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SEC Registration Number

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(Company's Full Name)

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

<b>Venus L. Gregorio</b>
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(Contact Person)

<b>928-9246</b>
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(Company Telephone Number)

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*Month*  
(Fiscal Year)

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(Fiscal Year)

<b>17Q3 2013</b>
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(Annual Meeting)

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(Annual Meeting)

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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

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To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2013
2. SEC Identification Number 0000042543      3. BIR Tax Identification No. 000-196-724
4. Exact name of issuer as specified in its charter ASIABEST GROUP INTERNATIONAL INC.
5. **Republic of the Philippines**  
Province, Country or other jurisdiction of  
incorporation or organization
6.  (SEC use only)  
Industry Classification Code
7. 20<sup>TH</sup> Floor, The Peak Tower,  
107 LP Leviste St., Salcedo Village, Makati City      1227  
Address of principal office      Postal Code
8. (632) 9289246  
Issuer's telephone number, including are code
9. N/A  
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock<br>Issued and Outstanding |
|---------------------|--|
| <b>Common stock</b> | <b>200,000,000</b>   |

**Amount of debt outstanding as of September 30, 2013:**      **PNIL**

11. Are any or all of these securities listed on a Stock Exchange.

Yes [ **X** ]      No [   ]

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

Philippine Stock Exchange, Inc.

Common stock

12. Check whether the issuer:

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

Yes [ **X** ]      No [   ]

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

Yes [ **X** ]      No [   ]

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

The Company's consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

This Financial Statements meeting the requirements of SRC Rule 68, is furnished as specified therein.

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

#### September 30, 2013 and December 31, 2012 and Nine Months Ended September 30, 2013 and 2012

#### Financial Performance and Results of Operation

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Current Assets	<b>₱75,501,929</b>	₱68,971,394
Total Assets	<b>75,515,875</b>	68,985,340
Current Liabilities	<b>4,333,152</b>	4,272,449
Equity	<b>71,182,722</b>	64,712,891

  

	Nine Months Ended September 30 (Unaudited)	
	2013	2012
Revenue	<b>₱7,293,660</b>	₱2,206,177
Interest Income	<b>912,259</b>	1,313,173
Expenses	<b>1,553,636</b>	1,806,405
Net Income (Loss)	<b>6,469,831</b>	1,450,311

The Company thru its Management Agreement with Option to Buy with Geogen Corporation covering the Dinapigue Nickel Project located at Dinapigue, Isabela has generated management income for the year ended 2012. During the prior years, owing to its long period of non-operations since 1998, had no income to declare.

For the nine months ended September 30, 2013, the company's net income was ₱6.47 million and ₱1.45 million in 2012, which resulted to an accumulated deficit of ₱27.14 and ₱32.97 million as of September 30, 2013 and 2012, respectively. As of September 30, 2013 and December 31, 2012, the Company's equity amounted to ₱71.18 million and ₱64.71 million, respectively.

The Company's quasi-reorganization and equity restructuring were approved by the Securities and Exchange Commission (SEC) on May 3, 2011. The capital increase was undertaken using the Fifteen Million Pesos (₱ 15,000,000.00) deposited for future subscriptions by certain investors as partial payment for subscriptions to Forty Five Million (45,000,000) Shares at the price of One Peso (₱1.00) per share. Upon approval of the capital increase, the Company's issued and outstanding shares stood at Sixty two million one hundred seventy thousand two hundred ninety three (62,170,293). The corresponding Subscription Agreements with the subscribers were executed by the Company on 16 May 2011 and the balances on the subscription price from the individual investors were received by the Company on 23 June 2011.

On 17 June 2011, the Board of Directors approved the sale and issuance, via private placement, of 136,678,651 shares of the Company at ₱1 par value a share to various investors. They also approved the creation of several subsidiaries via investment in various corporations where the Company will own 100% of the outstanding capital stock of the said subsidiaries. Moreover, the BOD approved the change of corporate name of the Parent Company and as now approved by the Securities and Exchange Commission on 26 March 2012, the Company is Asiabest Group International Inc.

On 22 June 2011, the Philippine Stock Exchange (PSE) lifted the trading suspension of the Company due its full compliance with the Exchange's requirements, submission of structured reports and payment of the Company's obligations.

On 2, 5 and 23 September 2011, the SEC approved the issuance of the Certificate of Incorporation of Alta Minera Inc. (Mining), Breccia Resources Inc. (Mining) and Millionaire's Offices and Properties Inc (Real estate) where the Company owns 100% of their outstanding capital stock.

On 22 September 2011, the Board of Directors authorized the Chairman to evaluate, negotiate and enter on behalf of the Company into contracts, agreements, joint-venture, partnership, co-development and co-investment with any third party for the Company's business expansion. As a result, last 27 September 2011, the Company together with NiHao Mineral Resources Inc. (NiHao) executed a Heads of Agreement with Glencore International AG (Glencore). The Heads of Agreement was executed to allow the Company, NiHao and Glencore to enter into a joint venture and technical partnership whereby each party shall utilize its expertise in the mining industry for purposes of investigating, identifying, acquiring, developing and operating mining claims of economically feasible nickel deposits in the Philippines for purposes of Direct Shipping / Selling Ore and other nickel mining businesses. On 28 October 2011, the Company together with NiHao Mineral Resources, Inc. (NiHao) signed, in counterpart, the Addendum to the Heads of Agreement with Glencore International AG (Glencore). The Addendum provides that the Joint Venture Corporation to be formed in Hong Kong shall have an initial authorized share capital of One Hundred Thousand Hong Kong Dollars (HK\$100,000.00) with a par value of One Hong Kong Dollar (HK\$1.00) per share with issued and paid up capital of Ten Thousand Hong Kong Dollars (HK\$10,000.00) equivalent to Ten thousand shares of the JVC. On 10 December 2011, the Certificate of Incorporation of GNA Resources International Limited (GNA) was approved under the Companies Ordinance of the Laws of Hong Kong.

On 7 October 2011, the stockholders during its annual meeting ratified all acts of the Board of Directors and management for the years 2008 to 2011. They also approved the proposed change of name of the corporation and the delegation to the Board of Directors of the power to issue shares to various investors.

On 14 October 2011, the company entered into a Management Agreement with Option to Buy with Geogen Corporation (GEOGEN). GEOGEN is a mining company and is the registered holder of a valid and existing mining claim in Dinapigue, Isabela (the "Mining Area"). GEOGEN is in the process of undertaking exploration, development and mining operations in the said mining area and has retained the services of AGP for the management of the exploration, development and mining operations of the mining area. AGP thus undertakes to provide Management Services to GEOGEN including management control and property administration over the daily and medium term operations of the Mining Area for a period of five (5) years from 15 October 2011 to 14 October 2016.

On 5 March 2012, the Company gave its conformity to the execution of a General Contractor Agreement between Geogen Corporation and NiHao Mineral Resources International, Inc. The agreement provides for the terms and conditions of the contracting relationship between Geogen, as the MPSA Holder of MPSA No. 258-2007-II dated 30 July 2007 and NiHao as contractor for the mining and other services over the areas covered by the MPSA, located in Dinapigue Isabela.

The accompanying financial statements have been prepared assuming the Company will continue operating as a going concern, and do not include any adjustments relating to the recoverability of asset carrying amounts and the amounts of liabilities that might result should the Company be unable to continue as a going concern. The Company's management continues to assess investment opportunities and various options regarding operations that the Company may undertake in the future.

The Company's revenue for the nine months ended September 30, 2013 totaled to about ₱7.29 million, an increase of ₱5.09 million when compared to September 30, 2012 due mainly to the revenue earned from the company's Management Agreement with Option to Buy with Geogen Corporation.

Total expenses for September 30, 2013 totaled about ₱1.55 million, a decrease of about ₱0.25 million when compared to September 30, 2012. The decrease was attributed mainly to lower professional and legal fees for the period.

Cash and cash equivalents amounted to ₱62.58 million as of September 30, 2013 as compared to ₱64.28 million as of December 31, 2012 or a decrease of ₱1.70 million. The decrease in cash and cash equivalents was due to the payment of the Company's accounts and other payables and various operating expenses.

Other current assets increased by ₱1.68 million due mainly to additional input value-added tax and deferred input value added tax on professional fees and PSE annual maintenance fees incurred for the period ended

September 30, 2013 when compared to September 30, 2012.

Accounts and other payables increased about P1.69 million when compared to September 30, 2012 due mainly to the deferred output vat from the revenue earned from the Management Agreement with Option to Buy with Geogen Corporation.

**Key Performance Factors:**

	<b>September 2013</b>	<b>September 2012</b>
Net Income (Loss)	P6,469,831	P1,450,311
Current Assets	P75,501,929	P67,974,946
Current Liabilities	P4,333,152	P2,642,288
Total Liabilities	P4,333,152	P2,642,288
Stockholders' Equity	P71,182,722	P65,346,603
Debt to Equity Ratio P4,333,152/P71,182,722	0.061	
P2,642,288/P67,988,891		0.040
Current Ratio P75,501,929/P4,333,152	17.42	
P67,974,946/P2,642,288		25.73
Income (Loss) per share P6,469,831/63,321,349	P0.102	
P1,450,311/63,321,349		P0.023

**Debt to Equity Ratio:**

This ratio is determined by dividing the total liabilities by the total stockholders' equity. This ratio measures the leverage on borrowed capital.

**Current Ratio:**

This ratio is computed by dividing the current assets by the current liabilities. The ratio measures the company's ability to pay maturing obligations.

**Income (Loss) Per Share:**

Income (Loss) per share is computed by dividing the net income (loss) by weighted average number of common shares outstanding.

**Investment in Shares of Stock**

**100% ownership in various companies**

On 17 June 2011, the Board of Directors approved the creation of several subsidiaries via investment in various corporations where the Company will own 100% of the outstanding capital stock of the said subsidiaries.

On 2 September 2011, the Security and Exchange Commission approved the issuance of Alta Minera Inc.'s ('Alta Minera') Certificate of Registration. Alta Minera was incorporated as a mining company.

On 5 September 2011, the Security and Exchange Commission approved the issuance of the Certificate of Registration of Millionaire's Offices and Properties Inc. ('Millionaire's'). Millionaire's was incorporated as a realty company.

On 23 September 2011, the Security and Exchange Commission approved the issuance of the Certificate of Registration of Breccia Resources Inc. ('Breccia') which was also incorporated as a mining company.

**Investment in Joint Venture**

On 27 September 2011, the Company, NiHAO and Glencore executed a HOA in Hong Kong. Under the HOA, the parties agreed to utilize their respective expertise in the mining industry for purposes of investigating, identifying, acquiring, developing and operating mining claims of economically feasible nickel deposits in the Philippines for direct shipping or selling of ore and other related nickel mining business.

Glencore shall contribute its expertise in marketing of nickel ores in the world market as well as its network of various institutions internationally. On the other hand, the Company and NiHAO shall utilize their expertise in mining, contracting and developing mines in the Philippines and their knowledge of relevant Philippine laws, rules and regulations and issues.

In order to accomplish the said purpose, the parties agreed to form a joint venture company (JVC) under the laws of Hong Kong. Pursuant to the Addendum to HOA dated 28 October 2011, the JVC had an initial authorized capital of HK\$100,000 with a par value of HK\$1/share. With an initial issued and paid-in capital of HK\$10,000 to be contributed by the parties as follows: (1) 50% from Glencore; and (2) 25% each for the Parent Company and NiHAO.

Moreover, the parties agreed to execute the following implementing agreements of the HOA:

- Marketing agreement whereby Glencore will act as the exclusive marketing agent for the JVC and market and sell all material produced by the JVC;
- Management agreement;
- Contractor(s) agreement; and,
- Any other agreements agreed by the parties as being necessary or useful to facilitate the implementation and operation of the JVC.

The JVC under the name of GNA Resources International Limited was incorporated in Hong Kong on November 23, 2011. As of September 30, 2013, the JVC has not started its main business operation and maybe deregistered upon mutual agreement between the parties subject to compliance with Hong Kong and Philippine laws.

In this interim period:

- (a) There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way.
- (b) There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- (c) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligation), and other relationships of the Company with unconsolidated entities or other persons created during the year.
- (d) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- (e) There are no significant elements of income or loss that did not arise from the Company's continuing operations.
- (f) There are no seasonal aspects that had a material effect on the Company's financial condition or results of operations.
- (g) There are no material events and uncertainties known to management that would address the past and would have an impact on future operations of the Company.

## **PART II – OTHER INFORMATION**

There are no contingent liabilities or contingent assets or known trend and events that may materially affect the company's operation nor are there estimates of amounts reported in prior periods that may have material effect on the attached financial statements.

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized on November 8, 2013.

By:



**ANTONIO VICTORIANO F. GREGORIO III**  
Chairman & President



**DELFIN S. CASTRO, JR.**  
Treasurer & Chief Financial Officer

**ASIABEST GROUP INTERNATIONAL INC. AND SUBSIDIARIES****AGING OF RECEIVABLES****AS OF SEPTEMBER 30, 2013**

(Based on Unaudited Figures)

	<b>Up to 3 months</b>	<b>Over 3 Months to One Year</b>	<b>Over One Year</b>	<b>Past Due</b>	<b>Total</b>
Other Receivables	₱	₱10,528,094	₱	₱ -	₱10,528,094
Interest Receivables	36,350				36,350
	₱ 36,350	₱10,528,094	₱ -	₱ -	₱10,564,444
Less: Allowance for doubtful accounts					
Net Receivables	₱ 36,350	₱10,528,094	₱ -	₱ -	₱10,564,444



ASIABEST GROUP INTERNATIONAL INC. & SUBSIDIARIES

FINANCIAL STATEMENTS  
AS AT SEPTEMBER 30, 2013 (UNAUDITED) AND  
DECEMBER 31, 2012 (AUDITED)

AND

FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 2013 AND 2012 (UNAUDITED)

ASIABEST GROUP INTERNATIONAL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited Consolidated September 30, 2013	Audited Consolidated December 31, 2012
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents (Notes 4, 13 & 14)	P 62,578,533	P 64,275,119
Receivables (Notes 5,13 & 14)	10,564,444	3,488,679
Other current assets (Note 6)	2,358,951	1,207,596
	<u>75,501,929</u>	<u>68,971,394</u>
Noncurrent Assets		
Investment in Joint Venture (Notes 7 & 10)	P 13,946	13,946
	<u>P 75,515,875</u>	<u>P 68,985,340</u>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts & other payables (Notes 8, 10 & 14)	P 4,333,152	P 4,272,449
Total Liabilities	<u>4,333,152</u>	<u>4,272,449</u>
Stockholders' Equity		
Capital Stock (Note 9)	98,321,349	98,321,349
Deficit	(27,138,627)	(33,608,458)
Total Stockholders' Equity	<u>71,182,722</u>	<u>64,712,891</u>
	<u>P 75,515,875</u>	<u>P 68,985,340</u>

*See accompanying Notes to Consolidated Financial Statements*

ASIABEST GROUP INTERNATIONAL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF INCOME  
(Unaudited)

	Three Months		Nine Months	
	July 1 to September 30, 2013	July 1 to September 30, 2012	January 1 to September 30, 2013	January 1 to September 30, 2012
REVENUES	₱ 3,515,095	₱ 2,206,177	₱ 7,293,660	₱ 2,206,177
EXPENSES	(1,076,162)	(129,364)	(1,553,636)	(1,806,405)
OTHER INCOME				
Interest Income	132,813	433,738	912,259	1,313,173
INCOME (LOSS) BEFORE INCOME TAX	2,571,745	2,510,551	6,652,283	1,712,945
PROVISION FOR INCOME TAX	(26,563)	(86,748)	(182,452)	(262,635)
NET INCOME (LOSS)	₱ 2,545,182	₱ 2,423,803	₱ 6,469,831	₱ 1,450,311
WEIGHTED AVERAGE NUMBER OF COMMON SHARE	63,321,349	63,321,349	63,321,349	63,321,349
Net Income (Loss) Per Share	0.040	0.038	0.102	0.023

See accompanying Notes to Consolidated Financial Statements

ASIABEST GROUP INTERNATIONAL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Notes 9 &11)	Unaudited		Audited	
	January 1 to September 30, 2013	January 1 to September 30, 2012	January 1 to December 31, 2012	January 1 to December 31, 2011
<b>CAPITAL STOCK</b> - P 1 par value in 2012 and P 6 par value in 2011				
<b>ISSUED</b>				
Balance at the beginning of the year	P 63,321,349	P 63,321,349	P 63,321,349	P 109,928,094
Issuance	-	-	-	45,000,000
Effect of Restructuring	-	-	-	(91,606,745)
	63,321,349	63,321,349	63,321,349	63,321,349
<b>SUBSCRIBED</b>				
Balance at the beginning of the year	35,000,000	35,000,000	35,000,000	-
Issuance	-	-	-	136,678,651
Subscription Receivable	-	-	-	(101,678,651)
	35,000,000	35,000,000	35,000,000	35,000,000
	98,321,349	98,321,349	98,321,349	98,321,349
<b>ADDITIONAL PAID IN CAPITAL</b>				
Balance at the beginning of the year	-	-	-	396,291,984
Effect of restructuring	-	-	-	(396,291,984)
Balance at the end of year				0
<b>DEPOSIT ON SUBSCRIPTIONS</b>				
Balance at the beginning of the year	-	-	-	15,000,000
Issuance	-	-	-	(15,000,000)
Balance at the end of year				0
<b>DEFICIT</b>				
Balance at the beginning of the year	(33,608,458)	(34,425,057)	(34,425,057)	(514,956,828)
Effect of restructuring				487,898,729
Total Comprehensive Income (Loss)	6,469,831	1,450,311	816,599	(7,366,958)
Balance at the end of year	(27,138,627)	(32,974,746)	(33,608,458)	(34,425,057)
	P 71,182,722	P 65,346,603	P 64,712,891	P 63,896,292

See accompanying Notes to Consolidated Financial Statements

ASIABEST GROUP INTERNATIONAL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited)

	Three Months		Nine Months	
	July 1 to September 30, 2013	July 1 to September 30, 2012	January 1 to September 30, 2013	January 1 to September 30, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (Loss) before income tax	P 2,571,745	P 2,510,551	P 6,652,283	P 1,712,945
Adjustment for Interest Income	(132,813)	(433,738)	(912,259)	(1,313,173)
Operating income before working capital changes	2,438,932	2,076,813	5,740,024	399,773
(Increase) Decrease in Receivables	(3,425,307)	(2,471,334)	(7,075,765)	10,878,043
(Increase) Decrease in Other Current Assets	(534,464)	(7,200)	(1,151,355)	(56,588)
Increase (Decrease) in accounts & other payables	709,915	309,755	60,703	(241,544)
Cash required by operations	(810,924)	(91,966)	(2,426,393)	10,979,684
Interest Income	132,813	433,738	912,259	1,313,173
Final Tax Paid on Interest	(26,563)	(86,748)	(182,452)	(262,635)
Net Cash Provided by operating activities	(704,674)	255,024	(1,696,586)	12,030,222
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of capital stock				
Net Cash Provided (Used) in Investing Activities	0	0	0	0
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(704,674)	255,024	(1,696,586)	12,030,222
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	63,283,207	64,565,188	64,275,119	52,789,990
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	P 62,578,533	P 64,820,212	P 62,578,533	P 64,820,212

See accompanying Notes to Consolidated Financial Statements

**ASIABEST GROUP INTERNATIONAL INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information, Status of Operations and Authorization for the Issuance of the Consolidated Financial Statements**

Corporate Information

ASIABEST GROUP INTERNATIONAL, INC. formerly AGP Industrial Corporation (Parent Company) and its subsidiaries, Alta Minera, Inc. (AMI), Breccia Resources, Inc. (BRI) and Millionaire's Offices and Properties, Inc. (MOPI) (collectively referred to as the Group) were incorporated in the Philippines. On March 26, 2012, the Philippine Securities and Exchange Commission (SEC) approved the change of name of the Parent Company to Asiabest Group International, Inc. The Group's registered office address is 20th Floor The Peak Tower, 107 LP Leviste Street, Salcedo Village, Makati City.

The Parent Company was incorporated and registered with the SEC on October 23, 1970 as an investment holding corporation. It was listed in the Philippine Stock Exchange (PSE) on July 10, 1979 and became the holding company for Atlantic Gulf and Pacific Company of Manila, Incorporated (AG&P), one of the largest diversified engineering and general construction firms in the Philippines in the 1980's. However, in October 10, 1996, the Parent Company reduced its ownership and control in AG&P. As discussed below, the investment in AG&P was disposed of in 2003.

On May 3, 2011, the SEC approved the quasi-reorganization and equity restructuring of the Parent Company. On June 17, 2011, the BOD approved the sale and issuance, via private placement, of 136,678,651 shares of the Company at ₱1 par value a share to various investors. The BOD also approved the creation of several subsidiaries via investment in various corporations where the Company will own one hundred percent (100%) of the outstanding capital stock of the said subsidiaries.

The following are the subsidiaries of the Parent Company:

	Nature of Business	Percentage of Ownership
AMI	Mining	100
BRI	Mining	100
MOPI	Real estate	100

The Parent Company funded the incorporation of the above subsidiaries in 2011.

Status of Operations

The Parent Company has not been in operations from 2003 to 2011. On June 9, 2003, the SEC revoked the Parent Company's registration of securities and permit to sell securities for its failure to submit reportorial requirements.

To address the financial difficulties of the Parent Company, the stockholders approved the following matters on November 13, 2003:

- Sale of the Parent Company's investment in the shares of stock of AG&P to Trans-Philippines Investment Corporation (TPIC) for ₱66.2 million in 2003. The proceeds of the sale were applied against the Company's obligations to TPIC.
- Conversion of the Parent Company's remaining obligations to TPIC totaling ₱228.7 million into additional paid-in capital in 2003.
- Quasi-reorganization plan.
- Delegation to the BOD the authority to look for new investors.

On May 3, 2011, SEC lifted the order of revocation of the Parent Company's permit to sell securities. The SEC also approved the Parent Company's application for quasi-reorganization and equity restructuring as previously discussed.

Upon approval of the increase in authorized capital stock by the SEC, the Parent Company executed subscription agreements with various investors on May 16, 2011. The agreements covered the subscription of 45 million shares at ₱1 par value or equivalent to ₱45.0 million.

On June 17, 2011, the Parent Company executed subscription agreements with various investors for the remaining unissued portion of its authorized capital stock. The agreements covered the subscription to 136,678,651 shares at ₱1 par value or equivalent to ₱136.7 million. The Parent Company received ₱35.0 million from various investors as partial payment for the subscriptions. On the same date, the BOD also authorized the Parent Company to incorporate several subsidiaries which will engage in the businesses of real estate, mining development, mining sub-contracting and equipment leasing and agricultural/palm oil production and processing. Pursuant to this authorization, the Parent Company invested in the incorporation of AMI, BRI and MOPI as previously discussed.

To enable the Parent Company to further finance the new businesses, the BOD approved the increase in authorized capital stock of the Parent Company from ₱200.0 million divided into 200.0 million shares at ₱1 par value to ₱2.0 billion divided into 2.0 billion shares at ₱1 par value on June 17, 2011 subject to the approval of SEC.

On June 22, 2011, the PSE lifted the trading suspension of the Parent Company due to its full compliance with the PSE's requirements, submission of structured reports and payment of the Parent Company's obligations.

In September 2011, the SEC approved the Certificate of Incorporation of AMI, BRI and MOPI as companies wholly owned by the Parent Company.

On September 22, 2011, the BOD authorized the Chairman of the Board to evaluate, negotiate and enter, on behalf of the Parent Company, into contracts, agreements, joint-venture, partnership, co-development and co-investment with any third party for the Parent Company's business expansion. As a result, on September 27, 2011, the Parent Company together with NiHAO Mineral Resources International, Inc. (NiHAO) executed a Heads of Agreement (HOA) with Glencore International AG (Glencore). The HOA was signed in Hong Kong and named as GNA Resources International Limited. The HOA was executed to allow the Parent Company, NiHAO and Glencore to enter into a joint venture and technical partnership whereby each party shall utilize its expertise in the mining industry for purposes of investigating, identifying, acquiring, developing and operating mining claims of economically feasible nickel deposits in the Philippines for purposes of direct shipping/selling ore and other nickel mining businesses. On October 3, 2011, the HOA was ratified and resolved to allocate funds necessary for the Parent Company to comply with its undertaking under the HOA (see Note 7).

On October 7, 2011, the stockholders during the annual meeting ratified all acts of the BOD and management for the period 2008 to 2011. They also approved the proposed change of name of the Parent Company and the delegation to the BOD of the power to issue shares of stock to various investors.

As part of the Parent Company's expansion in business operations, last October 14, 2011, the Parent Company executed a Management Agreement with Option to Buy with Geogen Corporation (Geogen), a mining Company which holds a valid and existing mining claim in Dinapigue, Isabela covered by MPSA No. 258-2007-11 duly approved on July 30, 2007. Geogen is in the process of undertaking exploration, development and operations in this mine. Pursuant to the agreement, the Company will provide management services to Geogen including management control and property administration over the daily and medium term operations of the Mining Area for a period of five (5) years (see Note 12).

On March 5, 2012, the Parent Company gave its conformity to the execution of a General Contractor Agreement between Geogen and NiHAO under which NiHAO shall bear the management fees pursuant to the Management Agreement with Option to Buy (see Note 12). The agreement provides for the terms and conditions of the contracting relationship between Geogen, as the MPSA Holder of MPSA No. 258-2007-II dated July 30, 2007 and NiHAO as contractor for the mining and other services over the areas covered by the MPSA, located in Dinapigue Isabela.

Mining operations started in the third quarter of 2012. In relation to the said agreement, the Parent Company earned ₱3.6 million in 2012.

#### Status of Operations of Subsidiaries

The subsidiaries were incorporated in 2011 in anticipation of the projects that will be infused into the Group upon re-organization following the lifting of its Revocation Order from the SEC and trading ban from the PSE. MOPI, the real estate subsidiary of the Group may be used to acquire the office condominium units currently

owned by Sunplaza Development Corporation as per disclosures made by the Company. The mining companies, AMI and BRI, will be the vehicles for possible future acquisition of rights or interests in mining projects.

As at September 30, 2013, the subsidiaries have not yet started their operations.

As shown in the accompanying consolidated financial statements, the Group had a deficit of ₱27.14 million and ₱32.97 million as at September 30, 2013 and 2012, respectively. The gradual improvement in the financial position of the Group is due to the activities they are currently undertaking.

#### Authorization for the Issuance of the Consolidated Financial Statements

The consolidated financial statements for the nine months ended September 30, 2013 and 2012 were authorized for issue in accordance with a resolution of the Audit Committee on November 8, 2013.

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

### Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Philippine peso (Peso), which is the Group's functional and presentation currency. Amounts are rounded off to the nearest Peso unit, except when otherwise indicated.

### Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS), and Standing Interpretations Committee/International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC, including SEC pronouncements.

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of September 30, 2013.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to previously issued PAS and PFRS which became effective on January 1, 2012:

- Amendment to PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets*
- Amendment to PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets*

The adoption of the new and amended standards and interpretations above did not have an impact on the accounting policies, financial position or performance of the Group.

### Future Changes in Accounting Policies

The Group did not early adopt the following standards and Philippine Interpretations that will become effective subsequent to December 31, 2012:

#### *Effective in 2013*

- Amendment to PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)*, effective for annual periods beginning or after July 1, 2012, changes the grouping of items presented



in OCI. Items that could be reclassified (or “recycled”) to profit or loss at a future point in time would be presented separately from items that will never be reclassified.

- Revised PAS 19, *Employee Benefits*, effective for annual periods beginning on or after January 1, 2013, includes changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.
- Revised PAS 27, *Separate Financial Statements*, effective for annual periods beginning on or after January 1, 2013, establishes that as a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.
- PAS 28, *Investments in Associates and Joint Ventures*, effective for annual periods beginning on or after January 1, 2013, explains that as a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.
- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, effective for annual periods beginning on or after January 1, 2013, requires an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or ‘similar agreement’, irrespective of whether they are set-off in accordance with PAS 32.
- PFRS 10, *Consolidated Financial Statements*, effective for annual periods beginning on or after January 1, 2013, replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standards Interpretation Committee (SIC) -12, *Consolidation - Special Purpose Entities*. It establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.
- PFRS 11, *Joint Arrangements*, effective for annual periods beginning on or after January 1, 2013, replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. It removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.
- PFRS 12, *Disclosure of Interests with Other Entities*, effective for annual periods beginning on or after January 1, 2013, includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities.
- PFRS 13, *Fair Value Measurement*, effective for annual periods beginning on or after January 1, 2013, establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.
- Annual improvements to PFRSs (2009-2011 cycle), effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted. These disclosures contain non-urgent but necessary amendments to PFRSs.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, effective for annual periods beginning on or after January 1, 2013. This interpretation applies to waste removal

(stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

*Effective in 2014*

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, effective for annual periods beginning on or after January 1, 2014, these amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

*Effective in 2015*

- PFRS 9, *Financial Instruments: Classification and Measurement*, effective for annual periods beginning on or after January 1, 2015, reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement* and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39.

*To be Determined*

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*, this interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed

The Group does not expect any significant impact on the consolidated financial statements when it adopts the above standards and interpretations. The revised and additional disclosures provided by the standards and interpretations will be included in the consolidated financial statements when these are adopted in the future, if applicable.

Summary of Significant Accounting and Financial Reporting Policies

Cash and Cash Equivalents

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

Financial Instruments - Initial Recognition and Subsequent Measurement

*Date of Recognition*

Financial instruments within the scope of PAS 39 are classified as financial assets or financial liabilities at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity investments, available-for-sale (AFS) financial assets and other financial liabilities, as appropriate. The Group determines the classification of its financial instruments at initial recognition.

All financial instruments are recognized initially at fair value plus transaction costs, except in the case of financial assets and financial liabilities at FVPL.

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

#### *Subsequent Measurement*

The subsequent measurement of the Group's financial instruments depends on their classification as described below. The Group had no financial assets or financial liabilities at FVPL, held-to-maturity investments and AFS financial assets as at September 30, 2013 and 2012.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization, if any, is included in the "interest income" account in the consolidated profit or loss. The losses arising from impairment of receivables, if any, are recognized in the "expenses" account in the consolidated profit or loss. This category includes the Group's cash and cash equivalents and receivables.

#### *Other Financial Liabilities*

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations and noninterest-bearing loans and borrowings.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any premium or discount on acquisition and fees and costs that are an integral part of the EIR. The EIR amortization, if any, is included in "interest income" account in the consolidated profit or loss.

This classification includes the Group's accounts payable and other liabilities.

#### *Determination of Fair Value*

The fair value for financial instruments traded in active markets at reporting date is based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 14.

#### *Day 1 difference*

When the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in the consolidated profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 difference.

## Derecognition of Financial Instruments

### *Financial Assets*

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

### *Financial Liabilities*

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

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

## Impairment of Financial Assets

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

### *Assets Carried at Amortized Cost*

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually or assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that are not yet incurred). The present value of the estimated future cash flows is discounted at the financial assets’ original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated profit or loss. Interest income continues to be accrued on the reduced

carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded under interest income account in the consolidated profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the other income account in the consolidated profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

#### Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statement of financial position.

#### Investment in a Joint Venture

The Parent Company has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual agreement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers.

#### Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining the fair value less cost to sell, an appropriate valuation model is used. Any impairment loss is recognized in the consolidated profit or loss in those expense categories consistent with the function of the impaired asset.

#### Earnings (loss) per Common Share

Basic earnings (loss) per common share is determined by dividing net income by the weighted average number of common shares outstanding, after retroactive adjustment for any stock dividends and stock splits declared during the year.

Diluted earnings (loss) per common share amounts is calculated by dividing the net income for the year attributable to the ordinary equity holders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of ordinary shares that would be issued for outstanding common stock equivalents.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

#### *Service income*

Revenue is recognized when the related services have been rendered.

#### *Interest income*

Interest income from bank deposits and short-term cash placements is recognized on a time proportion basis on the principal outstanding and at the rate applicable. Revenue is recognized as the interest accrues taking into account the effective yield of the asset.

#### General and Administrative Expenses

General and administrative expenses constitute cost of administering the business and are recognized as incurred.

#### Income Taxes

##### *Current Income Tax*

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

##### *Deferred Income Tax*

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

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

Deferred income tax is provided, using the liability method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

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

### Provisions

Provisions, if any, are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provision is determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in provision due to passage of time is recognized as interest expense.

### Contingencies

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

### Events after the Reporting Date

Post year-end events that provide additional information on the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

### Segment Reporting

An operating segment is a component of an entity:

- a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

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## 3. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in accordance with PFRS requires the Group to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Future events may occur which will cause the judgments, estimates and assumptions used in arriving the estimates to change the effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. However, actual results could differ from such estimates.

### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements. The judgments are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements:

#### *Determining Functional Currency*

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Peso. The Peso is the currency of the primary economic environment in which the Group operates.

#### *Classification of Financial Instruments*

The Group classifies a financial instrument or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of financial asset, financial liability and equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The classification of financial instruments is disclosed in Note 14 to the consolidated financial statements.

#### *Legal Contingencies*

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. As at September 30, 2013, the Group is not contingently liable, thus did not accrue any provision for legal contingencies.

#### Estimates and Assumptions

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

#### *Estimating Allowance for Impairment Losses on Receivables*

The Group has set up allowance for impairment losses on receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the clients, the clients' payment behavior and known market factors. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses on trade and other receivables would increase the Group's recorded operating expenses and decrease current assets.

The Group did not recognize any provision for impairment loss in 2012, 2011 and 2010. As at September 30, 2013 and 2012, the carrying values of receivables amounted to ₱10.56 million and ₱2.48 million (see Note 5).

#### *Fair Value of Financial Instruments*

PFRS requires that financial assets and financial liabilities (including derivative financial instruments) be carried or disclosed at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, and volatility rates), the timing and amount of changes in fair value would differ using a different valuation methodology.

When *Level 2* of the fair value hierarchy is used to determine the fair value of financial instruments, inputs and assumptions are based on market observable data and conditions, and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing for each of the periods indicated. Any change in the fair values of financial assets and financial liabilities (including derivative instruments) directly affects the consolidated statement of comprehensive income and equity and related disclosure.

The fair values of financial assets and liabilities by category and the fair value hierarchy are set out in Note 14 of the consolidated financial statements.

#### *Impairment of Nonfinancial Assets*

An impairment review is performed when certain impairment indicators are present.

Determining the value in use of nonfinancial assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets and requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the nonfinancial assets are impaired. Any resulting additional impairment loss could have a material adverse impact on the Group's financial condition and results of operations. The preparation of the estimated future cash flows involves significant judgment and estimations.

There were no impairment losses recognized in 2012, 2011 and 2010.

As at September 30, 2013 and 2012, the carrying values of the Group's other current assets amounted to ₱2.36 million and ₱0.68 million, respectively (see Note 6). The carrying value of the Group's investment in joint venture amounted to ₱13,946 as at September 30, 2013 and 2012 (see Notes 7 and 10).



*Recognition of Deferred Income Tax Assets*

The Group's assessment on the recognition of deferred income tax assets on nondeductible temporary differences is based on forecasted taxable income. This forecast is based on the Group's past results and future expectations on revenues and expenses.

Deferred income tax assets on temporary differences were not recognized because the Group did not expect to have sufficient future taxable profit against which this can be applied.

**4. Cash and Cash Equivalents**

Cash and cash equivalents consist of:

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Cash in bank	P2,709,634	P3,501,810
Cash equivalents	59,868,899	60,773,309
	<b>P62,578,533</b>	<b>P64,275,119</b>

Cash in bank earns interest at the respective bank deposit rates. Cash equivalents are made for varying period of up to three months depending on the Group's immediate cash requirements and earn interest at the respective short-term deposit rates. Interest Income amounted to P912,259 and P1,313,173 for the period ended September 30, 2013 and 2012, respectively.

**5. Receivables**

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Trade Receivables	P10,528,094	P3,453,244
Interest Receivable	36,350	35,435
	<b>P10,564,444</b>	<b>P3,488,679</b>

Trade Receivables consist of uncollected management income arising from the Management Agreement with Option to Buy of the Parent Company with Geogen. NiHAO shall bear the management fees pursuant to a separate General Contractor Agreement executed between NiHAO and Geogen to which the Parent Company conformed (see Note 12). Trade receivables are non-interest bearing and are normally settled upon demand.

Interest receivable pertains to amount of interest accrued on the Group's short-term deposits.

**6. Other Current Assets**

Other current assets consist of:

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Creditable withholding tax	P2,533,456	P1,439,407
Input value-added tax	783,488	663,182
Deferred Input value-added tax	50,400	113,400
	<b>3,367,344</b>	2,215,989
Less: Allowance for probable losses	1,008,393	1,008,393
	<b>P2,358,951</b>	<b>P1,207,596</b>

Creditable withholding taxes represent amounts withheld from income subject to withholding tax which the Company expects to utilize as payment for future income taxes.

Input VAT represents VAT imposed by the Group's suppliers for the acquisition of goods and services as required by the Philippine taxation laws and regulations. Input VAT will be used to offset against the Group's current output VAT liability.

There was no movement in the allowance for impairment losses for the periods ended September 30, 2013 and December 31, 2012.

The allowance for impairment losses as of September 30, 2013 and December 31, 2012 consists of:

	Creditable Withholding Tax	Input Value-Added Tax	Total
Balances, September 30, 2013 and December 31, 2012	₱976,601	₱31,792	₱1,008,393

## 7. Investment in Joint Venture

On 27 September 2011, the Company, NiHAO and Glencore executed a HOA. Under the HOA, the parties agreed to utilize their respective expertise in the mining industry for purposes of investigating, identifying, acquiring, developing and operating mining claims of economically feasible nickel deposits in the Philippines for purposes of direct shipping or selling of ore and other related nickel mining business. Glencore shall contribute its expertise in marketing of nickel ores in the world market as well as its network of various institutions internationally. On the other hand, the Company and NiHAO shall utilize their expertise in mining, contracting and developing mines in the Philippines and their knowledge of relevant Philippine laws, rules and regulations and issues.

In order to accomplish the said purpose, the parties agreed to form within a period of two months from the signing of the HOA, a joint venture company (JVC) under the laws of Hong Kong. Pursuant to the Addendum to HOA dated October 28, 2011, the JVC will have an initial authorized capital of HK\$100,000 with a par value of HK\$1/share. The JVC should have an initial issued and paid-in capital of HK\$10,000 to be contributed by the parties as follows: (1) 50% from Glencore; and (2) 25% each for the Parent Company and NiHAO.

Moreover, the parties agreed to execute the following implementing agreements of the HOA:

- Marketing agreement whereby Glencore will act as the exclusive marketing agent for the JVC and market and sell all material produced by the JVC;
- Management agreement;
- Contractor(s) agreement; and,
- Any other agreements agreed by the parties as being necessary or useful to facilitate the implementation and operation of the JVC.

The JVC under the name of GNA Resources International Limited was incorporated in Hong Kong on November 23, 2011. The Parent Company's contribution of ₱13,946 to the JVC was advanced by a stockholder. As of September 30, 2013, the JVC has not started its main business operation and maybe deregistered upon mutual agreement between the parties subject to compliance with Hong Kong and Philippine laws.

## 8. Accounts and other payables

Accounts and other payables consist of:

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Accrued professional fees	₱2,650,700	₱2,846,700
Others	1,682,452	1,425,749
	₱4,333,152	₱4,272,449

Accounts and other liabilities are noninterest bearing and have an average term of 30-60 days but may go beyond depending on the agreement of the involved parties. This represents accruals of professional fees for administrative, audit and other services, and are payable on demand

## 9. Equity

The details of the number of shares follow:

	Number of Shares	
	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)

Common stock - ₱1 par value		
Authorized		
Balance at beginning of year	200,000,000	200,000,000
Issuance of shares of stocks		
	<b>200,000,000</b>	<b>200,000,000</b>
Issued		
Balance at beginning of year	63,321,349	63,321,349
Issuance of shares of stocks		
	<b>63,321,349</b>	<b>63,321,349</b>
Subscribed (net of Subscription		
Receivable of 101,678,651)	136,678,651	136,678,651
	<b>200,000,000</b>	<b>200,000,000</b>

On May 3, 2011, the Securities and Exchange Commission (SEC) approved the decrease in the Company's authorized capital stock from ₱132,000,000 (divided into 16,500,000 Class A and 5,500,000 Class B common shares both with par value of ₱6 a share) to ₱22,000,000 (divided into 22,000,000 common shares with a par value of ₱1 a share). On the same date, the SEC also approved the increase in the Company's authorized capital stock from ₱22,000,000 (divided into 22,000,000 shares with a par value of ₱1 a share) to ₱200,000,000 (divided into 200,000,000 shares with par value of ₱1 a share). The capital increase was undertaken using the Fifteen Million Pesos (P 15,000,000.00) deposited for future subscriptions by the Investors as partial payment for subscriptions to Forty Five Million (45,000,000) Shares at the price of One Peso (P1.00) per share, which was the reduced par value of the shares upon the approval by the SEC of its quasi-reorganization plan. Upon approval of the capital increase, the Company's issued and outstanding shares stood at Sixty two million one hundred seventy thousand two hundred ninety three (62,170,293). The corresponding Subscription Agreements with the subscribers were executed by the Company on 16 May 2011 and the balance on the subscription price from the individual investors were received by the Company on 23 June 2011.

On 17 June 2011, the Board of Directors approved the sale and issuance, via private placement, of 136,678,651 shares of the Company at ₱1 par value a share to various investors.

## 10. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

### Terms and Conditions of Transactions with Related Parties

Outstanding balances of transactions with related parties are unsecured, noninterest bearing, payable on demand and settlements are made in cash. There have been no guarantees provided or received for any related party receivables or payables.

### Transactions with Related Parties

In the normal course of business, transactions with related parties include the following:

- a. On March 5, 2012, the Company gave its conformity to the execution of a General Contractor Agreement between Geogen and NiHAO under which NiHAO shall bear the management fees pursuant to the Management Agreement with Option to Buy. Mining operations started during the year. Management income recognized in 2012 amounted to ₱3.56 million. Outstanding balance as at September 30, 2013 amounted to ₱7.29 million.
- b. The Parent Company has advances from a stockholder for working capital requirements amounting to ₱13,946 as at September 30, 2013 and 2012.

- c. On September 27, 2011, the Parent Company, NiHAO and Glencore executed a HOA in Hong Kong to develop and operate mining claims of economically feasible nickel deposits in the Philippines for purposes of direct shipping or selling of ore and other related nickel mining business. In order to accomplish the said purpose, the parties agreed to from within a period of two months from the signing of the HOA, a JVC under the laws of Hong Kong. The JVC was incorporated in Hong Kong on November 23, 2011. As at September 30, 2013, the JVC has not started its main business operation. NiHAO and the Parent Company have interlocking directors.

#### Transaction with Key Management Personnel

The group avails of services rendered by lawyers of Gregorio Law Offices which primarily consists of legal and back office work. One of the key management personnel of Group is also a partner of this law firm. The related professional fees amounted to ₱0.92 and ₱1.1 million in September 30, 2013 and 2012, respectively.

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### 11. Loss Per Share

	Nine Months Ended September 30 (Unaudited)	
	2013	2012
Net Income (Loss)	₱6,469,831	₱1,450,311
Weighted Average Number of Common Shares	63,321,349	63,321,349
Income (Loss) Per Share	₱0.102	₱0.023

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### 12. Commitments

On October 14, 2011, the Parent Company executed a Management Agreement with Option to Buy with Geogen, a mining company and the registered holder of a valid and existing mining claim in Dinapigue, Isabela (the Mining Area) covered by Mineral Production Sharing Agreement (MPSA) No. 258-2007-11, duly approved on July 30, 2007. Geogen is in the process of undertaking exploration, development and mining operations in the said Mining Area and desires to retain the services of the Parent Company for the management of the exploration, development and mining operations of the Mining Area. The Parent Company undertakes to provide management services to Geogen including management control and property administration over the daily and medium term operations of the Mining Area for a period of five (5) years.

The Parent Company's management fees shall include (1) reimbursement of all salaries and benefits of the officers and employees plus all direct costs related to the services; (2) management/administration fees equivalent to twenty percent (20%) of salaries and benefits paid to employees including all direct costs; and (3) management commission/profit share of five percent (5%) of gross income from the operations of the Mining Area.

Under the agreement, Geogen likewise grants the Parent Company the First and Exclusive Option (Option), at the election of the Parent Company, to do any of the following acts:

- a. Acquire up to one hundred percent (100%) of the shares of stock of Geogen
- b. Purchase its mining rights
- c. Secure participation interests
- d. Create a joint venture vehicle or consortium of investors-operators and/or
- e. Negotiate the acquisition of the entire or partial rights or participation of interests over the project on behalf of local and foreign investors

The Option was for a period of one (1) year upon signing the agreement, renewable for another period of one (1) year upon mutual agreement of the parties. The Parent Company has not exercised its option even after the lapse of the option period.

On March 5, 2012, the Parent Company gave its conformity to the execution of a General Contractor Agreement between Geogen and NiHAO under which NiHAO (as the General Contractor of Geogen) shall bear the management fees pursuant to the Management Agreement with Option to Buy. The mining operations in Isabela started in 2012.

### 13. Financial Risk Management, Objectives and Policies and Capital Management

The Group's principal financial instruments comprise cash and cash equivalents, receivables and accounts payable and other liabilities. The main purpose of these financial instruments is to finance the Group's operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below:

#### Credit Risk

The Group's credit risk is the risk that counterparty will not meet its obligations under a financial instrument leading to a financial loss. The Group is exposed to credit risk from its deposits with banks. The Group's maximum exposure to credit risk is equal to the carrying amount of these instruments as summarized below:

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Cash and cash equivalents	₱62,578,533	₱64,275,119
Receivables	10,564,444	3,488,679
	<b>₱73,142,977</b>	<b>₱67,763,798</b>

Cash and cash equivalents are classified as high grade since these are deposited and invested with a reputable bank and can be withdrawn anytime.

Receivables are also classified as high grade since these consisted of interest receivable related to cash deposits and receivables to a related party which pertained to cash deposited to a local bank on behalf of the Group.

#### Liquidity Risk

The Group's exposure to liquidity risk relate to raising funds. The Group manages its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Group intends to use internally generated funds and available short-term credit facilities.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise.

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Accrued Professional Fees	₱2,650,700	₱2,846,700
Accrual and other payables	1,591,186	1,330,737
	<b>₱4,241,886</b>	<b>₱4,177,437</b>

Accounts and other payables are normally settled within 30-60 days. As of September 30, 2013 and December 31, 2012, the Group's financial assets amounting to ₱73,142,977 and ₱67,763,798, respectively, were determined by management to be realizable within one year.

#### Capital Management

The primary objective of the Group's capital management is to ensure that it maintains strong and healthy capital ratios in order to support its business and maximize shareholder value.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as total debt divided by equity. Total debt is equal to accounts payable and other liabilities. Equity comprises all components of equity.

The Group's debt-to-equity ratio as of September 30, 2013 and December 31, 2012 are as follows:

	September 30, 2013 (Unaudited)	2012 (Audited)
Accounts payable and other liabilities (a)	₱4,333,152	₱4,257,248
Total equity (b)	71,182,722	64,773,092
Debt to Equity Ratio (a/b)	<b>0.06:1</b>	<b>0.07:1</b>

## 14. Financial Instruments

### Fair Value

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of September 30, 2013 and December 31, 2012:

	September 30, 2013 (Audited)		December 31, 2012 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets -</b>				
Loans and receivables:				
Cash and cash equivalents	<b>₱62,578,533</b>	<b>₱62,578,533</b>	₱64,275,119	₱64,275,119
Receivables	<b>10,564,444</b>	<b>10,564,444</b>	3,488,679	3,488,679
<b>Total Financial Assets</b>	<b>₱73,142,977</b>	<b>₱73,142,977</b>	₱67,763,798	₱67,763,798
<b>Financial Liabilities -</b>				
Other financial liabilities-				
Accounts payable and other liabilities*	<b>₱2,939,442</b>	<b>₱2,939,442</b>	₱3,709,632	₱3,709,632

\*excluding statutory liabilities

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

*Cash and cash equivalents, Interest receivable and Accounts payable and other liabilities*

The fair values of these financial instruments approximate their carrying amounts due to the relatively short-term maturities of these financial instruments.

### Fair Value Hierarchy

As of September 30, 2013 and 2012, the Group has no financial instruments carried at fair value using the three-level fair value hierarchy.

## 15. Segment Information

As of September 30, 2013 and 2012, the Group has a single reporting segment, which is the investment holding activity. Financial information with regards to the Group's reporting segment is as follows:

	2013	2012
Net Income (Loss)	<b>₱6,469,831</b>	₱1,450,311
Other information:		
Segment assets	<b>75,515,875</b>	67,988,891
Segment liabilities	<b>4,333,152</b>	2,642,288

## Financial Soundness Indicators

		September 2013	September 2012
Current Ratio			
Current Assets ÷	<b>P75,501,929/P4,333,152</b>	<b>17.42</b>	
Current Liabilities	P67,974,946/P2,642,288		25.73
Interest Coverage Ratio*			
EBIT ÷	<b>P5,740,024/P-0-</b>	<b>NA</b>	
Interest Expense	P399,773/P-0-		NA
Debt Ratio			
Total Liabilities ÷	<b>P4,333,152/P75,515,875</b>	<b>0.057</b>	
Total Assets	P2,642,288/P67,988,891		0.039
Debt to Equity Ratio			
Total Liabilities ÷	<b>P4,333,152/P71,182,722</b>	<b>0.061</b>	
Stockholders' Equity	P2,642,288/P65,346,603		0.040
Asset to Equity Ratio			
Total Assets ÷	<b>P75,515,875/P71,182,722</b>	<b>1.061</b>	
Stockholders' Equity	P67,988,891/P65,346,603		1.040
Return on Asset			
Net Income (Loss) ÷	<b>P6,469,831/P75,515,875</b>	<b>0.086</b>	
Total Assets	P1,450,311/P67,988,891		0.021
Return on Equity			
Net Income (Loss) ÷	<b>P6,469,831/P71,182,722</b>	<b>0.091</b>	
Stockholders' Equity	P1,450,311/P65,346,603		0.022
Net Profit Margin			
Net Income (Loss) ÷	<b>P6,469,831/P7,293,660</b>	<b>0.887</b>	
Total Sales	P1,450,311/P2,206,177		0.657
Income (Loss) per share			
Net Income (Loss) ÷	<b>P6,469,831/63,321,349</b>	<b>P0.102</b>	
Weighted Ave. No. of shares	P1,450,311/63,321,349		P0.023

\*The Company did not incur any interest on its advances.