C O V E R   S H E E T

SEC Registration Number

4 2 5 4 3

COMPANY NAME

A S I A B E S T   G R O U P   I N T E R N A T I O N A L
I N C

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17Q3	C R M D	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
asiabestgroup@gmail.com	(632) 9289246	N/A

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
420	3rd Monday of May	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Venus L. Gregorio	attybal@yahoo.com	(632) 9289246	N/A

CONTACT PERSON'S ADDRESS

45 South Maya, Philam Homes, Quezon City

Note 1 : In case of death, resgination or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause delay in updating the coproration's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability of its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2016**

2. SEC Identification Number **0000042543**   3. BIR Tax Identification No. **000-196-724**

4. Exact name of issuer as specified in its charter **ASIABEST GROUP INTERNATIONAL INC.**

5. **Republic of the Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC use only)
   Industry Classification Code

7. **20TH Floor, The Peak Tower,**
   107 LP Leviste St., Salcedo Village, Makati City   **1227**
   Address of principal office   Postal Code

8. **(632) 9289246**
   Issuer's telephone number, including are code

9. **N/A**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Issued and Outstanding
Common stock	**200,000,000**

Amount of debt outstanding as of September 30, 2016: ₱4,203,445

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

    Yes [**X**]   No [ ]

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

    Philippine Stock Exchange, Inc.   **Common stock**

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

    Yes [**X**]   No [ ]

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

    Yes [**X**]   No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

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

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

September 30, 2016 and December 31, 2015 and
Nine Months Ended September 30, 2016 and 2015

Financial Performance and Results of Operation

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Current Assets	**₱68,080,444**	₱68,676,502
Total Assets	**73,166,292**	73,732,553
Current Liabilities	**4,203,445**	4,680,596
Equity	**68,962,847**	69,051,957

	Nine Months Ended September 30 (Unaudited)	
	2016	2015
Revenue		₱3,133,361
Interest Income	**₱480,942**	390,001
Expenses	**570,052**	656,497
Net Loss	**(89,110)**	2,866,865

For the nine months ended September 30, 2016 net loss amounted to ₱0.08 million while there is a net income of ₱2.9 million for September 2015, this resulted to an accumulated deficit of ₱29.3 million and ₱27.9 million for the same periods. As of September 30, 2016 and December 31, 2015, the Company's equity amounted to ₱68.9 million and ₱69.05 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. It also approved the creation of several subsidiaries via investment in various corporations where the Company will own 100% of the outstanding capital stock of the said subsidiaries. Moreover, the Board of Directors approved the change of corporate name of the Parent Company and as approved by the Securities and Exchange Commission on 26 March 2012, the current 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 after 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 (HOA) 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 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 Management Agreement was cancelled with payment of a termination fee equivalent to the average of the last three (3) years management fees or the amount of ₱3.13 million.

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

The interest income earned by the Company on short-term investments for the nine months ended September 30, 2016 totaled to about ₱0.6 million, an increase of about ₱ 0.2 million or 33% compared to ₱0.4 million of September 30, 2015. The increase was attributable to income earned from interest of short term investment as part of cash and cash equivalent of the company

Total expenses for September 30, 2016 totaled about ₱0.57 million, a decrease of about ₱ 0.1 million or 13% compared to ₱0.66 million of September 30, 2015. The decrease was caused by the lesser expense incurred by the company this year.

Cash and cash equivalents amounted to ₱68.08 million as of September 30, 2016 as compared to ₱68.67 million as of December 31, 2015 or a decrease of ₱0.6 million or 1%. The decrease in cash and cash equivalents was due to payment of audit fees and renewal of the Company's Business Permit.

Receivables decreased by ₱0.121 million in September 30, 2016 from ₱3.161 million to ₱ 3.040 due to interest receivables from prior years already paid.

Other current assets decreased to ₱2.045 million in September 30, 2016, or a decrease of ₱0.65 million or 24% compared to ₱2.4 million of September 30, 2015, due to reversal of creditable withholding tax used to compensate taxable income from previous years' payment of receivables.

Accounts and other payables is ₱4.2 million in September 30, 2016, a decrease of ₱0.4 million or 8% compared to ₱4.67 million of September 30, 2015. The decrease was due to the payment of accrued professional fees.

Key Performance Factors:

	September 2016	**September 2015**
Net Income (Loss)	**(₱89,110)**	₱2,866,865
Current Assets	**₱73,166,292**	₱74,911,662
Current Liabilities	**₱4,203,445**	₱4,084,498
Total Liabilities	**₱4,203,445**	₱4,084,498
Stockholders' Equity	**₱68,962,847**	₱70,827,164
Debt to Equity Ratio		
₱4,203,445/₱68,962,847	**0.061**	
₱4,084,498/₱70,827,164		0.057
Current Ratio		
₱68,962,847/₱4,203,445	**16.41**	
₱74,911,662/₱4,084,498		18.34
Income (Loss) per share		
(₱89,110)/63,321,349	**₱ (0.0014)**	
₱2,866,865/63,321,349		₱ 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 Heads of Agreement (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 was formed with authorized capital of HK$100,000 with a par value of HK$1/share. The JVC issued and an initial paid-in capital of HK$10,000 was contributed by the parties as follows: (1) 50% from Glencore; and (2) 25% each for the Parent Company and NiHAO.

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

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

The JVC under the name of GNA Resources International Limited was incorporated in Hong Kong on November 23, 2011. As of September 30, 2016, the JVC has not started its main business operation and maybe deregistered upon mutual agreement between the parties subject to compliance with Hong Kong and Philippine laws.

In this interim period:

(a) There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way.

(b) There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

(c) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligation), and other relationships of the Company with unconsolidated entities or other persons created during the year.

(d) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

(e) There are no significant elements of income or loss that did not arise from the Company's continuing operations.

(f) There are no seasonal aspects that had a material effect on the Company's financial condition or results of operations.

(g) There are no material events and uncertainties known to management that would address the past and would have an impact on future operations of the Company.

PART II – OTHER INFORMATION

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

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized on November 9, 2016.

By:

ANTONIO VICTORIANO F. GREGORIO III
Chairman & President

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

ASIABEST GROUP INTERNATIONAL INC. AND SUBSIDIARIES

AGING OF RECEIVABLES

AS OF September 30, 2016

(Based on Unaudited Figures)

	Up to 9 months	**Over 9 Months to One Year**	**Over One Year**	**Past Due**	**Total**
Other Receivables	₱	₱3,039,360	₱	₱ -	₱3,039,360
Interest Receivables		1,185			1,185
		₱3,040,545	₱ -	₱ -	₱3,040,545
Less: Allowance for doubtful accounts					
Net Receivables		₱3,040,545	₱ -	₱ -	₱3,040,545

ASIABEST GROUP INTERNATIONAL INC. & SUBSIDIARIES

FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2016(UNAUDITED) AND
DECEMBER 31, 2015 (AUDITED)

AND

FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2016 AND 2015 (UNAUDITED)

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

		Unaudited September 30, 2016		Audited December 31, 2015
ASSETS				
Current Assets				
Cash and cash equivalents (Note 4)	₱	68,080,444	₱	68,676,502
Receivables (Notes 5 & 8)		3,040,545		3,045,062
Other current assets (Note 6)		2,045,303		2,010,989
		73,166,292		73,732,553
	₱	73,166,292	₱	73,732,553
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts & other payables (Note 7)	₱	4,203,445	₱	4,680,596
Total Liabilities		4,203,445		4,680,596
Stockholders' Equity				
Capital Stock		63,321,349		63,321,349
Authorized - 200,000,000 shares par value Php1.00				
Issued - 63,321,349				
Subscribed - 136,678,651 shares (net of subscription receivables of P 101,678,651)		35,000,000		35,000,000
Deficit		(29,358,502)		(29,269,392)
Total Stockholders' Equity		68,962,847		69,051,957
	₱	73,166,292	₱	73,732,553

See accompanying Notes to Consolidated Financial Statements

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

	Three Months		Nine Months	
	July 1 to September 30, 2016	July 1 to September 30, 2015	January 1 to September 30, 2016	January 1 to September 30, 2015
REVENUES	₱	₱ 3,133,361	₱	₱ 3,133,361
EXPENSES	(115,377)	(33,530)	(570,052)	(656,497)
OTHER INCOME				
Interest Income (Note 4)	172,836	117,935	601,177	390,001
INCOME (LOSS) BEFORE INCOME TAX	57,459	3,217,766	31,125	2,866,865
PROVISION FOR INCOME TAX	(34,567)		(120,235)	0
NET INCOME (LOSS)	₱ 22,892	₱ 3,217,766	₱ (89,110)	₱ 2,866,865
WEIGHTED AVERAGE NUMBER OF COMMON SHARE	63,321,349	63,321,349	63,321,349	63,321,349
Net Income (Loss) Per Share (Note 9)	0.000	0.051	(0.001)	0.045

See accompanying Notes to Consolidated Financial Statements

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

	Nine Months		Audited Audited	
	January 1 to September 30, 2016	January 1 to September 30, 2015	January 1 to December 31, 2015	January 1 to December 31, 2014
CAPITAL STOCK - ₱ 1 par value				
ISSUED				
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
SUBSCRIBED				
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
ADDITIONAL PAID IN CAPITAL				
Balance at the beginning of the year	-	-	-	-
Effect of restructuring	-	-	-	-
Balance at the end of year				
DEPOSIT ON SUBSCRIPTIONS				
Balance at the beginning of the year	-	-	-	-
Issuance	-	-	-	-
Balance at the end of year				
DEFICIT				
Balance at the beginning of the year	(29,269,392)	(30,361,049)	(30,361,049)	(28,388,537)
Effect of restructuring				
Total Comprehensive Loss	(89,110)	2,866,865	1,091,657	(1,972,512)
Balance at the end of year	(29,358,502)	(27,494,184)	(29,269,392)	(30,361,049)
	₱ 68,962,847	₱ 70,827,165	₱ 69,051,957	₱ 67,960,300

See accompanying Notes to Consolidated Financial Statements

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

	Three Months		Nine Months	
	July 1 to September 30, 2016	July 1 to September 30, 2015	January 1 to September 30, 2016	January 1 to September 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (Loss) before income tax	₱ 57,459	₱ 3,133,361	₱ 31,125	₱ 3,133,361
Adjustment for Interest Income	(172,836)	117,935	(601,177)	(1,460,001)
Operating income before working capital changes	(115,377)	3,251,296	(570,052)	1,673,360
(Increase) Decrease in Receivables	0	7,534,026	4,517	7,526,846
(Increase) Decrease in Other Current Assets	(2,583)	(1,478,397)	(34,314)	(1,513,593)
Increase (Decrease) in accounts & other payables	(3,194)	376,002	(477,151)	(587,308)
Cash required by operations	(121,154)	9,682,927	(1,077,000)	7,099,305
Interest Income	172,836	398	601,177	271,668
Final Tax Paid on Interest	(34,567)	0	(120,235)	0
Net Cash Provided by operating activities	17,115	9,683,325	(596,058)	7,370,973
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of capital stock				
Net Cash Provided (Used) in Investing Activities	0	0	0	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,115	9,500,846	(596,058)	8,174,477
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	68,063,329	59,486,802	68,676,502	60,813,171
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱ 68,080,444	₱ 68,987,648	₱ 68,080,444	₱ 68,987,648

See accompanying Notes to Consolidated Financial Statements

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

1. Corporate Information and Status of Operations

Corporate Information

Asiabest Group International, Inc. (Parent Company) and its subsidiaries, Alta Minera, Inc. (Alta Minera), Breccia Resources, Inc. (Breccia) and Millionaire's Offices and Properties, Inc. (Millionaires) (collectively referred to as the Group) were incorporated in the Philippines. The Parent Company was registered with the Philippine 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 Board of Directors (BOD) approved the sale and issuance, via private placement, of 136.7 million shares of the Company at ₱1.0 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 45.0 million shares at ₱1.0 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 136.7 million shares at ₱1.0 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 Alta Minera, Breccia and Millionaire's 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 BOD on August 16, 2011 and by vote of more than two-thirds (2/3) majority of the shareholders of the Parent Company in the Annual Stockholders' meeting held on October 7, 2011.

Status of Operation

For the period ended 31 December 2015, the Group realized an income of ₱3.13 million by way of cancellation fee for the termination of the Management Agreement with Geogen. No income was realized for the Third Quarter of 2016.

The Group had a deficit of ₱29.5 million and ₱27.4 million as at September 30, 2016 and 2015, respectively. The Parent Company's current management is assessing and identifying investment opportunities and various options that the Parent Company may undertake in the future.

To enable the Parent Company to further finance new businesses, on June 17, 2011 the BOD approved the increase in authorized capital stock of the Parent Company from ₱200.0 million, divided into 200.0 million shares at ₱1.0 par value, to ₱2.0 billion, divided into 2.0 billion shares at ₱1.0 par value. The increase in authorized capital stock is not yet filed with the SEC as at December 31, 2015.

As at September 30, 2016, the subsidiaries have not yet started commercial operations.

The consolidated financial statements for the nine months ended September 30, 2016 and 2015 were authorized for issue in accordance with a resolution of the Audit Committee on November 9, 2016.

2. Basis of Preparation, Statement of Compliance, Basis of Consolidation and Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The 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 consolidated financial statements of the Group 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 uniform 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 other comprehensive income 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 to statement of comprehensive income or retained earnings, as appropriate.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted as at 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. The amendment has no effect to the Group since it has no defined benefit plan 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 do not have impact to the consolidated financial statements of 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 performance condition must contain a service condition.
    - A performance target must be met while the counterparty is rendering service.
    - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same company.
    - A performance condition may be a market or non-market condition.
    - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

    The improvement does not have any effect to the Group as it has no share-based payment. However, the Group shall consider this amendment for future share-based payment.

  - 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 fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*. 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:

  - 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'.
  - 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.

- 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.

- 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.

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 do not have impact to the Group's consolidated financial statement disclosures. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Ventures*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - 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.

- PAS 40, *Investment Property - Clarifying the Interrelationship of PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied 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).

Standards and Interpretation Issued but not yet Effective
The Group will adopt the following 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 standards and interpretations to have a significant effect on its consolidated financial statements.

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 fair value through profit or loss (FVPL).

All equity financial assets are measured at fair value either through other comprehensive income 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 other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in other comprehensive income 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 to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no effect on the classification and measurement of financial liabilities.

PFRS 9 (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 will be adopted by the 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 Boards (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 effect on the consolidated financial statements of the Group.

Effective beginning 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. These 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 will not have any effect on the Group's consolidated financial statements.

- Amendments to PFRS 10, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 28, *Investment Entities: Applying the Consolidation Exception* (Amendments)
  These amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entities, even if the investment entity measures all of its subsidiaries at fair value. It also clarifies that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entities is consolidated. All other subsidiaries of an investment entity are measured at fair value. These amendments also allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entities of an associate or joint venture to its interests in subsidiaries. These amendments will not have effect to the Group since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- 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. These amendments are not expected to have any effect to the Group.

- PAS 1, *Disclosure Initiative* (Amendment)
  The amendments clarify the following:
  - The materiality requirements in PAS 1,
  - That specific line items in the statement(s) of income and OCI and the statement of financial position may be disaggregated,
  - That entities have flexibility as to the order in which they present the notes to financial statements, and
  - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates.

- 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 effect to the Group given that the Group has no property, plant and equipment.

- 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 effect 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 effect on the Group's consolidated 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 an impact on the Group's consolidated financial statements. 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.

- 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.

- PFRS 7 - *Applicability of the Offsetting Disclosures 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.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
  This amendment 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.

- 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).

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 adoption of PFRS 9 is not expected to have any significant effect on the Group's consolidated financial statements.

- 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 will have an effect on the classification and measurement of the Group's financial assets and methodology for financial assets, but will have no effect on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the effect of adopting this standard.

Issued by IASB but not yet Adopted by 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 January 1, 2018 with early adoption permitted. The Group is currently assessing the effect of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

The revised, amended and additional disclosures or accounting changes provided by the standards and interpretations will be included in the financial statements in the year of adoption, if applicable.

Summary of Significant Accounting and Financial Reporting Policies

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

Financial Instruments

Date of Recognition
The Group recognizes a financial asset or a financial liability in the consolidated 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.

The Group classifies its financial assets within the scope of PAS 39 in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) investments or as derivatives designated as hedging instrument in an effective hedge, as appropriate.

Financial liabilities are classified as financial liabilities at FVPL, derivatives designated as hedging instrument in an effective hedge, or as 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 investments and derivatives designated as hedging instrument in an effective hedge as at March 31, 2016 and 2015.

The Group's financial liabilities as at March 31, 2016 and 2015 are in the nature of other financial liabilities. The Group had no financial liabilities at FVPL and derivatives designated as hedging instrument in an effective hedge as at March 31, 2016 and 2015.

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 classified as current assets when these are expected to be realized within twelve (12) months from the end of the reporting period or within the Group's normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at September 30, 2016 and 2015, the Group's loans and receivables consist of cash and cash equivalents and receivables.

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liabilities. This includes liabilities arising from operation.

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 statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Other financial liabilities are classified as current when this is expected to be settled within twelve (12) months from the end of reporting period or within the Group's normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent.

As at September 30, 2016 and 2015, other financial liabilities consisted of accounts payable and other liabilities.

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

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.

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.

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

- the rights to receive cash flows from the asset have expired; 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
Financial liabilities are derecognized when the obligation under the liabilities are discharged, cancelled or has expired.

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

Other Current Assets
Other current assets include input value-added tax (VAT), deferred input VAT and creditable withholding tax (CWT).

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

Input VAT and deferred input VAT representing claims for refund from the taxation authorities after twelve (12) months from the end of reporting period are recognized as current asset. Input VAT and deferred input VAT are stated at its estimated net realizable value (NRV).

Revenues, expenses and assets are recognized, net of the amount of VAT, except:
- When the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- When receivables and payables that are stated with the amount of VAT are included.

The net amount of sales tax receivable from, or payable to, the taxation authority is included as part of other current assets or trade and other payables in the Group's consolidated statement of financial position.

CWTs
CWTs are withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that they are properly supported by certificates of CWT withheld at source subject to the rules in Philippine income taxation. CWTs which are claimed against income tax due represents excess of the tax payable and are carried over in the succeeding period for the same purpose.

Impairment of Other Current Assets
Other current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

The Group provides allowance for impairment losses on other current assets when it can no longer be realized. The amount and timing of recorded expense 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 expense and decrease other current assets. Impairment losses are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

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 Group's statement of comprehensive income. However, the increased carrying amount of an asset due to 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 recognized for that the asset in the prior years.

Capital Stock
The Group has issued capital stocks that are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of any related tax benefit, from the proceeds, if any.

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

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.

Expenses
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 period.

Deferred Income Tax
Deferred income tax is provided using the liability method on all temporary differences at the end of financial reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

The carrying amount of deferred income tax assets is reviewed at the end of each financial reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income 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.

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

Earnings (loss) per Common Share

Basic earnings (loss) per common share is determined by dividing net income (loss) 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.

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 consolidated statement of comprehensive income net of any reimbursement.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but 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.

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 consolidated 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 consolidated 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.

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 Philippine peso. The Philippine 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.

Determining 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 at the 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 reviews its receivables at each end of the reporting period to assess whether an allowance for impairment should be recorded in the consolidated statement of comprehensive income. The Group evaluates accounts individually and assesses at each financial reporting date an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumption about a number of factors and actual results may differ, resulting in future changes to the allowance.

The Group evaluates specific accounts where the Group has information that certain third parties are unable to meet their financial obligations. Facts, such as the Group's length of relationship with the other parties or other parties' current credit status, are considered to ascertain the amount of allowance that will be provided. The allowances are evaluated and adjusted as additional information is received.

No provision for impairment losses on receivables was recognized in September 30, 2016 and December 31, 2015 as management assessed that the receivables were not impaired. As at September 30, 2016 and December 31, 2015, the carrying values of receivables both amounted to ₱3.0 million (see Note 5).

Estimating Allowance for Impairment Losses on 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 other current assets.

No provision for impairment losses was recognized on the Group's other current assets in September 30, 2016, and December 31, 2015 as management assessed that the allowance recorded is sufficient to write down the other current assets to its recoverable amount. The carrying values of other current assets both amounted to ₱2.0 million, net of allowance for impairment losses amounting to almost ₱1.0 million (see Note 6).

Estimating Recoverability of Deferred Income Tax Assets
The Group's assessment on the recognition of deferred income tax assets on net operating loss carry over (NOLCO) is based on forecasted taxable income. This forecast is based on the Group's past results and future expectations of revenues and expenses.

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

Estimating Fair Value of Financial Instruments
PFRS requires that certain financial assets and financial liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (e.g. foreign exchange rates, interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and financial liabilities would directly affect the Group's statement of comprehensive income.

The fair values of the Group's financial assets as at September 30, 2016 and December 31, 2015 ₱71.1 million and ₱71.7 million, respectively. The fair value of financial liabilities as at September 30, 2016 and December 31, 2015 amounted to ₱4.3 million and ₱4.7 million, respectively.

4. Cash and Cash Equivalents

	09/30/2016 (Unaudited)	12/31/2015 (Audited)
Cash in banks	**₱3,352,919**	₱66,138,495
Short-term investments	**64,727,525**	2,538,007

	₱68,080,444	₱68,676,502

Cash in banks earn interest at the prevailing bank deposit rates.

Short-term investments are made for varying periods of up to six (6) months, depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term deposit rates.

Interest income earned amounted to ₱0.6 million and ₱0.377 million for the period ended September 30, 2016 and 2015, respectively, and is shown in the consolidated statements of comprehensive income.

5. **Receivables**

	09/30/2016 (Unaudited)	12/31/2015 (Audited)
Trade receivables (Note 8)	**₱3,039,360**	₱3,039,361
Interest receivable	**1,185**	5,701
	₱3,040,545	₱3,045,062

Trade receivables pertain to uncollected management fee arising from the cancellation of Management Agreement with Option to Buy with Geogen Corporation (Geogen). NiHAO Mineral Resources International, Inc. (NiHAO), a related party, shall bear the termination fees equivalent to the average of the last three (3) years management fees (see Notes 8). Trade receivables are non-interest bearing and are normally collectible on a forty-five (45) days term.

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

6. **Other Current Assets**

	09/30/2016 (Unaudited)	12/31/2015 (Audited)
CWTs	**₱2,794,640**	₱2,794,640
Input VAT	**176,864**	105,350
Deferred input VAT	**50,400**	87,600
	3,021,904	2,987,590
Less: Allowance for impairment losses	**(976,601)**	(976,601)
	₱2,045,303	₱2,010,989

CWTs are amounts withheld from income subject to expanded withholding taxes. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable withholding tax withheld at source subject to the rules on Philippines income taxation.

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 input VAT related to the Group's outstanding accounts payable and other liabilities and to be realized within twelve (12) months from end of reporting period.

Movements in the allowance for impairment losses on other current assets are as follows:

	09/30/2016 (Unaudited)	12/31/2015 (Audited)
Beginning balances	**₱976,601**	₱1,008,393
Reversal	**-**	(31,792)
Ending balances	**₱976,601**	₱976,601

7. Accounts Payable and Other Liabilities

	09/30/2016 (Unaudited)	12/31/2015 (Audited)
Accrued professional fees	**₱3,532,547**	₱3,818,400
Deferred output VAT	**376,003**	376,003
Dividends payable	**273,300**	273,300
Expanded withholding tax payable	**833**	182,111
Other current liabilities	**20,762**	30,682
	₱4,203,445	₱4,680,596

Accrued professional fees include professional fees already incurred but not yet billed. These are non-interest bearing and are generally settled in thirty (30) to sixty (60) days.

Deferred output VAT represents output VAT which is related to the accounts receivable outstanding and to be settled within twelve (12) months from end of reporting period.

Dividends payable pertains to unclaimed dividends declared by the Company's BOD.

Expanded withholding tax payable pertains to liability to the government which is payable within fifteen (15) days after the end of each month.

Other current liabilities include other expenses already incurred but not yet billed. These are non-interest bearing and are generally settled in thirty (30) to sixty (60) days, but may go beyond depending on the agreement of the involved parties.

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. These entities are considered related parties under Section 33, *Related Party Disclosures.*

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

Category	Amount/Volume	Outstanding Balance	Terms	Conditions
NiHAO				
Trade receivables (Note 5)				
09/30/2016	**₱-**	**₱3,039,361**	Collectible in cash and on demand, non-interest bearing	Unsecured, not impaired, and unguaranteed
12/31/2015	**₱3,039,361**	₱3,039,361		

Other significant information on the account balances and transactions with related parties are as follows:

On March 5, 2012, the Group 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.

On April 7, 2015, the agreement was cancelled with payment of termination fee equivalent to the average of the last three (3) years management fees by NiHAO to the Parent Company.

Transactions with Key Management Personnel
The Group avails of services, primarily consisting of legal and back office work, rendered by lawyers who are also key management personnel of the Group. There are no related professional fees paid as of 30 September 2016 and 2015.

9. **Loss Per Share**

	09/30/2016 (Unaudited)	12/31/2015 (Unaudited)
Net loss (a)	**₱ (89,110)**	(₱162,488)
Weighted average number of common shares (b)	**63,321,349**	63,321,349
Basic earnings (loss) per share (a/b)	**(₱0.0014)**	(₱0.003)

10. **Financial Risk Management, Objectives and Policies and Capital Management**

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise of cash and cash equivalents and receivables. The Group has other financial liabilities such as accounts payable and other liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Group's management is responsible for the comprehensive monitoring, evaluation and analysis of the Group's risks in line with the policies and limits set by the BOD. The Group's management reviews and approves policies for managing each of these risks and they are summarized below:

Credit Risk
Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equivalent to the carrying amount of cash and cash equivalents and receivables.

The BOD reviews and agrees policies for managing its credit risk. The Group trades only with a related party and recognized creditworthy third parties and loans and receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The table below shows the gross maximum exposure to on and off credit risk exposures of the Group, without considering the effects of collateral, credit enhancements and other credit mitigation techniques.

	09/30/2016 (Unaudited)	12/31/2015 (Audited)
Cash and cash equivalents	**₱68,080,444**	₱68,676,502
Receivables	**3,040,545**	3,045,062
	₱71,120,989	₱71,721,564

Cash and cash equivalents were classified as high grade since these are deposited and invested with a reputable bank that was duly approved by BOD and have low probability of insolvency. Cash in banks can be withdrawn anytime.

Receivables are classified as high grade since the Group trades only with recognized third parties, there is no requirement for collateral. These receivables are collectible when due.

Liquidity Risk
Liquidity risk is the risk that the Group could not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management.

The Group's exposure to liquidity risk relates 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.

Capital Management

The Group maintains a capital base to cover risks inherent in the business. 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.

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 in 2015 and 2014.

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

	09/30/2016 (Unaudited)	12/31/2015 (Audited)
Capital stock	**₱98,321,349**	₱98,321,349
Deficit	**(29,358,502)**	(29,269,392)
	₱68,962,847	₱69,051,957

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as total debt divided by equity. Total debt comprises all components of liability. Equity is comprised of capital stock and deficit.

The Group's debt-to-equity ratio as at September 30, 2016 and December 31, 2015 were as follows:

	09/30/2016 (Unaudited)	12/31/2015 (Audited)
Total liabilities (a)	**₱4,203,445**	₱4,680,596
Total equity (b)	**68,962,847**	69,051,957
Debt to Equity Ratio (a/b)	**0.061:1**	0.068:1