

COVER SHEET

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SEC Registration Number

A S I A B E S T G R O U P I N T E R N A T I O N A L I N C.
A N D S U B S I D I A R I E S
[F o r m e r l y : A G P I n d u s t r i a l C o r p .]

(Company's Full Name)

2 0 T H F L O O R T H E P E A K T O W E R 1 0 7
L P L E V I S T E S T R E E T S A L C E D O
V I L L A G E M A K A T I C I T Y

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

Venus L. Gregorio

(Contact Person)

928-9246

(Company Telephone Number)

1 2 3 1

Month Day
(Fiscal Year)

17Q3 2014

(Form Type)

0 5

Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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, 2014
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. 20TH 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
Issued and Outstanding |
|---------------------|--|
| Common stock | 200,000,000 |

Amount of debt outstanding as of September 30, 2014: ₱3,581,318

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, 2014 and December 31, 2013 and Nine Months Ended September 30, 2014 and 2013

Financial Performance and Results of Operation

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Current Assets	₱73,126,811	₱74,799,222
Total Assets	73,126,811	74,799,222
Current Liabilities	3,581,318	4,866,410
Equity	69,545,493	69,932,812

	Nine Months Ended September 30 (Unaudited)	
	2014	2013
Revenue	₱-0-	₱7,293,660
Interest Income	430,138	912,259
Expenses	731,429	1,553,636
Net Income / (Loss)	(387,319)	6,469,831

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 in 2013. For the nine months ended September 30, 2014 and 2013 net income / (loss) amounted to ₱(0.387) million and ₱6.47 million, respectively, which resulted to an accumulated deficit of ₱28.77 million and ₱27.14 million. As of September 30, 2014 and December 31, 2013, the Company's equity amounted to ₱69.55 million and ₱69.93 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. After 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 per share to various investors. It 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 approved by the Securities and Exchange Commission on 26 March 2012, the new name of 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 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. GEOGEN retained the services of ABG for the management of the exploration, development and mining operations of the mining area for a period of five (5) years.

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.

Interest income earned by the Company on short-term investments for the nine months ended September 30, 2014 totaled to about ₱0.430 million, a decrease of about ₱0.482 million or 53% compared to ₱0.912 million of 2013. The decrease was attributable to lower average short term investments due to payment of operating expenses and lower interest rate.

Total expenses for September 30, 2014 totaled about ₱0.731 million, a decrease of about ₱.822 million or 53% compared to ₱1.554 million of 2013. The decrease was attributed mainly to lower professional fees paid during the quarter.

Cash and cash equivalents amounted to ₱60.19 million as of September 30, 2014 as compared to ₱61.98 million as of December 31, 2013 or a decrease of ₱1.79 million or 2.89%. The decrease in cash and cash equivalents was due to the payment of the Company's accounts and other payables and various operating expenses.

Receivables amounted to ₱10.59 million as of September 30, 2014 as compared to ₱10.56 million of 2013 or 0.256% higher due to accrued interest income relative to the short term investments of the company.

Other current assets of ₱2.34 million in September 30, 2014, a decrease by ₱0.015 million or 0.655% compared to ₱2.36 million of 2013 are due mainly to the deduction in creditable income at year end.

Accounts and other payables are ₱3.58 million in September 30, 2014, a decrease by ₱0.738 million or 17% compared to ₱4.32 million of 2013. The decrease was due mainly to the payment of accrued professional fees.

Key Performance Factors:

	September 2014	September 2013
Net Income (Loss)	₱(387,319)	₱6,469,831
Current Assets	₱73,126,811	₱75,501,929
Current Liabilities	₱3,581,318	₱4,319,207
Total Liabilities	₱3,581,318	₱4,319,207
Stockholders' Equity	₱69,545,493	₱71,182,722
Debt to Equity Ratio		
₱3,581,318/₱69,545,493	0.051	
₱4,319,207/₱71,182,722		0.061
Current Ratio		
₱73,126,811/₱3,581,318	20.42	
₱75,501,929/₱4,319,207		17.48
Income (Loss) per share		
₱(387,319)/63,321,349	₱(0.006)	
₱6,469,831/63,321,349		₱0.102

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 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 a joint venture company (JVC) under the laws of Hong Kong. Pursuant to the Addendum to HOA dated 28 October 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. As of September 30, 2014, 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 19, 2014.

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, 2014**

(Based on Unaudited Figures)

	Up to 3 months	Over 3 Months to One Year	Over One Year	Past Due	Total
Other Receivables	₱	₱10,528,094	₱	₱ -	₱10,528,094
Interest Receivables	63,390				63,390
	₱ 63,390	₱10,528,094	₱ -	₱ -	₱10,591,484
Less: Allowance for doubtful accounts					
Net Receivables	₱ 63,390	₱10,528,094	₱ -	₱ -	₱10,591,484

ASIABEST GROUP INTERNATIONAL INC. & SUBSIDIARIES

FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2014(UNAUDITED) AND
DECEMBER 31, 2013(AUDITED)

AND

FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)

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

	Unaudited September 30, 2014	Audited December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	P 60,191,837	P 61,981,374
Receivables (Notes 5 & 8)	10,591,484	10,534,570
Other current assets (Note 6)	2,343,489	2,283,278
	<u>73,126,811</u>	<u>74,799,222</u>
	<u>P 73,126,811</u>	<u>P 74,799,222</u>
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts & other payables (Note 7)	P 3,581,318	P 4,866,410
Total Liabilities	<u>3,581,318</u>	<u>4,866,410</u>
Stockholders' Equity		
Capital Stock	98,321,349	98,321,349
Deficit	(28,775,856)	(28,388,537)
Total Stockholders' Equity	<u>69,545,493</u>	<u>69,932,812</u>
	<u>P 73,126,811</u>	<u>P 74,799,222</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, 2014	July 1 to September 30, 2013	January 1 to September 30, 2014	January 1 to September 30, 2013
REVENUES	P	P 3,515,095	P	P 7,293,660
EXPENSES	(158,351)	(1,076,162)	(731,429)	(1,553,636)
OTHER INCOME				
Interest Income (Note 4)	137,625	132,813	430,138	912,259
INCOME (LOSS) BEFORE INCOME TAX	(20,727)	2,571,745	(301,291)	6,652,283
PROVISION FOR INCOME TAX	(27,525)	(26,563)	(86,028)	(182,452)
NET INCOME (LOSS)	P (48,251)	P 2,545,182	P (387,319)	P 6,469,831
WEIGHTED AVERAGE NUMBER OF COMMON SHARE	63,321,349	63,321,349	63,321,349	63,321,349
Net Income (Loss) Per Share (Note 9)	(0.001)	0.040	(0.006)	0.102

See accompanying Notes to Consolidated Financial Statements

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

	Unaudited			
	Nine Months		Audited	
	January 1 to September 30, 2014	January 1 to September 30, 2013	January 1 to December 31, 2013	January 1 to December 31, 2012
CAPITAL STOCK - P 1 par value				
ISSUED				
Balance at the beginning of the year	P 63,321,349	P 63,321,349	P 63,321,349	P 63,321,349
Issuance	-	-	-	-
Effect of Restructuring	-	-	-	-
	<u>63,321,349</u>	<u>63,321,349</u>	<u>63,321,349</u>	<u>63,321,349</u>
SUBSCRIBED				
Balance at the beginning of the year	35,000,000	35,000,000	35,000,000	35,000,000
Issuance	-	-	-	-
Subscription Receivable	-	-	-	-
	<u>35,000,000</u>	<u>35,000,000</u>	<u>35,000,000</u>	<u>35,000,000</u>
	<u>98,321,349</u>	<u>98,321,349</u>	<u>98,321,349</u>	<u>98,321,349</u>
ADDITIONAL PAID IN CAPITAL				
Balance at the beginning of the year	-	-	-	-
Effect of restructuring	-	-	-	-
Balance at the end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEPOSIT ON SUBSCRIPTIONS				
Balance at the beginning of the year	-	-	-	-
Issuance	-	-	-	-
Balance at the end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFICIT				
Balance at the beginning of the year	(28,388,537)	(33,608,458)	(33,608,458)	(34,425,057)
Effect of restructuring	-	-	-	-
Total Comprehensive Loss	(387,319)	6,469,831	5,219,921	816,599
Balance at the end of year	<u>(28,775,856)</u>	<u>(27,138,627)</u>	<u>(28,388,537)</u>	<u>(33,608,458)</u>
	<u>P 69,545,493</u>	<u>P 71,182,722</u>	<u>P 69,932,812</u>	<u>P 64,712,891</u>

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, 2014	July 1 to September 30, 2013	January 1 to September 30, 2014	January 1 to September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (Loss) before income tax	P (20,727)	P 2,571,745	P (301,291)	P 6,652,283
Adjustment for Interest Income	(137,625)	(132,813)	(430,138)	(912,259)
Operating income before working capital changes	(158,351)	2,438,932	(731,429)	5,740,024
(Increase) Decrease in Receivables	(64)	(3,425,307)	(56,914)	(7,075,765)
(Increase) Decrease in Other Current Assets	(9,600)	(534,464)	(60,211)	(1,151,355)
Increase (Decrease) in accounts & other payables	(152,061)	709,915	(1,285,092)	60,703
Cash required by operations	(320,076)	(810,924)	(2,133,647)	(2,426,393)
Interest Income	137,625	132,813	430,138	912,259
Final Tax Paid on Interest	(27,525)	(26,563)	(86,028)	(182,452)
Net Cash Provided by operating activities	(209,977)	(704,674)	(1,789,537)	(1,696,586)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of capital stock				
Net Cash Provided (Used) in Investing Activities	0	0	0	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(209,977)	(704,674)	(1,789,537)	(1,696,586)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD				
	60,401,814	63,283,207	61,981,374	64,275,119
CASH AND CASH EQUIVALENTS AT END OF PERIOD				
	P 60,191,837	P 62,578,533	P 60,191,837	P 62,578,533

See accompanying Notes to Consolidated Financial Statements

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

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. The Parent Company was incorporated and registered with the Securities and Exchange Commission (SEC) on October 23, 1970 as an investment holding corporation. It was listed in the Philippine Stock Exchange (PSE) on July 10, 1979. The Group's registered office address is 20th Floor The Peak Tower, 107 LP Leviste Street, Salcedo Village, Makati City.

On June 9, 2003, the SEC revoked the Parent Company's 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:

- a. 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.
- b. Conversion of the Parent Company's remaining obligations to TPIC totaling ₱228.7 million into additional paid-in capital in 2003.
- c. Quasi-reorganization plan.
- d. 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. 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.

On May 16, 2011, the Parent Company executed subscription agreements with various investors. The agreements covered the subscription of 45 million shares at ₱1 par value or equivalent to ₱45 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 of 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.

On March 26, 2012, the SEC approved the amendment of the Corporation's Articles of Incorporation and By-Laws specifically to change the name of the corporation from AGP Industrial Inc. to Asiabest Group International Inc. which was approved by a majority vote of the Board of Directors (BOD) on August 16, 2011 and by vote of more than 2/3 majority of the shareholders of the Parent Company in the Annual Stockholders' Meeting held on October 7, 2011.

Status of Operations

To enable the Parent to further finance new businesses, the BOD approved the increase in authorized capital stock of the Parent Company from ₱200 million divided into 200 million shares at ₱1 par value to ₱2 billion divided into 2 billion shares at ₱1 par value on June 17, 2011 and subject to the approval by the SEC upon due application.

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, 2014, the subsidiaries have not yet started their operations.

As shown in the accompanying consolidated financial statements, the Group had a deficit of ₱28.77 million and ₱27.14 million as at September 30, 2014 and 2013, respectively.

Authorization for the Issuance of the Consolidated Financial Statements

The consolidated financial statements for the nine months ended September 30, 2014 and 2013 were authorized for issue in accordance with a resolution of the Audit Committee on November 13, 2014.

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, which is the Group's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). Amounts are rounded off to the nearest peso, except when otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with PFRS.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company using consistent accounting policies.

Control is achieved when the parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The parent company controls an investee if and only if the parent company has all of the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the Parent's Company's returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

Subsidiaries are deconsolidated from the date on which control ceases.

Subsidiaries

Subsidiaries are entities over which the parent company has control.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognized in assets are eliminated in full.

Non-controlling Interest (NCI)

Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recognized in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent company's share of components previously recognized in other comprehensive income or OCI to profit or loss or retained earnings, as appropriate.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS, Philippine Accounting Standard (PAS), and International Financial Reporting Interpretation Committee (IFRIC) which were adopted as at January 1, 2013:

Several other amendments apply for the first time in 2013. However, they do not affect the annual consolidated financial statements of the Group.

The nature and the impact of each new standard and amendment are described below:

- PFRS 1, First-time Adoption of International Financial Reporting Standards - *Government Loans (Amendments)*
The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, Financial Instruments: Recognition and Measurement, and PAS 20 to government loans retrospectively if the information needed to do so have been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Group.
- PFRS 7, Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)
These amendments require 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. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a) The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
 - c) The net amounts presented in the statement of financial position;
 - d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:

- (i.) Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
- (ii.) Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments affect disclosures only and have no impact on the Group's financial position or performance. As the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangement, the amendment does not affect the Group's financial statements.

- *PFRS 10, Consolidated Financial Statements*
PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 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.

The application of PFRS 10 did not affect the accounting for the Group's interests on all its subsidiaries.

- *PFRS 11, Joint Arrangements*
PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The transition does not affect the Group.
- *PFRS 12, Disclosure of Interests in Other Entities*
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).

The Group has no controlled subsidiary with less than a majority of voting rights.

- *PFRS 13, Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs 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. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- *PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*
The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and do not affect the Group's financial position or performance.

- *PAS 19, Employee Benefits (Revised)*
The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized. The amendment does not affect the financial statements of the Group.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact on the Group's financial position and financial performance.

- *PAS 27, Separate Financial Statements (as revised in 2011)*
As a consequence of the issuance 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 the separate financial statements. The adoption of the amended PAS 27 did not significantly affect the separate financial statements of the Group.
- *PAS 28, Investments in Associates and Joint Ventures (as revised in 2011)*
As a consequence of the issuance 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.

This amendment does not affect the Group's financial position or performance as it currently accounts for its investment in a joint venture using equity accounting method.

- *Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine* This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a noncurrent asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The adoption has no significant effect on disclosures and on the financial position or performance since the Group's current policy is aligned with IFRIC 20.

Annual Improvements to PFRS (2009-2011 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- *PFRS 1, First-time Adoption of PFRS - Borrowing Costs*
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.
- *PAS 1, Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include

comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendment affects disclosures only and has no effect on the Group's financial position or performance.

- *PAS 16, Property, Plant and Equipment - Classification of Servicing Equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not significantly affect the Group's financial position or performance.
- *PAS 32, Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not significantly affect the Group's financial position or performance.
- *PAS 34, Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and not the Group's financial position or performance.

Standards and Interpretation Issued but not yet Effective:

The Group will adopt the following standards and interpretation enumerated below when these become effective, except or otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant effect on its financial statements.

- *PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and not the Group's financial position or performance.
- *Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)*
These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). This amendment is not relevant to the Group.
- *Philippine Interpretation IFRIC 21, Levies*
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect IFRIC 21 to have a material effect on future financial statements.
- *PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual

periods beginning on or after January 1, 2014. The Group does not expect that PAS 39 will have a material effect on future financial statements.

- *PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
The 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. The amendments affect presentation only and not the Group’s financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.
- *PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are not discretionary shall be accounted for as reduction of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendment is not relevant to the Group.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- *PFRS 2, Share-based Payment - Definition of Vesting Condition*
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.
- *PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The amendment has no effect on the Group’s financial statements.
- *PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments’ Assets to the Entity’s Assets*
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments’ assets to the entity’s assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendment has no effect on the Group’s financial statements.
- *PFRS 13, Fair Value Measurement - Short-term Receivables and Payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The Group does not expect that the amendment will have material effect on future financial statements.
- *PAS 16, Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*

The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- *PAS 24, Related Party Disclosures - Key Management Personnel*
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the Group of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and not the Group's financial position or performance.
- *PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
 - a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
 - b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no effect on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- *PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Meaning of "Effective PFRSs"*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.
- *PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. These amendments are not relevant to the Group.

- *PFRS 13, Fair Value Measurement - Portfolio Exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no effect on the Group's financial position or performance.
- *PAS 40, Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant effect on the Group's financial position or performance.
- *PFRS 9, Financial Instruments*
PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no effect on the classification and measurement of financial liabilities.

PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

- *Philippine Interpretation IFRIC 15, Agreements for the 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 SEC and the Financial Reporting Standard Council (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. Adoption of the interpretation when it becomes effective will not have any effect on the financial statements of the Group.

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

Summary of Significant Accounting and Financial Reporting Policies

Presentation of Financial Statements

The Group has elected to present all items of recognized income and expense in one statement of comprehensive income.

Financial Instruments

Date of Recognition

The Group recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition and Classification of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and liabilities at FVPL, includes transaction cost.

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets, as appropriate. Financial liabilities, on the other hand, are classified as financial liability at FVPL and other financial liabilities, as appropriate. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting period.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

The Group's financial assets are in the nature of loans and receivables. The Group had no financial asset at FVPL, HTM and AFS financial asset as at December 31, 2013 and 2012. The Group's financial liabilities as at December 31, 2013 and 2012 are in the nature of other financial liabilities.

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statement are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each end of the reporting date.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 12.

Subsequent Measurement

The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within twelve (12) months from the reporting period. Otherwise, these are classified as noncurrent assets.

As at September 30, 2014 and 2013, the Group's loans and receivables consisted of cash and cash equivalents and receivables.

Other Financial Liabilities

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the Group's profit or loss when the liabilities are derecognized as well as through the amortization process.

As at September 30, 2014 and 2013, other financial liabilities consisted of accounts payable and other liabilities.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount 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 not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Impairment of Financial Assets

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

Financial Assets Carried at Amortized Cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in consolidated statement of comprehensive income. Impaired receivables are derecognized when they are assessed as uncollectible.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to receivables, a provision for impairment is made when there is objective evidence (such as 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 use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset 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.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

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

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

Input Value-Added Tax (VAT)

Input VAT represents taxes imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations.

Investment in a Joint Venture

The Group 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

Prepayments and Other Current and Noncurrent Assets

The Parent Company provides allowance for impairment losses on nonfinancial prepayments and other current and noncurrent assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Parent Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease prepayments and other current and noncurrent assets.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the statement of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined had no impairment loss been recognized for that asset in prior years.

Capital Stock

The Group issues capital stock that is classified as equity. Capital stock is measured at the par value of all shares issued.

Deficit

Deficit represents the cumulative balance of the results of operation. A deficit is not an asset but a deduction from equity.

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, if applicable, 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.

Management fee

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 are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. 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 is provided using the liability method on all temporary differences at the end of financial 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:

- when the 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 of 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 assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits can be utilized except:

- when 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 income nor taxable income 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 sufficient future taxable profits will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each financial reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits 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 financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement, is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

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.

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
- c) for which discrete financial information is available.

Events after the Reporting Period

Post year-end events that provide additional information on the Group's financial position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are disclosed in the notes to consolidated financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes to financial statements. The judgments, estimates, and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements.

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be recoverable under the circumstances. However, actual outcome can differ from these 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. It is the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions of the Group.

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.

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 sets 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 collectibility 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 receivables would increase the Group's recorded operating expenses and decrease receivables.

The Group did not recognize any provision for impairment loss in 2013, 2012 and 2011. As at September 30, 2014 and 2013, the carrying values of receivables amounted to ₱10.59 million and ₱10.56 million, respectively (see Note 5).

Estimating Allowance for Impairment Losses of Nonfinancial Other Current Assets and Investments in Joint Venture

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 was no impairment loss recognized in September 30, 2014 and 2013.

As at September 30, 2014 and 2013, the carrying values of the Group's other current assets amounted to ₱2.34 million and ₱2.36 million, respectively (see Note 6).

Estimating Recoverability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income tax assets at each end of the financial reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

Estimating 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, 2014 and 2013, the Group did not accrue any provision for legal contingencies.

Estimating 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 are set out in Note 12 of the consolidated financial statements.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Cash in bank	P2,070,190	P2,565,693
Cash equivalents	58,121,647	59,415,681
	P60,191,837	P61,981,374

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 P430,138 and P912,259 for the period ended September 30, 2014 and 2013, respectively.

5. Receivables

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Trade Receivables	P10,528,094	P10,528,094
Interest Receivable	63,390	6,476
	P10,591,484	P10,534,570

Trade Receivables consist of uncollected management fee 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 10). 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, 2014 (Unaudited)	December 31, 2013 (Audited)
Creditable withholding tax	P2,387,583	P2,387,583
Input value-added tax	913,899	790,688
Deferred Input value-added tax	50,400	113,400
	3,351,882	3,291,671
Less: Allowance for probable losses	1,008,393	1,008,393
	P2,343,489	P2,283,278

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, 2014 and December 31, 2013.

The allowance for impairment losses as of September 30, 2014 and December 31, 2013 consists of:

	Creditable Withholding Tax	Input Value-Added Tax	Total
Balances, September 30, 2014 and December 31, 2013	₱976,601	₱31,792	₱1,008,393

7. Accounts and other payables

Accounts and other payables consist of:

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Accrued professional fees	₱1,900,700	₱3,208,700
Deferred Output VAT	1,302,445	1,302,445
Dividends Payable	273,300	273,300
Advances from a stockholder		27,092
Others	104,873	54,873
	₱3,581,318	₱4,866,410

Accrued professional fees and other payables are noninterest bearing and are normally settled within 30 to 60 days but may go beyond depending on the agreement of the involved parties. Deferred Input VAT is expected to be applied within one year after the reporting date.

8. 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:

- 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 in 2012. Management income recognized in for the year ended 2013 amounted to ₱7.29 million. Outstanding balance as at September 30, 2014 amounted to ₱10.53 million.

Transaction with Key Management Personnel

The group avails of services, primarily consisting of legal and back office work, rendered by lawyers who are also key management personnel of the Group. There are no related professional fees paid yet as of September 30, 2014 and as of September 30, 2013, ₱0.92 million were paid.

9. Loss Per Share

	Nine Months Ended September 30	
	2014	2013
Net Income (Loss)	₱(387,319)	₱3,924,649
Weighted Average Number of Common Shares	63,321,349	63,321,349
Income (Loss) Per Share	₱(0.006)	₱0.062

10. 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.

11. 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, 2014	December 31, 2013
	(Unaudited)	(Audited)
Cash and cash equivalents	₱60,191,837	₱61,981,374
Receivables	10,591,484	10,534,570
	₱70,783,321	₱72,515,944

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.

The Group's other financial liabilities comprise accounts payable and other liabilities, excluding expanded withholding and other taxes, amounting to ₱2.2 million and ₱3.5million as of September 30, 2014 and December 31, 2013, respectively. As at September 30, 2014 and December 31, 2013, the Group's financial assets amounting to ₱70.8 million and ₱72.5 million, respectively, were determined by management to be realizable within one year.

The Group's Accounts and other payables are normally settled within 30-60 days.

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's dividend declaration is dependent on availability of earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the period ended September 30, 2014 and December 31, 2013.

The table below summarizes the total capital considered by the Group:

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Capital Stock	₱98,321,349	₱98,321,349
Deficit	(28,775,856)	(28,388,537)
	₱69,545,493	₱69,932,812

The Group monitors capital on the basis of the debt-to-equity ratio. The Group's debt-to-equity ratio as of September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014 (Unaudited)	2013 (Audited)
Accounts payable and other liabilities (a)	₱3,581,318	₱4,866,410
Total equity (b)	69,545,493	69,932,812
Debt to Equity Ratio (a/b)	0.05:1	0.07:1

12. Financial Instruments

Fair Value Information and Categories of Financial Instruments

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, Receivables, Due from Related Parties and Accrued Expenses and Other Liabilities

Due to the short term nature of the transactions the carrying values of these financial assets and liabilities approximate their fair values as of financial reporting date.

AFS Financial Assets

The fair values were determined by reference to market bid quotes as at the end of the reporting period. For unquoted equity securities for which no reliable basis of fair value measurement is available, these are carried at cost.

The fair values are based on quoted prices published in the Philippine equity markets.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value by valuation technique:

- Quoted prices in active markets for identical asset or liability (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those inputs for assets or liability that are not based on observable market data (unobservable inputs) (Level 3).

13. Segment Information

As of September 30, 2014 and 2013, 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:

	2014	2013
Net Income (Loss)	₱(387,319)	₱6,469,831
Other information:		
Segment assets	73,126,811	75,501,929
Segment liabilities	3,581,318	4,319,206

Financial Soundness Indicators

		September 2014	September 2013
Current Ratio			
Current Assets ÷	₱73,126,811/₱3,581,318	20.42	
Current Liabilities	₱75,501,929/₱4,333,152		17.42
Interest Coverage Ratio**			
EBIT ÷	₱(731,429)/₱0-	NA	
Interest Expense	₱5,740,024/₱0-		NA
Debt Ratio			
Total Liabilities ÷	₱3,581,318/₱73,126,811	0.049	
Total Assets	₱4,319,207/₱75,501,929		0.057
Debt to Equity Ratio			
Total Liabilities ÷	₱3,581,318/₱69,545,493	0.051	
Stockholders' Equity	₱4,319,207/₱71,182,722		0.061
Asset to Equity Ratio			
Total Assets ÷	₱73,126,811/₱69,545,493	1.051	
Stockholders' Equity	₱75,501,929/₱71,182,722		1.061
Return on Asset			
Net Income (Loss) ÷	₱(387,319)/₱73,126,811	(0.005)	
Total Assets	₱6,469,831/₱75,501,929		0.086
Return on Equity			
Net Income (Loss) ÷	₱(387,319)/₱69,545,493	(0.005)	
Stockholders' Equity	₱6,469,831/₱71,182,722		0.091
Net Profit Margin			
Net Income (Loss) ÷	₱(387,319)/₱430,138	*(0.900)	
Total Sales	₱6,469,831/₱7,293,660		0.887
Income (Loss) per share			
Net Income (Loss) ÷	₱(387,319)/63,321,349	₱(0.006)	
Weighted Ave. No. of shares	₱6,469,831/63,321,349		₱0.102

*The reported revenues for 2014 purely interests earned from bank deposits and short term placements.

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