Natural Resources. He was appointed as Special Counsel by the Ethics Committee of the Whole of the Senate of the Republic of the Philippines. He was an associate lawyer of Carpio Villaraza & Cruz (CVC) Law Offices and, thereafter, an associate lawyer of the Litigation Department of the Angara Abello Concepcion Regala & Cruz (ACCRA) Law Offices, where his performance was rated Excellent. He was a Founding and Managing Partner of Ubano Ancheta Sianghio & Lozada Law Offices. He obtained his Juris Doctor, with Second Honors and ranked seventh, from the School of Law of the Ateneo de Manila University. He has a degree in AB Economics and has M.A. Education units from the Ateneo de Manila University.

The disclosed business experience of the above Directors and Officers is for at least the last five years, unless otherwise indicated in their profiles.

Identity of Significant Employees

No significant employee or personnel who is not an executive officer of the Parent Company is expected to make a significant contribution to its business.

Family Relationships

None of the foregoing directors and officers are related to each other by consanguinity or affinity.

Involvement in Certain Legal Proceedings

For the past five years and up to date of this Information Statement, none of the directors and officers were involved in any insolvency or bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree of competent jurisdiction, permanently enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court or administrative body to have violated a securities or commodities law.

Nomination of Incumbent Directors for Re-election

The following directors will be nominated for election at the annual stockholders' meeting on May 28, 2018:

Dennis T. Villareal; Alfredo L. Henares; Alberto P. Fenix, Jr.; Ramon Y. Sy; Roberto F. de Ocampo; Enrique L. Benedicto; Go, Jae-Han; Ahn, Soon-Chan; Shin, Dong-Woo; Sergio R. Ortiz-Luis, Jr.; and Guillermo P. Dabbay, Jr.

No director has resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of security holders because of a disagreement with the registrant on any matter relating to the registrant's operations, policies or practices. Furthermore, no director has furnished the registrant with a letter describing a disagreement with the registrant.

The Nomination Committee, pursuant to the Company's Revised Manual on Corporate Governance and the Code of Corporate Governance for Publicly-Listed Companies, is now part of its Corporate Governance Committee with the following membership:

Chairman	:	Sergio R. Ortiz-Luis, Jr.
Members	:	1. Ramon Y. Sy
		2. Enrique L. Benedicto
		3. Dennis T. Villareal
		4. Guillermo P. Dabbay, Jr.

Independent Directors

Management intends to nominate Messrs. Roberto F. de Ocampo; Enrique L. Benedicto; Ramon Y. Sy; and Sergio R. Ortiz-Luis, Jr. as independent directors for the current year, pursuant to and in accordance with the guidelines on the nomination and election of independent directors contained in SRC Rule 38 and the Registrant's amended By-laws. Management is aware of SEC Circular No. 4, Series of 2017 prescribing term limits for Independent Directors. The terms of Messrs. Roberto F. de Ocampo; Enrique L. Benedicto; Ramon Y. Sy; and Sergio R. Ortiz-Luis, Jr. as Independent Directors of the Parent Company are within said limits. The procedures for the nomination and election of Independent Directors in accordance with the provisions of SRC Rule 38, as amended is cited in the Corporation's Revised Manual on Corporate Governance filed with the Commission on July 24, 2015. The Corporation's By-Laws is yet to be amended to incorporate the procedures for the nomination and election of Independent Directors in accordance with the provision of SRC Rule 38.

Certain Relationships and Related Party Transactions

In the normal course of business, the Parent Company and its subsidiaries have significant transactions with related parties the details of which are contained in Note 5 of the Audited Financial Statements of the Registrant as of and for the year ended December 31, 2017 (attached).

Compensation of Directors and Executive Officers

1. Terms and Conditions of Employment Contract, Compensation Plan:

Except for the Chairman/Treasurer, the President and the Executive Director, the Parent Company's other Senior Officers are also regular employees and are similarly remunerated with a compensation package equivalent to thirteen (13) months salary per annum. They also receive whatever year-end gratuity pay the Board extends to the managerial, supervisory, and technical employees of the Parent Company. These terms and conditions are included in the employment contract between the Parent Company and its Senior Officers.

The members of the Board of Directors are elected for a term of one year. They receive annual remuneration in Director's Fees, in addition to compensation on a per meeting participation. Moreover, members of the Board of Directors who perform executive functions are paid additional remuneration.

The aggregate compensation paid or incurred during the last two years and estimated to be paid in the ensuing year to the Parent Company's Chairman/Treasurer, President and CEO, Executive Director and most highly compensated Senior Officers are as follows:

<u>Name & Principal Position</u>	<u>Year</u>	<u>Salary (Pesos)</u>	<u>Bonus (Pesos)</u>	<u>Total</u>
Chairman/Treasurer, President/CEO, Executive Director and five (5) most highly compensated Senior Officers	Projected 2018	30,080,746	2,787,485	32,868,231
	Actual 2017	27,815,087	2,423,900	30,238,987
	Actual 2016	28,854,729	3,035,044	31,889,773
All Directors and Senior Officers as a Group Unnamed	Projected 2018	35,821,922	2,787,485	38,609,407
	Actual 2017	33,307,164	2,423,900	35,730,164
	Actual 2016	34,290,023	3,035,044	37,325,067

The highest ranked Senior Officers included in the foregoing compensation table are the following:

Mr. Alfredo L. Henares - Chairman and Treasurer
Mr. Dennis T. Villareal - President and CEO.
Dr. Alberto P. Fenix, Jr. - Executive Director.
Mr. Alfredo S. Ballesteros - SVP and Director up to February 1, 2017.
Atty. Maria Luz L. Caminero - SVP, Legal/Regulatory Affairs.
Mr. Reynante C. del Rosario - Chief Financial Officer up to August 31, 2017.
Mr. Cesar O. Villegas - VP – Business Dev. and Commercial Operations
Mr. Jaime M. Balisacan - VP - Finance.

2. Other than what is provided under applicable labor laws, there are no compensatory plans or arrangements with executive officers entitling them to receive any sum of money as a result of their resignation, retirement or any other termination of employment, or from a change in control of the Parent Company, or a change in the executive officers' responsibilities following a change in control of the Parent Company. There are no warrants or options outstanding in favor of directors and officers of the Parent Company.

Independent Public Accountant

The stockholders appointed SyCip Gorres Velayo & Co. (SGV) as the Independent Public Accountant for the year 2017. Ms. Jhoanna Feliza C. Go was appointed by SGV as the engagement partner to lead the audit of the Parent Company's financial statements effective for the year 2016. Ms. Go replaced Mr. John T. Villa of the same auditing firm. Mr. Villa was the engagement partner who led the audit of the Parent Company's financial statements from 2012 to 2015. The appointment of a new SGV engagement partner in 2016, therefore, was an early compliance with SRC Rule No. 68, Paragraph 3(b)(iv) requiring the change of external auditor or engagement partner for corporations covered under the Code of Corporate Governance who had engaged external auditors for a consecutive period of five years or more.

The reappointment of SGV as Independent Public Accountant for the year 2018 will be submitted to the stockholders for their confirmation and approval.

Authorized representatives of SGV, who shall be present at the meeting, will have the opportunity to make a statement if they choose to do so, and will be available to respond to appropriate questions.

The composition of the Audit Committee is as follows:

Mr. Roberto F. de Ocampo – Chairman
Mr. Alfredo L. Henares – Member

Mr. Ah, Soon-Chan – Member
Mr. Sergio R. Ortiz-Luis, Jr. – Member

Other Matters

Action with Respect to Reports

During the May 31, 2017 Annual Stockholders' meeting, the performance of the Parent Company and Subsidiaries in 2016 was reported to the stockholders. As contained in the 2017 Minutes of Stockholders' meeting and after a quorum was determined, the following matters were presented to and approved by the stockholders:

- a. Minutes of the 2016 Annual Stockholders' Meeting;
- b. CY 2016 Management Report and Audited Financial Statements;
- c. Directors' fees/bonuses for CY2016;
- d. Appointment/reappointment of external auditors;
- e. Ratification of all previous actions of the Board of Directors and Officers done in the ordinary course of business since the last annual stockholders' meeting; and
- f. Election of Directors for 2016 - 2017.

For the May 28, 2018 annual stockholders' meeting, the Chairman of the Board and the Senior Vice President for Finance and Administration will report to the stockholders the operating and financial performance of the Parent Company and its Subsidiaries for the year ended December 31, 2017. Management will submit to the stockholders for their approval the following: (i) minutes of the 2017 Annual Stockholders' Meeting; (ii) CY2017 audited financial statements; (iii) directors' fees/bonuses for CY2017; and (iv) the appointment/reappointment of external auditors. It will also submit for ratification by the stockholders all previous actions of the Board of Directors and Officers of the Parent Company which were made in the ordinary course of business. The election of Board of Directors for 2017 - 2018 will also take place.

The significant actions undertaken in 2017 by the Board of Directors and Officers of the Parent Company are shown in the attached Exhibit "A" (Ratification of Past Acts for CY 2017) of this Information Statement.

Approval and ratification of the minutes, reports, and acts of the Board of Directors and Officers constitute approval of the matters therein.

No action on any matter, other than those stated in the Agenda for the Meeting, is proposed to be taken, except matters of incidence that may properly come at the meeting.

Matters Not Required to be Submitted

Proofs of transmittal to stockholders of the required Notice for the Meeting and of the presence of a quorum at the meeting form part of the Agenda for the Meeting but will not be submitted for approval by the stockholders.

Voting Procedure

For the selection of directors, the eleven (11) nominees receiving the most number of votes will be elected to the Board of Directors. Cumulative voting will apply.

Unless otherwise required by law, on all matters to be taken up, majority vote of the outstanding capital stock present and represented at the meeting where a quorum is existing shall be sufficient.

Voting shall be done viva voce or by raising of hands and the votes for or against the matter submitted shall be tallied by the Corporate Secretary in case of a division of the house, in the presence of the external auditor.

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 report is signed in the City of Makati on April 20, 2018.

SPC POWER CORPORATION
Issuer



REMIGIO MICHAEL A. ANCHETA II
Corporate Secretary

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OTHER INFORMATION

Hereunder is management's discussion and analysis of the significant factors affecting the financial performance, financial position and cash flows of the Parent Company and Subsidiaries (collectively referred to as the "Group"). The discussion and analysis should be read in conjunction with the accompanying audited consolidated financial statements and the notes thereto as well as the schedules and disclosures set forth elsewhere in this report (SEC Form 17-A).

Financial Conditions and Results of Operations

Results of Operations

Year Ended Dec. 31, 2017 vs. Year Ended Dec. 31, 2016

The Group's total comprehensive income amounted to ₱1,677.4 million in 2017, 6.2% lower than the ₱1,788.1 million generated in 2016. The decline was attributed mainly to slower earnings from power generation and distribution business units alongside expiration of income tax holiday previously enjoyed by a major associate.

The total comprehensive income from power generation and distribution business segments was dragged down by 11.9% to ₱539.0 million in 2017, from ₱612.1 million in the previous year, due mainly to power system disturbance attributed to the strong earthquake that hit the Visayas region in July 2017. Operation of the Wholesale Electricity Spot Market (WESM) was suspended from July 6 – 31, 2017 and when WESM operation was resumed on August 1, 2017, the system was consistently placed on yellow and red alerts up to early September 2017.

Equity share in the earnings of associates also slid by 3.3% to ₱1,137.2 million in 2017 from ₱1,175.5 million in 2016 due mainly to the expiration in February 2017 of the income tax holiday previously enjoyed by a major associate. However, the full impact of the expiration of the income tax holiday was substantially mitigated by various cost efficiency measures implemented during the year.

Equity share in the earnings of associates accounted for 67.8% of the Group's total comprehensive income in 2017. Power generation pitched in 28.7% while power distribution and others brought in 3.5%.

The total comprehensive income of the Group translates to ₱1.10 in earnings per share in 2017 compared to ₱1.16 in 2016.

The performance likewise translated to a consistent double-digit return on average equity (a measure of profitability representing net income as a percentage of average equity) of 18.35% and 21.09% in 2017 and 2016, respectively.

Group-wide revenues decreased by 19.5% to ₱2,350.1 million in 2017 from ₱2,920.7 million in 2016. This was due mainly to: (i) the change in the accounting of incidental revenues generated from the Naga Power Plant Complex (NPPC) after November 28, 2016 and (ii) the calamity that affected power generation and distribution in the third quarter of 2017. After November 28, 2016, incidental revenues generated from the operation and preservation of NPPC are recorded as other income after deducting directly related costs and expenses).

Consolidated cost of services also decreased by 12.2% to ₱1,735.6 million in 2017 from ₱1,976.9 million in 2016 for the same reasons as in the group-wide revenues.

Consolidated general and administrative expenses went down by 17.2% to ₱188.8 million in 2017 from ₱228.0 million in 2016 due mainly to lower expenses for business development; taxes and licenses; provision for doubtful accounts; and directors' fees.

Other income (service income), generated separately from power generation and distribution, increased to ₱100.0 million in 2017 from ₱54.5 million in the same period last year due to more projects done.

Interest expense decreased by 22.4% to ₱25.4 million from ₱32.7 million due mainly to the full prepayment of long term debt of the Parent Company on October 28, 2017.

Other income (others) increased to ₱151.8 million in 2017 from ₱29.8 million only in 2016 due mainly to incidental income derived from operating and preserving the NPPC after November 28, 2016 and proceeds from disposal of excess/obsolete inventories, used oil and scraps.

Year Ended Dec. 31, 2016 vs. Year Ended Dec. 31, 2015

The Group achieved the highest consolidated net income in 2016 at ₱1,788.1 million, 18.4% more than the ₱1,510.0 million earned in the previous year. The net income attributable to equity holders of the Parent Company translated to ₱1.16 in earnings per share in 2016 compared to ₱0.99 in 2015. The performance likewise translated to a double-digit return on average equity of 21.09% in 2016 versus 20.49% the year before.

All business segments contributed positively to the improved bottom line despite low electricity spot market prices in 2016.

Share in the earnings of investees continued to account for a lion's share of the Group's consolidated net income in 2016, accounting for 65.8% of the total. Power generation and power distribution contributed 30.8% and 3.4%, respectively.

The investee companies contributed ₱1,175.5 million to the consolidated net income in 2016, up by 2.7% from ₱1,144.8 million in 2015. The speed of growth was considerably slowed by low electricity spot market prices in 2016 compared to the previous year.

The net income contributed by power generation in the portfolio grew by a robust 69.8% to ₱551.2 million in 2016 from ₱324.6 million in 2015. The business unit benefited from higher utilization of available capacity and gains made from cost containment measures that partly offset lower electricity spot market prices.

Income contribution from the power distribution business likewise expanded to ₱60.1 million in 2016, up by 41.1% from the previous year. Tariff adjustments under the Performance Base Regulation (PBR) approved by the ERC in the second semester of 2016 as well as new connections and some existing customers added to the load of the distribution business contributed significantly in shoring up bottom line. The volume of electricity sold increased by 9.2% to 113,696 MWH in 2016 from 104,106 MWH in the preceding year.

Consolidated revenues increased by 6.1% to ₱2,920.7 million in 2016 from ₱2,751.9 million the year before. The power distribution and power generation business segments boosted top-line growth on the back of higher volume of electricity sold and higher utilization of available generation capacity that more than negated the impact of low electricity prices in the spot market and lower pass-through fuel cost.

Consolidated cost of services decreased by 2.8% to ₱1,976.9 million in 2016 from ₱2,034.8 million in 2015 due mainly to lower pass-through fuel price and lower depreciation and amortizations.

Since revenues grew faster than the cost of services, consolidated gross margin (the difference between revenues and cost of services) jumped by 31.6% to ₱943.8 million in 2016 from ₱717.1 million in 2015.

Consolidated general and administrative expenses went down by 15.6% to ₱228.0 million in 2016 from ₱270.1 million in the previous year. The increases in the expenses for business development and provisions for doubtful accounts and probable losses were more than offset by lower taxes and other expenses.

Financial Condition

Dec. 31, 2017 vs. Dec. 31, 2016

Despite the decline in income, the Group's financial position remains robust to support long-term plans.

As of year-end 2017, the Group's total assets increased to ₱10,872.1 million from ₱10,425.2 million at the beginning of the year. The 4.3% growth in total assets was accompanied by a slight reduction in total liabilities to ₱1,507.9 million as at end-2017 from ₱1,509.2 million as at end-2016. Current ratio decreased slightly but remained very favorable at 2.10 as at end-2017 from 2.88 as at end-2016. Total debt as a percentage of equity favorably decreased to 16.10% as of December 31, 2017 from 16.93% as of December 31, 2016. Total stockholders' equity grew by 5.0% to ₱9,364.2 million as of December 31, 2017 from ₱8,916.0 million as of December 31, 2016. Book value per share rose further to ₱6.26 as of December 31, 2017 from ₱5.96 as of December 31, 2016.

The details of significant items that contributed to the changes in assets, liabilities and stockholders' equity are discussed below.

Cash and cash equivalents decreased by 17.4% to ₱1,445.3 million from the end-December 2016 level of ₱1,749.5 million. Please see the section below for Cash Flows showing the major sources and applications of cash and cash equivalents.

Trade and other receivables increased by 36.8% to ₱457.9 million as at end-December 2017 from ₱334.7 million as at end-December 2016 due mainly to higher sales billed to customers in December 2017 as compared to the sales in December 2016.

Materials and supplies inventory increased by 123.2% to ₱605.2 million as at end-December 2017 from ₱271.2 million as at end-December 2016 due mainly to higher volume and cost of fuel inventory and purchase of additional spare parts needed to complete the rehabilitation of PB 104 in 2018.

Prepayments and other current assets increased by 122.9% to ₱167.7 million as at end-December 2017 from ₱75.2 million as at end-December 2016. The increase was attributed mainly to unused input taxes paid on the acquisition of PB 104, fuel and other purchases of goods and services to be offset against future output tax.

Investment in associates registered a net increase of 1.8% to ₱6,181.8 million as at end-December 2017 from ₱6,073.0 million as at end-December 2016. The account was: (i) increased by additional equity share in the earnings of associates amounting to ₱1,137.2 million and (ii) reduced by cash dividends declared by associates amounting to ₱1,028.3 million.

Property, plant and equipment also registered a net growth of 15.3% to ₱778.3 million in 2017 from ₱675.0 million in 2016. The net growth was attributed to the following: (i) increase due to

additional rehabilitation costs of PB 104 incurred in 2017 amounting to ₱136.1 million; (ii) increase due to additions to other property, plant and equipment amounting to ₱54.8 million; and (iii) reduction due to depreciation and disposal amounting to ₱87.6 million.

Other noncurrent assets amounting to ₱1,200.4 million (including Goodwill) as at end-December 31, 2017 remained about the same as in the previous year. The balance of this account is inclusive of the ₱1,143.2 million that was paid by the Parent Company to PSALM for the acquisition of the 153.1 MW Naga Power Plant. Please see Note 31 of the audited consolidated financial statements.

Trade and other payables were more than doubled to ₱712.7 million as at end-December 2017 from ₱338.8 million as at end-December 2016. This was due mainly to the inadvertent delay in the payment of fuel purchased in November 2017 (paid in January 2018 together with December 2017 purchases).

Due to NPC/PSALM increased by 68.6% to ₱511.7 million as at end-December 2017 from ₱303.4 million as at end-December 2016 due to additional cost of fuel used in the operation of NPPC.

The balance of long-term debt, current and noncurrent portions, was fully prepaid on October 28, 2017 due to robust cash flows that are not immediately needed to support capital expenditures for growth.

Customers' deposits increased by 16.1% to ₱117.0 million from ₱100.8 million due mainly to: (i) additional bill deposits collected from BLCI customers as guarantee for any uncollected bills upon termination of service contract, and (ii) additional material deposits for cost of transformers and poles paid in advance by large load consumers for power connection.

Asset retirement obligation decreased by 13.5% to ₱97.2 million from ₱112.3 million due to reversal of a portion of the obligation following the exercise by SIPC of its option to purchase all the lots underlying the Bohol Diesel Power Plant in 2017.

Appropriated retained earnings increased by ₱100.0 million (net) to ₱1,350.0 million as at end-December 2017 from ₱1,250.0 million as at end-December 2016 on account of the approval of the Parent Company's Board of Directors of the following : (i) appropriation of ₱500.0 million out of the unappropriated retained earnings of the Parent Company for the construction of hydro-electric power plant projects, and (ii) reversal of retained earnings appropriated on November 24, 2015 amounting to ₱400.0 million due to the full prepayment of the related long-term debt on October 28, 2017 and the reinstatement of the same amount as unappropriated retained earnings.

Unappropriated retained earnings increased by 6.20% to ₱5,967.5 million as at end-December 2017 from ₱5,621.4 million as at end-December 2016. The net increase of ₱346.0 million was accounted as follows: (i) increase due to total comprehensive income in 2017 attributable to equity holders of the Parent Company amounting to ₱1,643.3 million; (ii) decrease due to appropriation of ₱500.0 million for the construction of hydro-electric power plant projects ; (iii) increase due to reversal of retained earnings appropriated on November 24, 2015 amounting to ₱400.0 million after full prepayment of the related long-term debt on October 28, 2017 ; and (iv) decrease due to cash dividends amounting to ₱1,197.2 million declared by the Parent Company's Board of Directors on March 30, 2017 and November 20, 2017.

Dec. 31, 2016 vs. Dec. 31, 2015

Total consolidated assets increased by ₱910.0 million to ₱10,425.2 million as at end-December 2016 from ₱9,515.2 million as at end-December 2015. The 9.6% growth was largely attributed to the following: (i) increase in the investment account represented by fresh equity share in the earnings of associates, (ii) additional investments in associates, and (iii) rehabilitation costs of

Power Barge (PB) 104 acquired on June 30, 2016 (see Note 11 of the audited consolidated financial statements).

Total liabilities likewise increased but at a much slower pace to ₱1,509.2 million as at end-December 2016, only 2.4% higher from ₱1,474.3 million as at end-December 2015.

Total stockholders' equity grew by 10.9% to ₱8,916.0 as of December 31, 2016 from ₱8,040.9 million as of December 31, 2015. Book value per share rose to ₱5.96 as of December 31, 2016 from ₱5.37 as of December 31, 2015.

The details of items that contributed to the significant changes in assets, liabilities and stockholders' equity are discussed below.

Cash and cash equivalents decreased by 9.8% to ₱1,749.5 million from the end-December 2015 level of ₱1,940.5 million. Please see the section below for Cash Flows showing the major sources and applications of cash and cash equivalents.

Trade and other receivables decreased by 37.4% to ₱334.7 million as at end-December 2016 from ₱534.6 million as at end-December 2015. This was traced mainly to the collection of some long outstanding accounts in 2016 and lower pass-through fuel price of electricity sold in December 2016 compared to the same month last year.

Prepayments and other current assets increased by 130.0% to ₱75.2 million as at end-December 2016 from ₱32.7 million as at end-December 2015. The increase was attributed mainly to unused input taxes paid on the acquisition of PB 104, fuel and other purchases for offsetting against future output tax.

Investments in associates grew by 20.7% to ₱6,073.0 million in 2016 from ₱5,030.1 million in 2015. The growth is reflective of the following: (i) additional investments in MECO amounting to ₱80.0 MM; and (ii) fresh equity share in the earnings of KSPC and MECO amounting to ₱1,027.2 million and ₱149.1 million, respectively. The increase in investments is net of cash dividends declared in 2016 by KSPC and MECO amounting to ₱133.4 million and ₱80.0 million, respectively.

Property, plant and equipment also grew by 50.8% to ₱675.0 million in 2016 from ₱447.5 million in 2015. The growth was attributed to the following: (i) acquisition and rehabilitation costs of PB 104 as at end-December 2016 amounting to ₱236.4 million; and (ii) additions to other property, plant and equipment amounting to ₱69.9 million. The growth is net of depreciation expense amounting to ₱78.8 million.

Other noncurrent assets amounting to ₱1,207.8 million (including Goodwill) as at end-December 31, 2016 remained about the same as in the previous year. The balance of this account is inclusive of the ₱1,143.2 million that was paid by the Parent Company to PSALM for the acquisition of the 153.1 MW Naga Power Plant. Please see Note 31 of the audited consolidated financial statements.

Trade and other payables dropped by 12.4% to ₱338.8 million from ₱386.7 million. This was due mainly to lower price of fuel purchases in December 2016 compared to fuel price prevailing in December 2015.

Current portion of long-term debt increased by 39.2% to ₱144.4 million as at end-December 2016 from ₱103.8 million in the previous year due to reclassification of balance of long-term debt maturing within one year from December 31, 2016.

Due to NPC/PSALM soared to ₱303.4 million in 2016 from ₱167.4 million in 2015. This was due mainly to additional consumption of NPPC-owned inventories.

Customers' deposits increased by 11.5% to P100.8 million from P90.4 million due mainly to: (i) additional bill deposits collected from BLCI customers as guarantee for any uncollected bills upon termination of service contract, and (ii) additional material deposits for cost of transformers and poles paid in advance by large load consumers for power connection.

Long-term debt, net of current portion, decreased by 25.0% to P431.8 million from P575.4 million due to: (i) reclassification of portion payable within one year into current liabilities, and (ii) periodic amortization of loan principal.

Unappropriated retained earnings increased by 18.0% to P5,621.4 million as at end-December 2016 from P4,765.8 million as at end-December 2015. The increase was due to total comprehensive income in 2016 attributable to equity holders of the Parent Company amounting to P1,733.7 million; reduced by cash dividends amounting to P878.0 million declared by the Parent Company's Board of Directors in March 30, 2016 and December 9, 2016.

Cash Flows

2017 vs. 2016

The year 2017 continued to be characterized by robust cash flows. The Group again supported its liquidity mainly from cash generated from operating activities and dividends received from its investments. It was able to prepay all its long-term debt and pay generous cash dividends to stockholders.

Major sources of cash in 2017 (comparative figures in 2016 are enclosed in parentheses) include: (i) Net cash flows generated from operating activities, P677.9 million (P981.8 million); and (ii) cash dividends received, P1,028.3 million (P213.4 million).

Major applications of cash (comparative figures in 2016 are also enclosed in parentheses) include: (i) cash dividends paid, P1,251.2 million (P891.0 million); (ii) payment of long-term debt, P577.8 million (P103.9 million); and (iii) additions to property, plant and equipment, P190.9 million (P318.3 million).

2016 vs. 2015

Cash and cash equivalents decreased by 9.8% to P1,749.5 million from the end-December 2015 level of P1,940.5 million. In 2016, net cash flows used for financing and investing activities exceeded net cash flows generated from operating activities.

Major sources of cash and cash equivalents in 2016 were: (i) net cash generated from operating activities amounting to P981.8 million; and (ii) cash dividends received from investments amounting to P213.4 million.

The major applications of funds in 2016 were: (i) additions to property, plant and equipment amounting to P318.3 million; (ii) additional investments in an associate amounting to P80.0 million; (iii) payment of long-term debt amounting to P103.9 million; and (iv) payment of cash dividends amounting to P891.0 million.

Key Performance Indicators

The following financial indicators are used, among others, to evaluate the performance of the Parent Company and its Subsidiaries:

Key Performance Indicators	2017	2016
<u>For the years ended December 31:</u>		
Earnings per share (see Note 28)	₱1.10	₱1.16
Share in net earnings of associates (see Note 10)	₱1,137,429,320	₱1,175,524,975
Return on equity	18.35%	21.09%
Return on assets	15.75%	17.93%
Cash Flows:		
Net cash flows from (used in) operating activities	₱677,925,988	₱981,803,073
Net cash flows from (used in) investing activities	₱843,738,523	(₱181,555,533)
Net cash flows from (used in) financing activities	(₱1,829,013,293)	(₱994,940,718)
<u>As of December 31:</u>		
Balance of cash and cash equivalent at end of period	₱1,445,250,136	₱1,749,497,644
Current ratio	2.10	2.88
Debt ratio	0.14	0.14
Solvency ratio	1.17	1.24

Earnings Per Share (EPS)

EPS is a measure of profitability representing net income attributable to equity holders divided by the weighted average number of shares outstanding as of the end of the year.

Share in Net Earnings of Associates

This indicates profitability of the investments and investees' contribution to the Group's net income. It is determined by multiplying the associate's comprehensive income or loss by the investor's percentage of ownership, less goodwill impairment cost, if any. Goodwill is the difference between the acquisition cost of an investment and the investor's share in the value of the net identifiable assets of the investee at the date of the acquisition.

Return on Equity

Return on Equity = Total comprehensive income divided by average total stockholders' equity. This ratio indicates the level of profit earned by the Group in comparison with the total amount of stockholders' equity found in the statements of financial position. The higher the return on equity, the higher the Group's ability to produce internally generated cash flows. Moreover, the higher the Group's return on equity compared to other companies in the same industry, the better.

Return on Assets

Return on Assets (ROA) Ratio = Total comprehensive income divided by average total assets. This ratio measures the ability of the Group's management to realize an adequate return on the total resources employed for the business. A high percentage rate indicates how the Group is well run and has a healthy return on assets employed.

Cash Flows

The Group uses the Statements of Cash Flows to determine the sources and application of funds for the period and to analyze and evaluate how the sources and uses of funds are being managed.

Current Ratio

Current Ratio = Total current assets divided by total current liabilities. This ratio is a rough indication of the Group's ability to service its current obligations. The higher the current ratio, the greater the Group's ability to pay its current obligations.

Debt Ratio

Debt Ratio = Total liabilities divided by total tangible assets. The ratio indicates the degree of protection provided for the Group's creditors. A high ratio generally indicates greater risk being assumed by creditors. On the other hand, a low ratio indicates greater long-term financial safety.

Debt-to-Equity Ratio

Debt-to-Equity Ratio = Total liabilities divided by total equity. The ratio indicates how leveraged the Group is. It compares the resources provided by creditors against the resources provided by the stockholders in running the business of the Group.

Solvency Ratio

Solvency Ratio = The sum of total comprehensive income, depreciation and amortizations divided by the sum of long-term and short-term liabilities. This ratio provides another measurement of how likely the Group will be able to continue meeting its debt obligation. The higher the ratio, the greater the Company's ability to continue meeting its debt obligations.

Known Trends

Except as already discussed herein and disclosed in the notes to the consolidated financial statements, management is not aware of any other trend, event or uncertainty to have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations. Management is likewise not aware of any other event that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

Any Significant Elements of Income or Loss from Continuing Operations

There are no significant elements of income or loss from continuing operations.

Material Off-Balance Sheet Items

There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

Material Commitments for Capital Expenditures

As of December 31, 2017, there are no material commitment for capital expenditures other than in the ordinary course of business to improve power generation and distribution facilities. Funding comes from internally generated cash from operations.

Seasonal Aspects

The Group does not have any seasonal aspect that has a material effect on the financial condition or results of operations.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no changes in and disagreements with Accountants on accounting and financial disclosures.

External Audit Fees

For the annual review of the Parent Company's and Subsidiaries' financial statements and other assurance and related services, the audit fees were ₱1.3 million and ₱1.5 million in 2017 and 2016, respectively, exclusive of VAT and out-of-pocket expenses. The fees were inclusive of consultancy services on tax matters amounting to ₱0.1 million and ₱0.4 million in 2017 and 2016, respectively.

Engagement of external auditor's services is bid out among qualified auditing firms. For the audit of annual financial statements, award is endorsed by the Board Audit Committee, recommended by the Board to the shareholders and approved by the Group's shareholders during its annual meeting. Award of other services are approved by the Audit Committee as endorsed by the Group's Internal Audit Department.

Other Operational & Financial Information

Other operational and financial information about the Group have been incorporated as part of the notes to the Consolidated Financial Statements.

Financial Statements

The audited annual consolidated financial statements of the Parent Company and Subsidiaries as of and for the year ended December 31, 2017 and the unaudited interim financial statements for the quarter ended March 31, 2018 (together with the management's discussion and analysis) as set forth in SEC Form 17-A and SEC Form 17-Q are incorporated in this information statement.

Business Development

The Company

SPC Power Corporation (the Parent Company) was incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 11, 1994.

The Parent Company was formerly a venture company owned by members of the Salcon Consortium which entered into a Rehabilitation, Operation, Maintenance and Management Agreement (ROMM Agreement) with the National Power Corporation (NPC) on March 25, 1994 for the purpose of undertaking the rehabilitation, operation, maintenance and management of the 203.8 megawatt (MW) Naga Power Plant Complex (NPPC) in Colon, Naga, Cebu under the rehabilitate-operate-maintain-and-manage scheme as defined in the ROMM Agreement.

The ROMM Agreement provides that the Parent Company shall, at its own cost, rehabilitate, operate, maintain and manage the NPPC over the cooperation period of 15 years (Cooperation Period; up to May 29, 2009 for the Land-Based Gas Turbines (LBGTs), and up to March 25, 2012 for the Cebu Thermal Power Plant (CTPP) 1, CTPP 2 and Cebu Diesel Power Plants 1 (CDPP 1), as amended) commencing on the Turnover Date, as defined in the ROMM Agreement. Under the ROMM Agreement, the Parent Company receives from NPC, its sole customer, Operation and

Maintenance (O&M) fees and energy fees derived from conversion into electricity of fuel supplied by NPC at no cost to the Parent Company throughout the Cooperation Period. The fees are subject to an agreed minimum energy off-take (EMOT), which is the minimum guaranteed energy purchase by NPC on a take-or-pay basis. The Parent Company is also entitled to a fuel efficiency bonus if the actual net heat rate of each of the power plants is less than the corresponding guaranteed net heat rate and be liable for a penalty if the actual net heat rate is greater than the guaranteed rate. At the end of the Cooperation Period, the Parent Company shall transfer to the NPC full possession of the NPPC, clean and unencumbered title to any and all the improvements, works and structures rehabilitated, constructed, improved and introduced by the Parent Company in the NPPC.

In resolutions dated September 28, 2001, the Board of Directors and Stockholders amended the primary purposes for which the Parent Company is formed. Together with its subsidiaries and associates, it is engaged in various business activities within the Philippines that include, among others, the development, construction, rehabilitation, maintenance, management, and operation of power generating plants, electricity distribution and related facilities in accordance with existing laws.

On April 2, 2002, the Parent Company's common shares were listed in the Philippine Stock Exchange (PSE).

On June 30, 2004, the Parent Company, the NPC and the Power Sector Assets and Liabilities Management Corporation (PSALM) further amended the Implementing Agreement (IA) which implemented the covenants set forth in the Term Sheet and amended the ROMM Agreement and its First Amendment, by executing the Amended Implementing Agreement (AIA) which became effective on August 26, 2004. Salient matters of the AIA include, among others, a 20% reduction in the EMOT for the CTPP 1, CTPP 2 and CDPP 1 during the remaining Cooperation Period subject to certain conditions. As a consequence of the EMOT reduction, the Cooperation Period for the CTPP 1, CTPP 2 and CDPP 1 is extended for nearly three (3) years from May 29, 2009 to March 25, 2012.

After the Cooperation Period for the 55 MW LBGTs, on January 29, 2010, the Parent Company acquired the LBGTs for strategic purposes as the LBGTs are located in the Power Complex that is occupied by the Parent Company for the operation of the CTPP and CDPP under the ROMM Agreement until March 25, 2012, and under the Operation and Maintenance Service Contracts (OMSCs) until September 25, 2014.

After the expiration of the ROMM Agreement on March 25, 2012, OMSCs were awarded by PSALM to the Parent Company for the continuous operation and maintenance of CTPP 1, CTPP 2 and CDPP 1 for successive six-month periods up to September 25, 2014. Under the OMSC, the Parent Company receives service and operating fees from PSALM.

In 2014, the Parent Company participated in the bidding for the acquisition of NPPC (see Note 31 of the consolidated financial statements of the Parent Company and Subsidiaries).

On September 9, 2016, the Parent Company's Board of Directors further amended the Company's Articles of Incorporation in order to engage in the business of selling, brokering, marketing, or aggregating electricity to the end-users. The amendments were subsequently approved and confirmed by written consent of the stockholders representing at least 2/3 of the outstanding capital stock of the Parent Company. On January 4, 2017, the SEC approved such amendment.

Subsidiaries/Associates

The Parent Company has the following subsidiaries:

(i) SPC Island Power Corporation (SIPC). SIPC, a wholly owned subsidiary, was incorporated and registered with the SEC on June 26, 2001. It operates the 146.5 MW Panay Diesel Power Plant (located in Dingle, Iloilo) and the 22 MW Bohol Diesel Power Plant (located in Tagbilaran City, Bohol) which were acquired in March 25, 2009 through the assignment of the Parent Company's rights and obligations to SIPC. It also owns and operates the Olango Diesel Power Plant (located in the Island of Olango, Lapu-Lapu City) which supplies all the generated electricity to Mactan Electric Company, Inc. (MECO), an associate.

(ii) Cebu Naga Power Corporation (CNPC). CNPC, a wholly owned subsidiary, was incorporated on August 12, 2015 to undertake the development, ownership, construction, operation and management of the new 2 x 150 MW CFBC coal-fired power plant to be built in the province of Cebu. As of December 31, 2017, further development for the construction of the new power plant has been temporarily suspended pending resolution of the issues and claims involving the Naga Power Plant Complex (see Note 31 of the consolidated financial statements).

(iii) SPC Malaya Power Corporation (SMPC). SMPC, a majority owned subsidiary, was incorporated in the Republic of the Philippines and registered with the SEC on September 22, 2011. SMPC participates in the annual bidding for the OMSC of the 650 MW Malaya Thermal Power Plant located in Pililla, Rizal (see Note 25 of the Consolidated Financial Statements).

(iv) Bohol Light Company, Inc. (BLCI). BLCI, a majority owned subsidiary, was organized on July 21, 2000 to engage in the business of supply and distribution of electricity, subject to applicable laws, rules and regulations. On July 10, 2003, the National Electrification Commission (NEC) granted BLCI's franchise to operate electric, light and power services for a period of 25 years retroactive from October 20, 2000 to October 19, 2025 in the area presently comprised by Tagbilaran City, Bohol.

(v) SPC Light Company, Inc. (SLCI) and SPC Electric Company, Inc. (SECI). SLCI (majority owned) and SECI were incorporated on January 15, 2003 and October 17, 2002, respectively, primarily to design, construct, install, commission, rehabilitate, maintain, manage, operate and invest in power generation/distribution plants and related facilities. The Parent Company has the power to govern the financial and operating policies of SECI by virtue of an agreement.

The Parent Company also has the following associates:

(i) KEPCO SPC Power Corporation (KSPC). KSPC, 40% owned by the Parent Company, was incorporated on June 22, 2005 primarily to build, operate, maintain, own and manage the 2 x 100 Megawatt Circulating Fluidized Bed Combustion (CFBC) Boiler Coal-Fired Power Plant in Naga, Cebu.

(ii) Mactan Electric Company, Inc. (MECO). In July 1997, the Parent Company acquired 40% of MECO which was granted by the NEC, under Presidential Decree No. 269, a franchise for 25 years from October 10, 1991 to engage in, conduct and carry on the business of generating, buying and selling electric light for sale within the limits of the City of Lapu-lapu and the Municipality of Cordova in the Province of Cebu until October 9, 2016. On July 17, 2016, MECO was granted a renewal of its franchise for another 25 years.

Future Prospects

The Group will continue to focus on further improving efficiencies and leveraging existing business assets to improve performance while seeking growth in new markets. The recently acquired 32-MW Power Barge 104 (PB 104) is due to exit complete rehabilitation in the second quarter of 2018 and should yield additional income to the Group with its subsequent commercial operation. In addition, the Parent Company's Board of Directors has given the nod to participate in the construction of a new CFBC coal-fired power plant and hydro-electric power plant projects within the years 2018 – 2020.

Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

Market Information

The principal market for the Parent Company's common equity is the Philippine Stock Exchange (PSE). The high and low sales prices for each period are indicated in the table below:

<u>Period</u>	<u>Highest Close</u>		<u>Lowest Close</u>	
	<u>Price</u>	<u>Date</u>	<u>Price</u>	<u>Date</u>
2018:				
1st Quarter	5.50	January 15	5.19	March 1
2017:				
1 st Quarter	4.59	January 3	4.15	February 6
2 nd Quarter	5.42	June 1	4.40	May 16
3 rd Quarter	5.10	July 28	4.48	July 17
4 th Quarter	6.82	November 24	4.50	October 2
2016:				
1 st Quarter	4.50	March 31	3.70	March 11
2 nd Quarter	4.66	April 11	3.98	May 2
3 rd Quarter	4.05	August 31	4.05	August 31
4 th Quarter	4.66	December 20	3.96	November 4

As of March 31, 2018, the total number of stockholders was 760 (685 under transfer agents and including 75 depository participants counted as one stockholder each).

Top 20 Stockholders

The following composed the top 20 stockholders as of March 31, 2018:

Rank	Name	Nationality	No. of Shares	%
1.	KEPCO Philippines Holdings, Inc.	Korean	568,098,822	37.96%
2.	Intrepid Holdings, Inc.	Filipino	321,905,611	21.51%
3.	JAD Holdings, Inc.	Filipino	293,201,397	19.59%
4.	KV Holdings, Inc.	Filipino	74,749,847	4.99%
5.	Boxboard Containers Corporation	Filipino	41,000,000	2.74%
6.	Cancorp, Inc.	Filipino	41,000,000	2.74%
7.	Rowell Plastic Corporation	Filipino	38,864,638	2.60%
8.	LDI Power Holdings, Inc.	Filipino	24,931,036	1.67%
9.	ALH Management, Inc.	Filipino	23,850,269	1.59%
10.	Mali Ni	Filipino	10,000,000	0.67%
11.	PCD Nominee (Fil/Non-Fil) Corp.	Fil/Non-Fil	6,539,000	0.44%
12.	Dennis T. Villareal	Filipino	6,425,501	0.43%
13.	Cecilia Chua Tiu	Filipino	1,000,000	0.07%
14.	Alberto P. Fenix, Jr.	Filipino	855,933	0.06%
15.	Cesar O. Villegas	Filipino	685,492	0.05%
16.	Corazon L. Gamez	Filipino	685,492	0.05%
17.	Lorenzo D. Inocando	Filipino	274,196	0.02%
	Stanley Krug	American	274,196	0.02%
	Dennis Lawrence N. Villareal	Filipino	274,196	0.02%
	James Roy N. Villareal	Filipino	274,196	0.02%
	Victor Anthony N. Villareal	Filipino	274,196	0.02%
18.	Landmark Holdings Corporation	Filipino	200,000	0.01%
19.	Juan G. Yu &/ John Peter C. Yu	Filipino	148,000	0.00%
20.	Yolanda A. Martinez	Filipino	142,305	0.00%
TOTAL			1,455,654,323	97.27%

Dividends

The cash dividends declared by the Parent Company to common stockholders in the last three years are shown in the table below:

Year	Cash Dividends Per Share	Total Amount Declared	Record Date
2017	0.4000	598,620,721	Dec. 6, 2017
2017	0.4000	598,620,721	June 14, 2017
2016	0.2867	429,061,402	Dec. 26, 2016
2016	0.3000	448,965,541	Apr. 18, 2016
2015	0.1000	149,655,180	April 17, 2015

No additional dividends were declared and paid during the subsequent period ending as of the date of this report.

The payment of dividends in the future will depend upon the Parent Company's earnings, cash flow and financial condition, among others. The Parent Company may declare dividends only out of its unrestricted retained earnings, except in the case of stock dividends which may be declared out of paid-in surplus. Any dividend declaration will likewise be subject to the provisions of any existing shareholders' agreement/s and to any prior consents required under the Parent Company's loan documentation with its bank creditors (see Note 15 of the Consolidated Financial Statements).

The Parent Company may pay dividends in cash, by the distribution of property, by the issuance of shares of stock, or a combination of any of the foregoing. Dividends paid in cash or property are subject only to the approval of the Board of Directors. Dividends paid in the form of additional shares are subject to approval by both the Board of Directors and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company at a stockholders' meeting called for such purpose.

The Corporation Code, however, requires that corporations with surplus profits in excess of 100% of their paid-up capital should declare and distribute the amount of such profits in the form of dividends, except when the retention is justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the consent of creditors is required under any loan agreement, or when it can be clearly shown that such retention is necessary under special circumstances.

Corporate Governance

The Company's Manual on Corporate Governance was approved by the Board in 2002 following such requirement by the SEC for listed companies. It underwent a series of revisions, the first of which was on February 28, 2011, thereafter, on July 24, 2015. The latest amendment was on May 29, 2017. This Revised Manual on Corporate Governance was in compliance with SEC Memorandum Circular No. 19, series of 2016, which directed all Publicly-listed Companies (PLCs) to submit a new Manual on Corporate Governance, pursuant to the new Code of Corporate Governance for PLCs.

The highlights of the Revised Manual on Corporate Governance of the Corporation included among others:

1. The designation of a Compliance Officer (CO), who holds a position of Senior Vice President or its equivalent with adequate stature and authority in the Company. The CO is primarily liable to the Corporation and its shareholders and not to the Chairman or President of the Company.
2. The election of at least three (3) Independent Directors (IDs) in the Board or such a number as to constitute at least one-third of the members of the Board. Their term is limited to a maximum cumulative of nine years. At present, the Company has four (4) IDs who sit in the Board.
3. Creation of Board Committees which are the Board Audit Committee, Corporate Governance Committee and the Executive Committee.
4. The election of a Corporate Secretary who is a separate individual from the Compliance Officer. He is neither a member of the Board of Directors of the Company. The Corporate Secretary is primarily responsible to the Corporation and its Shareholders, and not to the Chairman or President of the Company.
5. Respect and recognition of stockholders rights such as voting rights, pre-emptive rights, power of inspection, right to information, right to dividends, appraisal right.

Recent Sale of Unregistered Securities

The Parent Company has not had any sales of unregistered securities during the past three years.

Description of the Company's Shares

The Parent Company's securities consist entirely of common stock with par value of ₱1.00 per share. Of the total issued and outstanding common and voting shares of 1,496,551,803 as of

December 31, 2017, 13.14% or 195,589,823 shares are held by the public. Equity ownership of foreigners amounts to 575,465,275 shares out of the total and outstanding shares of the Company.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE FREE OF CHARGE, A COPY OF THE COMPANY'S SEC FORM 17- A (ANNUAL REPORT) DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

SPC POWER CORPORATION
7TH FLOOR, CITIBANK CENTER
8741 PASEO DE ROXAS, MAKATI CITY
1226 PHILIPPINES

ATTENTION: REMIGIO MICHAEL A. ANCHETA II

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 0 9 4 0 0 2 3 6 5

COMPANY NAME

S P C P O W E R C O R P O R A T I O N A N D S U B S
I D I A R I E S

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

7 t h F l o o r , C e b u H o l d i n g s C e n t e
r , A r c h b i s h o p R e y e s A v e n u e , C e
b u B u s i n e s s P a r k , C e b u C i t y

Form Type

A A C F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

www.spcpowergroup.com

Company's Telephone Number

(032) 232-0377

Mobile Number

N/A

No. of Stockholders

782

Annual Meeting (Month / Day)

05/28

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Jaime M. Balisacan

Email Address

jmbalisacan@spcpower.com

Telephone Number/s

(032) 232-0377

Mobile Number

(0917) 3231469

CONTACT PERSON'S ADDRESS

7th Floor, Cebu Holdings Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu 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.



SPC POWER CORPORATION AND SUBSIDIARIES
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AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

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SPC Power Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

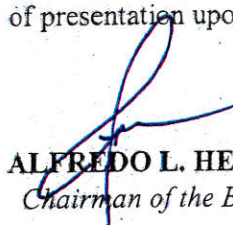
The management of **SPC Power Corporation** is responsible for the preparation and fair presentation of the **consolidated** financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


In preparing the **consolidated** financial statements, management is responsible for assessing the 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.


The Board of Directors is responsible for overseeing the Group'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 auditor appointed by the stockholders, has audited the **consolidated** financial statements of the Group 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.


ALFREDO L. HENARES
Chairman of the Board


DENNIS T. VILLAREAL
Chief Executive Officer and President


JAIME M. BALISACAN
Vice President - Finance

Signed this 3rd day of April 2018.

APR 03 2018

SUBSCRIBED AND SWORN TO before me this _____ day of April 2018 at Makati City; Affiants exhibited to me their CTC/Passport Nos. as follows:

<u>Names</u>	<u>CTC/Passport No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Alfredo L. Henares	EC6872847	February 29, 2016	DFA NCR East
Dennis T. Villareal	EC0806090	April 10, 2014	DFA Manila
Jaime M. Balisacan	26935808	January 12, 2018	Cebu City

Doc No. _____
Page No. _____
Book No. _____
Series of 2018.

ATTY. RUBEN T.M. RAMIREZ
Notary Public
Appointment No. M-127
Until December 31, 2018
Roll No. 28947

IBP O.R. No. 017527/CY 2018 Nov. 22, 2017

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
SPC Power Corporation
7th Floor, Cebu Holdings Center
Archbishop Reyes Avenue, Cebu Business Park
Cebu City

Opinion

We have audited the consolidated financial statements of SPC Power Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional 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 matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for Supreme Court decisions on the purchase of Naga Power Plant Complex (NPPC)

As discussed in Notes 3 and 31 to the consolidated financial statements, in September 2014, the Parent Company purchased the 153.1 MW NPPC from Power Sector Assets and Liabilities Management Corporation (PSALM) pursuant to the Asset Purchase Agreement (APA) executed on September 25, 2014. However, on September 28, 2015, the Supreme Court (SC) rendered a decision declaring the APA, as well as the Land Lease Agreement executed as an ancillary contract to the APA covering the land where the purchased assets are located, as null and void. The Parent Company filed several Motions for Reconsideration in 2015 and 2016, which were denied by the SC, and on October 5, 2016, the SC reinstated the notice of award of the winning bid of the other party. On November 28, 2016, the SC made an Entry of Judgment in the Books of Entries of Judgments, making the September 28, 2015 Decision and October 5, 2016 Resolution final and executory.

However, since the SC decisions did not specifically rule how the nullified transaction will be treated and settled between the Parent Company and PSALM, management, in consultation with external legal counsels, exercised its due judgment on how these decisions will be implemented. Thus, the Parent Company derecognized as of December 31, 2015, the NPPC from property, plant and equipment and the prepaid rent, and recognized a noncurrent receivable from PSALM of ₱1.143 billion, which is equivalent to the purchase price of the NPPC and land lease rental paid by the Parent Company to PSALM in 2014. In addition, the Parent Company continued to operate the NPPC pending turnover to PSALM and settlement of possible claims and counterclaims between the Parent Company and PSALM. The income from operation of the NPPC in 2017 (net of directly related costs and expenses), which was assessed by management as a necessary consequence of operating the same as the best way to preserve it in preparation for the eventual turn-over to PSALM, was recognized as part of "Other income" in the 2017 consolidated statement of comprehensive income as discussed in Note 3 to the consolidated financial statements. Any adjustments arising from the final settlement will be taken up in the consolidated financial statements as these are determined.

This matter is significant to our audit because the assessment of the potential outcome of, and accounting for, the SC decisions require the application of judgment and the use of assumptions by management.

Audit response

We obtained from and discussed with management and the Parent Company's external legal counsel the status of the legal proceeding and the related decisions or rulings rendered by the court. We obtained the external counsel's legal opinion on how the SC decision will be implemented and how the nullified transaction will be settled between the Parent Company and PSALM. Together with our internal specialist, we reviewed management's judgment and assumptions by considering the relevant laws, rulings and jurisprudence. We reviewed the Group's accounting for the SC decisions based on the judgments made by management and external legal counsel. Further, we reviewed the Parent Company's disclosure regarding the legal proceeding, the judgments made by management and the manner of accounting.



Revenue recognition from distribution of power services

The Group's revenue from the distribution of power services arises from its service contracts to a large number of customers consisting of commercial, residential, government institutions and other customers located within the Group's franchise area. Revenues from distribution of power amounted to ₱914.3 million, representing 39% of the total revenue in 2017. This matter is significant to our audit because the revenue recognized depends on the completeness of the electric consumption captured based on meter readings over the franchise area, as obtained on various meter reading dates; the propriety of the rates, computed and applied based on the Energy Regulatory Commission (ERC)-approved formulae, which vary depending on the types of customers; and the reliability of the information technology (IT) systems involved in processing the billing transaction. Disclosures related to this matter are provided in Notes 2 and 24 to the consolidated financial statements.

Audit response

We obtained an understanding of the revenue process, which includes capturing electric consumption, uploading captured electric consumption to the billing system, calculating billed amounts based on ERC-approved rates and uploading data from the billing system to the financial reporting system. We also evaluated the design of the relevant controls over these processes and tested them. We also performed a test recalculation of billed amounts using the ERC-approved rates and formulae, and compared them with the amounts reflected in the billing statements.

Accounting for the investments in significant associates

The Group owns 40% of KEPCO SPC Power Corporation (KSPC) and Mactan Electric Company, Inc. (MECO). As discussed in Note 10 to the consolidated financial statements, the Group's investments in these associates are accounted for under the equity method. As of December 31, 2017, the investments in these associates amounted to ₱6.2 billion (representing 57% of the Group's consolidated total assets), and the Group's equity in net earnings from these associates for the year then ended amounted to ₱1.1 billion (representing 68% of the Group's consolidated net income). The accounting for these investments is significant to our audit because of the substantial amount of the Group's investments and equity in net earnings from these associates. Further, the Group's share in the net earnings of MECO is significantly affected by MECO's revenue recognition arising from its service contracts to various customers located within its franchise area. The recognition of such revenue depends on the completeness of the electric consumption captured based on meter readings conducted on various dates over the franchise area; the propriety of the rates, computed and applied based on the Energy Regulatory Commission (ERC)-approved formulae, which vary depending on the types of customers; and the reliability of the IT systems involved in processing the billing transaction. MECO is audited by other auditors.



Audit response

We obtained an understanding of the Group's process in recognizing the equity in net earnings of associates, including the understanding of its business transactions. We obtained the financial information of KSPC and MECO and recomputed the Group's equity in net earnings for the year ended December 31, 2017. In addition, our audit procedures included, among others, coordinating and instructing the statutory auditors of KSPC and MECO to perform an audit on the relevant financial information of KSPC and MECO for the purpose of the Group's consolidated financial statements. During the year, we discussed the risk assessment, audit strategy of the statutory auditors, as well as any significant developments in KSPC and MECO.

In addition to reviewing the relevant working papers of the statutory auditor of MECO, we also obtained an understanding of the revenue recognition process of MECO, which includes capturing electric consumption, uploading captured electric consumption to the billing system, calculating billed amounts based on ERC-approved rates and uploading data from the billing system to the financial reporting system. We evaluated the design of the relevant controls over these processes and tested them. We performed a test recalculation of billed amounts using the ERC-approved rates and formulae, and compared them with the amounts reflected in the billing statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, 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.

Auditors' 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 PSA 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 PSA, 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 group 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 Jhoanna Feliza C. Go.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

SEC Accreditation No. 1414-AR-1 (Group A),

March 2, 2017, valid until March 1, 2020

Tax Identification No. 219-674-288

BIR Accreditation No. 08-001998-103-2017,

January 31, 2017, valid until January 30, 2020

PTR No. 6621266, January 9, 2018, Makati City

April 3, 2018



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
SPC Power Corporation
7th Floor, Cebu Holdings Center
Archbishop Reyes Avenue, Cebu Business Park
Cebu City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SPC Power Corporation and Subsidiaries as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, included in this Form 17-A, and have issued our report thereon dated April 3, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go
Partner

CPA Certificate No. 0114122

SEC Accreditation No. 1414-AR-1 (Group A),

March 2, 2017, valid until March 1, 2020

Tax Identification No. 219-674-288

BIR Accreditation No. 08-001988-103-2017,

January 31, 2017, valid until January 30, 2020

PTR No. 6621266, January 9, 2018, Makati City

April 3, 2018

