

# COVER SHEET

SEC Registration Number

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Company Name

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Principal Office ( No./Street/Barangay/City/Town)Province)

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Form Type

17Q1 2015
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Department requiring the report

C	F	D
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Secondary License Type, if Applicable

	N	A
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## COMPANY INFORMATION

Company's Email Address

<a href="mailto:asiabestgroup@gmail.com">asiabestgroup@gmail.com</a>
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Company's Telephone Number/s

(632) 9289246
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Mobile Number

N/A
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No. of Stockholders

421
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Annual Meeting  
Month/Day

3rd Monday of May
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Fiscal Year  
Month/Day

12/31
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## CONTACT PERSON INFORMATION

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

Name of Contact Person

Atty. Venus L. Gregorio
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Email Address

<a href="mailto:nitsbeng.gregoriolaw@mydestiny.net">nitsbeng.gregoriolaw@mydestiny.net</a>
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Telephone Number/s

(632) 9289246
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Mobile Number

N/A
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Contact Person's Address

45 South Maya, Philam Homes, Quezon City
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**Note:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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 **March 31, 2015**
2. SEC Identification Number **000042543**      3. BIR Tax Identification No. **000-196-724**
4. Exact name of issuer as specified in its charter **ASIABEST GROUP INTERNATIONAL INC.**
5. **Republic of the Philippines**  
Province, Country or other jurisdiction of  
incorporation or organization
6.  (SEC use only)  
Industry Classification Code
7. **20<sup>TH</sup> Floor, The Peak Tower,**  
**107 LP Leviste St., Salcedo Village, Makati City**      **1227**  
Address of principal office      Postal Code
8. **(632) 9289246**  
Issuer's telephone number, including are code
9. **N/A**  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock<br>Issued and Outstanding |
|---------------------|--|
| <b>Common stock</b> | <b>200,000,000</b>   |
- Amount of debt outstanding as of March 31, 2015:      ₱4,079,695**
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:
- |  |                     |
|--|---------------------|
| <b>Philippine Stock Exchange, Inc.</b> | <b>Common stock</b> |
|--|---------------------|
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

#### March 31, 2015 and December 31, 2014 and Three Months Ended March 31, 2015 and 2014

#### Financial Performance and Results of Operation

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Current Assets	<b>₱71,877,508</b>	₱72,632,106
Total Assets	<b>71,877,508</b>	72,632,106
Current Liabilities	<b>4,079,695</b>	4,671,806
Equity	<b>67,797,812</b>	67,960,300

  

	Three Months Ended March 31 (Unaudited)	
	2015	2014
Interest Income	<b>₱175,765</b>	₱148,758
Expenses	<b>303,100</b>	430,235
Net Loss	<b>(162,488)</b>	(311,228)

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. During the prior years, owing to its long period of non-operations since 1998, it had no income to declare.

For the three months ended March 31, 2015 and 2014 net loss amounted to ₱0.162 million and ₱0.311 million, respectively, which resulted to an accumulated deficit of ₱30.52 million and ₱28.70 million. As of March 31, 2015 and December 31, 2014, the Company's equity amounted to ₱67.80 million and ₱67.96 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 a share to various investors. They also approved the creation of several subsidiaries via investment in various corporations where the Company will own 100% of the outstanding capital stock of the said subsidiaries. Moreover, the BOD approved the change of corporate name of the Parent Company and 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.

In 2014, no management fee related to the agreement was recognized since no services were provided over the areas covered by the MPSA. Management fee recognized, in relation to the agreement, amounted to ₱ 7.3 million and ₱3.6 million in 2013 and 2012, respectively.

On 7 April 2015, the Board approved the cancellation of the Management Agreement subject to payment of a termination fee equivalent to the average of the last three (3) years management fees.

Also in the 7 April 2015 Board meeting, the Board approved the additional investments into Millionaire's Offices and Properties Inc. in the amount of Ninety Five Million Pesos (Php95,000,000) equivalent to Ninety Five Million (95,000,000) shares of stock of Millionaires.

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 going concern. The Company's management continues to assess investment opportunities and various options regarding operations that the Company may undertake in the future.

The interest income earned by the Company on short-term investments for the three months ended March 31, 2015 totaled to about ₱0.176 million, a decrease of about ₱0.028 million or 18% compared to ₱0.149 million of 2014. The decrease was attributable to lower average short term investments due to payment of operating expenses and lower interest rate.

Total expenses for March 31, 2015 totaled about ₱0.303 million, a decrease of about ₱.127 million or 30% compared to ₱0.430 million of 2014. The decrease was attributed mainly to lower professional fees paid for the company's stock and transfer agent.

Cash and cash equivalents amounted to ₱60.01 million as of March 31, 2015 as compared to ₱60.81 million as of December 31, 2014 or a decrease of ₱0.80 million or 1%. 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 increased to ₱9.58 million in March 31, 2015 from ₱9.56 million or 0.1% of 2014 mainly due to accrued interest income relative to the short term placements of the company.

Other current assets of ₱2.29 million in March 31, 2015, an increase by ₱0.03 million or 1% compared to ₱2.26 million of 2014 are due mainly to additional input value-added tax and deferred input value added tax on professional fees and PSE annual maintenance fees incurred for the period.

Accounts and other payables of ₱4.08 million in March 31, 2015, decreased by ₱0.59 million or 13% compared to ₱4.67 million of 2014. The decrease was due mainly to the payment of deferred output value added tax from the management income earned for the year 2013.

#### Key Performance Factors:

	March 2015	March 2014
Net Income (Loss)	(₱162,488)	(₱311,228)
Current Assets	₱71,877,508	₱73,870,563
Current Liabilities	₱4,079,695	₱4,248,979
Total Liabilities	₱4,079,695	₱4,248,979
Stockholders' Equity	₱67,797,812	₱69,621,584
Debt to Equity Ratio		
₱4,079,695/₱67,797,812	0.060	
₱4,248,979/₱69,621,584		0.061
Current Ratio		
₱71,877,508/₱4,079,695	17.62	
₱73,870,563/₱4,248,979		17.39
Income (Loss) per share		
(₱162,488)/63,321,349	₱(0.003)	
(₱311,228)/63,321,349		₱(0.005)

#### 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 within a period of two months from the signing of the HOA, a joint venture company (JVC) under the laws of Hong Kong. Pursuant to the Addendum to HOA dated 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 March 31, 2015, 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 May 13, 2015.

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 MARCH 31, 2015

(Based on Unaudited Figures)

	Up to 3 months	Over 3 Months to One Year	Over One Year	Past Due	Total
Other Receivables	₱	₱9,528,094	₱	₱ -	₱9,528,094
Interest Receivables	52,985				52,985
	₱ 52,985	₱9,528,094	₱ -	₱ -	₱9,581,079
Less: Allowance for doubtful accounts					
Net Receivables	₱ 52,985	₱9,528,094	₱ -	₱ -	₱9,581,079



ASIABEST GROUP INTERNATIONAL INC. & SUBSIDIARIES

FINANCIAL STATEMENTS  
AS AT MARCH 31, 2015 (UNAUDITED) AND  
DECEMBER 31, 2014 (AUDITED)

AND

FOR THE THREE MONTHS ENDED  
MARCH 31, 2015 AND 2014 (UNAUDITED)

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

	Unaudited Consolidated March 31, 2015	Audited Consolidated December 31, 2014
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents (Note 4)	P 60,009,091	P 60,813,171
Receivables (Notes 5 & 8)	9,581,079	9,561,957
Other current assets (Note 6)	2,287,338	2,256,978
	<u>71,877,508</u>	<u>72,632,106</u>
<b>Total Assets</b>	<b>P 71,877,508</b>	<b>P 72,632,106</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts & other payables (Note 7)	P 4,079,695	P 4,671,806
<b>Total Liabilities</b>	<u>4,079,695</u>	<u>4,671,806</u>
Stockholders' Equity		
Capital Stock	98,321,349	98,321,349
Deficit	(30,523,537)	(30,361,049)
<b>Total Stockholders' Equity</b>	<u>67,797,812</u>	<u>67,960,300</u>
	<u>P 71,877,508</u>	<u>P 72,632,106</u>

*See accompanying Notes to Consolidated Financial Statements*

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

	Three Months	
	January 1 to March 31, 2015	January 1 to March 31, 2014
REVENUES	₱	₱
EXPENSES	(303,100)	(430,235)
OTHER INCOME		
Interest Income (Note 4)	175,765	148,758
INCOME (LOSS) BEFORE INCOME TAX	(127,335)	(281,477)
PROVISION FOR INCOME TAX	(35,153)	(29,752)
NET LOSS	₱ (162,488)	₱ (311,228)
WEIGHTED AVERAGE NUMBER OF COMMON SHARE	63,321,349	63,321,349
Net Income (Loss) Per Share (Note 9)	(0.003)	(0.005)

*See accompanying Notes to Consolidated Financial Statements*

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

	Three Months		Audited	
	CONSOLIDATED			
	January 1 to March 31, 2015	January 1 to March 31, 2014	January 1 to December 31, 2014	January 1 to December 31, 2013
<b>CAPITAL STOCK - ₱ 1 par value</b>				
<b>ISSUED</b>				
Balance at the beginning of the year	₱ 63,321,349	₱ 63,321,349	₱ 63,321,349	₱ 63,321,349
Issuance	-	-	-	-
Effect of Restructuring	-	-	-	-
	63,321,349	63,321,349	63,321,349	63,321,349
<b>SUBSCRIBED</b>				
Balance at the beginning of the year	35,000,000	35,000,000	35,000,000	35,000,000
Issuance	-	-	-	-
Subscription Receivable	-	-	-	-
	35,000,000	35,000,000	35,000,000	35,000,000
	98,321,349	98,321,349	98,321,349	98,321,349
<b>ADDITIONAL PAID IN CAPITAL</b>				
Balance at the beginning of the year	-	-	-	-
Effect of restructuring	-	-	-	-
Balance at the end of year	-	-	-	-
<b>DEPOSIT ON SUBSCRIPTIONS</b>				
Balance at the beginning of the year	-	-	-	-
Issuance	-	-	-	-
Balance at the end of year	-	-	-	-
<b>DEFICIT</b>				
Balance at the beginning of the year	(30,361,049)	(28,388,537)	(28,388,537)	(33,608,458)
Effect of restructuring	-	-	-	-
Total Comprehensive Loss	(162,488)	(311,228)	(1,972,512)	5,219,921
Balance at the end of year	(30,523,537)	(28,699,765)	(30,361,049)	(28,388,537)
	₱ 67,797,812	₱ 69,621,584	₱ 67,960,300	₱ 69,932,812

See accompanying Notes to Consolidated Financial Statements

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

	Three Months	
	January 1 to March 31, 2015	January 1 to March 31, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (Loss) before income tax	₱ (127,335)	₱ (281,477)
Adjustment for Interest Income	(175,765)	(148,758)
Operating income before working capital changes	(303,100)	(430,235)
(Increase) Decrease in Receivables	(19,122)	(54,840)
(Increase) Decrease in Other Current Assets	(30,360)	(38,700)
Increase (Decrease) in Accounts & Other payables	(592,111)	(617,431)
Cash required by operations	(944,692)	(1,141,206)
Interest Income	175,765	148,758
Final Tax Paid on Interest	(35,153)	(29,752)
Net Cash Provided by operating activities	(804,080)	(1,022,199)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(804,080)	(1,022,199)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	60,813,171	61,981,374
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	₱ 60,009,091	₱ 60,959,175

*See accompanying Notes to Consolidated Financial Statements*

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

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

Corporate Information

Asiabest Group International, Inc.(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 St., Salcedo Village, Makati City.

On May 3, 2011, SEC lifted the June 9, 2003 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 as previously represented by HDI Securities Inc. The agreements covered the subscription of 45 million shares at ₱1 par value or equivalent to ₱45.0 million.

On June 17, 2011, the Parent Company executed subscription agreements with various investors for the remaining unissued portion of the 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 Corporation 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 two-thirds 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. The capital increase is yet to be applied with the SEC.

As at March 31, 2015, the subsidiaries have not yet started their operations.

As shown in the accompanying consolidated financial statements, the Group had a deficit of ₱30.52 million and ₱28.70 million as at March 31, 2015 and 2014, respectively.

Authorization for the Issuance of the Consolidated Financial Statements

The consolidated financial statements for the three months ended March 31, 2015 and 2014 were authorized for issue in accordance with a resolution of the Audit Committee on May 13, 2015.

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**2. Basis of Preparation, Statement of Compliance, Basis of Consolidation, Changes in Accounting Policies 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 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 the 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 (NCI), 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.

### NCI

Where the ownership of a subsidiary is less than 100%, and therefore a NCI 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 statement of comprehensive income 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 following new and amended PFRS, PAS, and Philippine Interpretations based on International Financial Reporting Interpretation Committee (IFRIC) and improvements to PFRS which were adopted as at January 1, 2014.

- *Investment Entities (Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 27, Separate Financial Statements)*  
These amendments 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). These amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group since the Group does not qualify as an investment entity under PFRS 10.
- *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 have no impact on the Group's financial position or performance. The Group continues to present financial assets and financial liabilities at gross since the management has assessed that offsetting arrangements are not automatic.
- *PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial 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 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- *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. The Group has no derivatives during the current period which will be considered for future novations.
- *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. The Group does not expect that IFRIC 21 will have material financial impact in future Group financial statements.

#### *Annual Improvements to PFRSs (2010-2012 cycle)*

In the 2010-2012 Annual Improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group's financial statements.

#### *Annual Improvements to PFRSs (2011-2013 cycle)*

In the 2011-2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards-First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first time PFRS adopter.



### Future Changes in Accounting Policies

The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its financial statements. The relevant disclosures will be included in the notes to the financial statements when these become effective.

#### *Effective Date to be Determined*

- *PFRS 9, Financial Instruments - Classification and Measurement (2010 version)*  
PFRS 9 (2010 version) 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. 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 other comprehensive income (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 not have an impact on the classification and measurement of the Group's financial assets and liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- *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 FRSC have deferred the effectivity of this interpretation until the final revenue standard is issued by the International Accounting Standards Board (IASB) 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 impact on the financial statements of the Group.

The following new Standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval of the BOA.

#### *Effective January 1, 2015:*

- *PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*  
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since the Group has no defined benefit plans with contributions from employees or third parties.

#### *Annual Improvements to PFRSs (2010-2012 cycle)*

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

- *PFRS 2, Share-based Payment - Definition of Vesting Condition*  
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- a) A performance condition must contain a service condition.
  - b) A performance target must be met while the counterparty is rendering service.
  - c) A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - d) A performance condition may be a market or non-market condition.
  - e) If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*  
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39 (or PFRS 9, if early adopted). The Group shall consider this amendment for future business combinations.
  - 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 are applied retrospectively and clarify that:
    - a) An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar".
    - b) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The amendment will not have an impact on the Group since the Group has only one business segment.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*  
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment will not have a material effect on the Group since it adopts the cost model of accounting.
- PAS 24, *Related Party Disclosures - Key Management Personnel*  
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

#### *Annual Improvements to PFRSs (2011-2013 cycle)*

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*  
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - a) Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - b) This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*  
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable). The amendment has no impact on the Group's financial position or performance.
- PAS 40, *Investment Property*

The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendments affect disclosures only and have no impact on the Group's financial position or performance.

*Effective January 1, 2016:*

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*  
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016. These amendments will not have any impact on the Group's financial statements.
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments)*  
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group shall consider this amendment for future acquisitions of interests in joint operations.

- PFRS 14, *Regulatory Deferral Accounts*  
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*  
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group's future financial statements.
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants (Amendments)*  
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will

apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- *PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*  
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's financial statements.

#### *Annual Improvements to PFRSs (2012-2014 cycle)*

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

- *PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*  
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. These amendments will not have any impact on the Group's financial statements.
- *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*  
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. The Group expects that this amendment will not have any impact on its financial statements.
- *PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*  
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. These amendments will not have any impact on the Group's financial statements.
- *PAS 19, Employee Benefits - Regional Market Issue Regarding Discount Rate*  
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. These amendments will not have any impact on the Group's financial statements.
- *PAS 34, Interim Financial Reporting - Disclosure of Information "Elsewhere in the Interim Financial Report"*  
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). These amendments will not have any impact on the Group's financial statements.

#### *Effective January 1, 2018:*

- *PFRS 9, Financial Instruments- Hedge Accounting* and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)

PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The Group shall consider the effects of this amendment in its future hedging transactions.

- PFRS 9, *Financial Instruments* (2014 or final version)  
In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The adoption of PFRS 9 is not expected to have significant impact on the Group's financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*  
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The adoption of this standard does not affect the Group's financial position and performance.

## 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 liabilities 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 assets at FVPL, HTM and AFS financial asset as at December 31, 2014 and 2013. The Group's financial liabilities as at December 31, 2014 and 2013 are in the nature of other financial liabilities. The Group had no financial liabilities at FVPL as at December 31, 2014 and 2013.

#### *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 11.

#### *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 December 31, 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 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 December 31, 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 statement of comprehensive income, 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.

#### Value-Added Tax (VAT)

##### *Input 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.

##### *Deferred Input VAT*

Deferred input VAT arises from acquisition of goods and services on account and will be recognized as input VAT upon payment.



#### *Deferred Output VAT*

Deferred output VAT arises from rendering of services on account and will be recognized as output VAT upon collection.

#### Impairment of Other Current Assets

The Group provides allowance for impairment losses on nonfinancial other current assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease prepayments and other current 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 carry forward 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 not adjusting events are disclosed in the notes to consolidated financial statements when material.

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### 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 each of the entities 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 collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the clients, the clients' payment behavior and known market factors. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses on receivables would increase the Group's recorded operating expenses and decrease receivables.

The Group did not recognize any provision for impairment loss in 2014, 2013 and 2012. As at March 31, 2015 and December 31, 2014, the carrying values of receivables amounted to ₱9.6 million (see Note 5).

*Estimating Allowance for Impairment Losses of Nonfinancial Other Current Assets*

An impairment review is performed when certain impairment indicators are present. Determining the value in use of nonfinancial assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets and requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements.

Future events could cause the Group to conclude that the nonfinancial assets are impaired. Any resulting additional impairment loss could have a material adverse impact on the Group's financial condition and results of operations. The preparation of the estimated future cash flows involves significant judgment and estimations.

There was no impairment loss recognized in 2014, 2013 and 2012.

As at March 31, 2015 and December 31, 2014, the carrying values of the Group's nonfinancial other current assets amounted to ₱2.3 million, net of allowance for impairment losses amounting to ₱1.0 million (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 December 31, 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 category are set out in Note 12 of the consolidated financial statements.

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**4. Cash and Cash Equivalents**

Cash and cash equivalents consist of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Cash in bank	₱1,996,648	₱2,581,873
Cash equivalents	58,012,443	58,231,298
	<b>₱60,009,091</b>	<b>₱60,813,171</b>

Cash in bank earns interest at the respective bank deposit rates. Cash equivalents are made for varying period of up to three months depending on the Group's immediate cash requirements and earn interest at the respective short-term deposit rates. Interest Income amounted to ₱175,765 and ₱148,758 for the period ended March 31, 2015 and 2014, respectively.

## 5. Receivables

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Trade Receivables	₱9,528,094	₱9,528,094
Interest Receivable	52,985	33,863
	<b>₱9,581,079</b>	<b>₱9,561,957</b>

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:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Creditable withholding tax	₱2,387,583	₱2,387,583
Input value-added tax	820,548	790,188
Deferred Input value-added tax	87,600	87,600
	<b>3,295,731</b>	<b>3,265,371</b>
Less: Allowance for probable losses	<b>1,008,393</b>	<b>1,008,393</b>
	<b>₱2,287,338</b>	<b>₱2,256,978</b>

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

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

Deferred input VAT represents VAT imposed on the Company by its unpaid suppliers for the acquisition of goods and services.

## 7. Accounts and other payables

Accounts and other payables consist of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Accrued professional fees	₱2,567,900	₱3,177,900
Deferred Output VAT	1,178,733	1,178,733
Dividends Payable	273,300	273,300
Advances from a stockholder	-	-
Others	59,762	41,873
	<b>₱4,079,695</b>	<b>₱4,671,806</b>

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.

#### Transactions with Related Parties

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

- a. On March 5, 2012, the Company gave its conformity to the execution of a General Contractor Agreement between Geogen and NiHAO under which NiHAO shall bear the management fees pursuant to the Management Agreement with Option to Buy. Mining operations started in 2012. Outstanding balance as at December 31, 2014 and 2013 amounted to ₱9.53 million and ₱10.53 million, respectively.

#### 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 no related professional fees paid as of March 31, 2014 and 2013.

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## 9. Loss Per Share

	<b>Three Months Ended March 31</b>	
	<b>(Unaudited)</b>	
	<b>2015</b>	<b>2014</b>
<b>Net Loss</b>	<b>₱162,488</b>	<b>₱311,228</b>
<b>Weighted Average Number of Common Shares</b>	<b>63,321,349</b>	<b>63,321,349</b>
<b>Loss Per Share</b>	<b>₱0.003</b>	<b>₱0.005</b>

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## 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.

In 2014, no management fee related to the agreement was recognized since no services were provided over the areas covered by the MPSA. Management fee recognized, in relation to the agreement, amounted to ₱7.3 million and ₱3.6 million in 2013 and 2012, respectively.

On 7 April 2015, the Board approved the cancellation of the Management Agreement subject to payment of a termination fee equivalent to the average of the last three (3) years management fees.

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## 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:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Cash and cash equivalents	₱60,009,091	₱60,813,171
Receivables	9,581,079	9,561,957
	<b>₱69,590,170</b>	<b>₱70,375,128</b>

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

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

### Liquidity Risk

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

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

The Group's other financial liabilities comprise accounts payable and other liabilities, excluding expanded withholding and other taxes, amounting to ₱2.8 million and ₱3.4 million as of March 31, 2015 and December 31, 2014, respectively. As at March 31, 2015 and December 31, 2014, the Group's financial assets amounting to ₱70 million and ₱70.4 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 March 31, 2015 and December 31, 2014.

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

	<b>March 31, 2015</b> (Unaudited)	December 31, 2014 (Audited)
Capital Stock	<b>₱98,321,349</b>	₱98,321,349
Deficit	<b>(30,523,537)</b>	(30,361,049)
	<b>₱67,797,812</b>	₱67,960,300

The Group monitors capital on the basis of the debt-to-equity ratio. The Group's debt-to-equity ratio as of March 31, 2015 and December 31, 2014 are as follows:

	<b>March 31, 2015</b> (Unaudited)	December 31, 2014 (Audited)
Total Liabilities (a)	<b>₱4,079,695</b>	₱4,671,806
Total equity (b)	<b>67,797,812</b>	67,960,300
Debt to Equity Ratio (a/b)	<b>0.06:1</b>	0.07:1

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## 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, and Accounts Payable 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.

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## 13. Segment Information

The Group has only one business segment which primarily involved in mining. The Group only operates in one geographical location, thus, no information on geographical segment is presented.



## Financial Soundness Indicators

		March 2015	March 2014
Current Ratio			
Current Assets ÷	P71,877,508/P4,079,695	17.62	
Current Liabilities	P73,870,563/P4,248,979		17.39
Interest Coverage Ratio**			
EBIT ÷	P(162,488)/P-0-	NA	
Interest Expense	P(311,228)/P-0-		NA
Debt Ratio			
Total Liabilities ÷	P4,079,695/P71,877,508	0.057	
Total Assets	P4,248,979/P73,870,563		0.058
Debt to Equity Ratio			
Total Liabilities ÷	P4,079,695/P67,797,812	0.060	
Stockholders' Equity	P4,248,979/P69,621,584		0.061
Asset to Equity Ratio			
Total Assets ÷	P71,877,508/P67,797,812	1.060	
Stockholders' Equity	P73,870,563/P69,621,584		1.061
Return on Asset			
Net Income (Loss) ÷	P(162,488)/P71,877,508	(0.002)	
Total Assets	P(311,228)/P73,870,563		(0.004)
Return on Equity			
Net Income (Loss) ÷	P(162,488)/P67,797,812	(0.002)	
Stockholders' Equity	P(311,228)/P69,621,584		(0.004)
Net Profit Margin			
Net Income (Loss) ÷	P(162,488)/P175,765	(0.924)	
Total Sales	P(311,228)/P148,758		(2.092)
Income (Loss) per share			
Net Income (Loss) ÷	P(162,488)/63,321,349	(P0.003)	
Weighted Ave. No. of shares	P(311,228)/63,321,349		(P0.005)

\*The reported revenues are purely interests earned from bank deposits and short term placements.

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