

COVER SHEET

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S.E.C. Registration Number

M I L L E N N I U M G L O B A L H O L D I N G S , I N C .

(F o r m e r l y I P V G C O R P .)

(Company's Full Name)

2 N D F L O O R S E N S E S S P A B U I L D I N G ,

M I A R O A D C O R N E R P I L D E R A S T . ,

T A M B O P A R A N A Q U E C I T Y 1 7 0 1

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

Mr. Yang Chi Jen (a.k.a. Michael Yang)

President/

Alternate Corporate Information and Compliance Officer

Ms. Amelia T. Tan

Treasurer

Atty. Lyra Gracia Y. Lipae-Fabella

Corporate Secretary/

Corporate Information and Compliance Officer

Contact Person/s

(632) 551-2575

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

SEC Form 17-Q
September 30, 2014

FORM TYPE

June

Month

Last
Friday

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.
Number/Section

Amended

Articles

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the quarter ended **September 30, 2014**
2. SEC registration number **25160**
3. BIR Tax Identification No **000-189-138-000**
4. Exact name of issuer as specified in its charter **Millennium Global Holdings, Inc.** (Formerly IPVG Corp.)
5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**
6. Industry Classification Code: (SEC Use Only)
7. **2nd Floor Senses Spa Bldg., MIA Road corner Pildera St. Tambo, Paranaque City** **1701**
Address of issuer's principal office Postal Code

Issuer's telephone number, including area code **(632) 551-2575**
8. **IPVG Corp., 34F RCBC Plaza Tower 2, 6819 Ayala Avenue 1200, Makati City**
Former name, former address and former fiscal year, if changed since last report
9. 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 outstanding and amount of debt outstanding
Common	2,134,215,000 shares

10. Are any or all of the securities listed on a Stock Exchange?

Yes [☒] No [☐]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange; Common Shares

11. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 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 the registrant was required to file such reports)

Yes [☒] No [☐]

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

Yes [☒] No [☐]

12. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

The aggregate market value of the voting stock held by non-affiliates of the Company as of September 30, 2014 is Php 292,572,067.67 (622,493,761 shares @ 0.47 /share)

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

13. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes ☐ No ☐ (N/A)

DOCUMENTS INCORPORATED BY REFERENCE

14. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders; (N/A)

(b) Any information statement filed pursuant to SRC Rule 20; (N/A)

(c) Any prospectus filed pursuant to SRC Rule 8.1. (N/A)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Our discussions in the succeeding sections of this report pertain to the results of our company's operations for the nine (9) months ended **September 30, 2014**. References are going to be made on results of operations for the same period of the previous year 2013.*

This report may also contain forward-looking statements that reflect our current views with respect to the company's future plans, events, operational performance, and desired results. These statements, by their very nature, contain substantial elements of risks and uncertainties, and therefore, may not be 100% accurate. Actual results may be different from our forecasts.

Furthermore, the information contained herein should be read in conjunction with the accompanying audited consolidated financial statements and related notes. Our financial statements, and the financial discussions below, have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

PART I. BUSINESS AND GENERAL INFORMATION

Millennium Global Holdings, Inc. (the "Company"), formerly IPVG Corp. (IPVG), was incorporated and registered with the Philippine Securities and Exchange Commission ("SEC") per SEC Registration No. 25160 on May 19, 1964. It is a general holding company listed in the Philippine Stock Exchange, Inc. (the "PSE").

On July 1, 2011, the stockholders of the Company, pursuant to a corporate restructuring, approved the sale of all assets and liabilities of IPVG to a new private company, IP Ventures, Inc., ("IPVI"), having the same shareholding structure of IPVG. The corporate restructuring aims to achieve the Company's business and operational targets and create shareholder value for the group. Pursuant thereto, IPVG has transferred substantially all of its assets to IPVI.

On February 16, 2012, the stockholders of the Company approved the amendment of its Articles of Incorporation changing the primary purpose of the Company, allowing it to, among others, establish a refinery in the Philippines to refine metal ores, precious stones, oil, gas, coal, and minerals intended primarily for export purposes.

On October 22, 2012, the stockholders of the Company further approved the amendment of its Articles of Incorporation, changing the primary purpose of the Company to a general holding company, allowing business ventures in areas involving seafood, aqua-culture, seafood processing, and agriculture. The amendment is in line with the Company's strategic direction and focus on natural resource plays. The stockholders likewise approved to change the principal office of the Corporation, subject to the determination of the Board.

On February 14, 2013, the SEC approved the following changes:

- Change of name from "IPVG Corp." to "Millennium Global Holdings, Inc.";
- Change of primary purpose to a general holding company; and
- Change of principal place of office from "34th Floor, Tower 2, RCBC Plaza, 6819 Ayala Avenue, Makati City" to "2nd Floor Senses Spa Building, MIA Road corner Pildera Street, Tambo, Paranaque City"

On July 25, 2013, the SEC also approved the Company's increase in authorized capital stock from P2 Billion to P2.5 Billion.

On December 20, 2013, the stockholders approved the investment in and/or acquisition of various businesses and operating companies, including 51% controlling interest in Millennium Ocean Star Corporation ("MOSC"), majority-owned by the Company's Chairman and President, Yang Chi Jen. On January 10, 2014, the Company acquired 51% controlling interest in MOSC.

On May 14, 2014, the SEC approved the Company's application for extension of term for another fifty (50) years from and after May 19, 2014.

Business Milestones in 2014

Highlights in the First Quarter:

On January 10, 2014, the Company executed the agreement for the acquisition of P137,908,163.00 worth of primary common shares of MOSC at par value of P1.00 per share.

The transaction is a significant opportunity for the Company in realizing its aim to materially widen its investment portfolio, leading to significant opportunities for business growth and enhancing shareholders' value.

Highlights in the Second Quarter

On April 11, 2014, the Board of Directors approved the acquisition of manufacturing and canning businesses in the Visayas, to be disclosed once the agreements are firmed up.

Highlights in the Third Quarter

Pursuant to SEC Memorandum Circular No. 9, series of 2014, the Company filed on July 28, 2014 with the Securities and Exchange Commission its Amended Manual on Corporate Governance.

Dependence on a Few or Single Customer

The Company is not dependent on a few or single customer.

Transaction with and/or Dependence on Related parties

As a result of the corporate restructuring executed on September 28, 2011, all Management Agreements and Related Parties were transferred to IP Ventures Inc.

In 2013, the stockholders approved the investment in and/or acquisition of various businesses and operating companies, including 51% controlling interest in MOSC, majority-owned by the Company's Chairman and President, Yang Chi Jen. A Subscription Agreement acquiring 51% controlling interest in MOSC was consequently executed on January 10, 2014.

On April 11, 2014, the Board approved the assignment of the Deposit for Future Share Subscription amounting to a total of P9,390,000.00 and issuance of shares corresponding to the same amount equivalent to a total of 9,215,000 shares to Mr. Yang Chi Jen (a.k.a. Michael Yang), to be taken from the existing unissued common shares of the Company.

Effect of Existing or Probable Government Regulations on the Business

The government regulations affecting the Company have no significant impact on its business.

Development Activities

Other than the corporate restructuring activities, the Company has not spent or engaged in any other significant development activities.

Cost and Effects of Compliance with Environmental Laws

Given the Company's nature of business, it is not covered by the country's environmental laws.

Employees

In line with the Company's corporate restructuring with IPVI dated September 28, 2011, all personnel employed or under the payroll of the Company were transferred to IPVI.

Beginning 2014, personnel support has been provided to the Company through its subsidiary. The Company in the normal course of business may hire personnel, as needed, to support the businesses that it will undertake in the future. Furthermore, the Company complies with government prescribed labor standards.

Description of Properties

The Properties are comprised mostly of land, processing plants and equipment, machinery and delivery equipment owned by the Company's subsidiary, MOSC.

Legal Proceedings

The following are the material pending legal proceedings to which the Corporation and/or any of its subsidiaries or affiliates, and/or any of its Directors and Officers, is a party or of which any of their property is the subject as of September 30, 2014.

1. B&M Inc. vs. Teresita G. Estrera, Willy O. Dizon, Richard C. Uy, James C. Uy and the Registry of Deeds of Tagaytay City (Regional Trial Court Branch 18 Tagaytay City; Civil Case No. TG-2303)

A civil case involving a foreclosure of a real property amounting to P7.5 Million. The case is pending before the regional trial court.

2. Spouses Edmundo Sarosa and Lourdes Sarosa vs. Marilou Tanghal and Willy Dizon (Regional Trial Court, Parañaque City; Civil Case No. 02-0335)

A civil case involving a foreclosure of a real property amounting to P3 Million. The case is pending before the regional trial court.

3. Spouses Willy O. Dizon and Nene C. Dizon vs. Rosalita Razon and Dr. Nellie Ilas (Regional Trial Court Branch 90, Dasmarinas City, Cavite; Civil Case No. 5987-13)

A civil case filed by Spouses Dizon involving an alleged non-delivery of the transfer certificate of title of real property amounting to P22 Million despite full payment thereof. The case was filed in April 2013 and is pending before the regional trial court.

4. LAS Management & General Services, Inc. vs. Banco De Oro Universal Bank, LAS MGSI/Banco De Oro Rufino Branch (Makati City RTC Branch 141 Case No. 09-727)

A sum of money with damages in the amount of Two Million (P2.0M) was filed by LAS Management & General Services, Inc., represented by Liza Aguilar in her capacity as President thereof, versus Banco De Oro Universal Bank. The case was filed in 2009 and is currently pending before the regional trial court.

5. Liza A. Seastres vs. Banco De Oro Universal Bank (Pasig City RTC Branch 70 - Case No. 72161-TG)

A sum of money with damages was filed by Ms. Liza Aguilar Seastres against Banco De Oro Universal Bank for Eight Million Pesos (P8.0M). The case was filed in 2009 and is currently pending before the regional trial court.

Aside from the foregoing, the Corporation is not aware of any legal proceedings of the nature required to be disclosed under Part I, paragraph (C) of "Annex C, as amended" of the SRC Rule 12 with respect to the Company and/or its subsidiaries."

Submission of Matters to a Vote of Security Holders

There are no matters submitted during the THIRD QUARTER 2014 to a vote of security holders or through solicitation of proxies or otherwise.

Financial Highlights and Key Performance Indicators				
Consolidated Statement of Financial Position	As of Sept. 30, 2014	As of Dec. 31, 2013	Increase (Decrease)	
			Amount	%
Total Assets	1,270,348,280	34,730,437	1,235,617,844	3558%
Current Assets	849,146,247	4,730,437	844,415,810	17851%
Property and Equipment	390,902,054	-	390,902,054	0%
Total Liabilities	1,103,163,993	7,493,724	1,095,670,269	14621%
Current Liabilities	1,013,497,110	7,493,724	1,006,003,386	13425%
Interest-bearing Loans	766,918,000	-	766,918,000	0%
Equity	167,184,287	27,236,713	139,947,574	514%
Consolidated Statements of Income Comprehensive Income	For the 9 Months Ended Sept. 30		Increase (Decrease)	
	2014	2013	Amount	%
Revenues	1,151,425,519	-	1,151,425,519	0%
Gross profit	187,728,760	-	187,728,760	0%
Expenses	172,049,264	2,384,920	169,664,344	0%
Earnings Before Interest, Taxes, Dep' & Amort.	15,679,496	(1,897,419)	17,576,915	0%
Net profit / (Loss) before tax	(2,702,342)	(1,896,791)	(805,551)	0%
Net profit / (Loss) after tax	(6,521,780)	(1,896,791)	(4,624,989)	0%
Share in net losses of consolidated subsidiaries in excess of investments	(10,825,790)	-	(10,826,777)	0%
Total comprehensive income / (loss)	(17,347,570)	(1,896,791)	(15,450,780)	0%
Consolidated Statement of Cash Flows	For the 9 Months Ended Sept. 30		Increase (Decrease)	
	2014	2013	Amount	%
Net Cash from Operating Activities	(458,666,071)	(2,486,071)	(456,179,988)	0%
Net Cash from Investing Activities	(426,058,604)	(30,026,580)	(396,032,024)	0%
Net Cash from Financing Activities	813,637,953	34,899,900	778,738,053	0%

Key Performance Indicators	For the 9 Months Ended Sept. 30, 2014	As of Dec.31, 2013
Current Ratio	0.84	0.63
Book Value per Share	0.08	0.01
Quick Ratio	0.69	0.63
Solvency Ratio	1.15	4.63
Debt Ratio	0.87	0.22
Debt-to Equity	6.60	0.28
Interest Coverage	0.52	-
Gross Margin	16%	0%
Net Profit Margin	-1%	0%
EBITDA Margin	1%	0%
Earnings Per Share	0%	0%
Return on Assets	-1%	-5%
Return on Equity	-4%	-7%
	For the 9 mos. ended Sept. 30, 2014	As of Dec. 31, 2013
Outstanding Shares	2,134,215,000	2,125,000,000
Subscribed Shares	2,134,215,000	2,125,000,000
Number of Employees	-	-
Ave. Exchange Rates (\$ to Peso)	45.00	43.55

Please refer to Notes to financial statements

Ratios

- *Current Ratio is computed by dividing Current Assets by Current Liabilities.*
- *Gross Margin is computed by dividing Gross Profit by Total Revenue.*
- *Net Income Margin is computed by dividing Net Income/Loss by Total Revenue.*
- *Earnings per Share are computed by dividing Net Income/Loss by Weighted Average Number of Common Shares.*
- *Debt-to-Equity Ratio is computed by dividing the sum of Short-Term and Long-Term Interest Bearing Loans by the Total Equity and Advances from Stockholders.*

Discussion on Financial Results

As of September 30, 2014, the financial results reflect the consolidated financial statements of the Company and MOSC as a result of the acquisition by the Company of 51% of MOSC on January 10, 2014.

Assets

Cash as of September 30, 2014 is P45.07 Million as compared to P 1.3 Million on December 31, 2013. The cash as of September 30, 2014 reflects combined cash of the Company for P121.8 Thousand and MOSC for P44.95 Million.

Accounts Receivables as of September 30, 2014 for P 382.7 represents Trade and other receivables of MOSC and nil for the Company.

Due from related parties of P249.0 Million as of September 30, 2014 represents Advances to Officers and Employees of MOSC and nil for the Company.

As of September 30, 2014 total Property and Equipment of MOSC is for P390.9 Million and nil for the Company.

Liabilities

Liabilities as of September 30, 2014 amount to P1,103.2 Million as compared to P7.5 Million as of December 31, 2013. The increase is mainly due to Loans Payable for P771.2 Million, Obligations Under Finance lease for P65.7 Million, Retirement liability for P31.2 Million and P227.1 Million Trade & Other Payables of MOSC.

Equity

Deposit for Future Share Subscription as of September 30, 2014 amounts to P0 compared to the P9.4 balance as of December 31, 2013 and June 30, 2013. This was due to the assignment of the P9.4 Million Deposit for Future Share Subscription in favor of Mr. Yang Chi Jen (a.k.a. Michael Yang), the Company's Chairman and President, and the consequent issuance of 9,215,000 common shares on April 11, 2014.

Additional details on balance sheet accounts may be found in the accompanying Notes to Financial Statements.

Revenues

Revenues generated as of September 30, 2014 is for P1,151.4 Million and nil as of December 31, 2013. The revenues for the third quarter of 2014 are attributable to MOSC's import/export and processing of marine goods and other related products.

Other Income (charges) as of September 30, 2014 of P16.8 Million is mainly other income of the Company's subsidiary, MOSC.

Expenses

Comparing the nine (9) months ended September 30, 2014 against nine (9) months ended September 30, 2014, the top expenses in Peso terms are as follows:

- **Salaries and employees benefits**

In line with the Company's Restructuring Plan with IPVI effective September 28, 2011, all individuals employed by or under the payroll of IPVG were transferred to IPVI. No hiring has been made by the Company as of September 30, 2014. As of September 30, 2014 the amount of P37.9 Million mainly represents MOSC salaries and employees benefits. This accounts for 22% of total operating expenses.

- **Communication, light & water** for P29.6 Million as of September 30, 2014 represents expenses of MOSC. This accounts for 17.2% of total operating expenses.

- **Shipping and Handling cost** for P45.9 Million as of September 30, 2014 represents expenses of MOSC. This accounts for about 26.7% of the Company's total operating expenses. No similar expenses were incurred in 2013.

Additional details on the Statement of Comprehensive Income accounts may be found in the accompanying Notes to Financial Statements.

Liquidity and Capital Resources

The following table shows the consolidated cash flows as of September 30, 2014 and 2013:

Consolidated Statement of Cash Flows	For the 9 Months ended Sept. 30		Increase (Decrease)	
	2014	2013	Amount	%
Net Cash from Operating Activities	(458,668,071)	(2,486,071)	(456,179,988)	0%
Net Cash from Investing Activities	(426,058,604)	(30,026,580)	(396,032,024)	0%
Net Cash from Financing Activities	813,637,953	34,899,900	778,738,053	0%

Operating Activities

Cash of P458.7 Million as of September 30, 2014 was used mainly for operating activities of MOSC.

Investing Activities

P426.1 Million as of September 30, 2014 mainly represents capital expenditures of MOSC.

Financing Activities

Net cash from financing activities as of September 30, 2014 for P813.6 Million represents P51.8 Million from proceeds of additional paid-in capital and net proceeds from interest-bearing loan of MOSC for P771.2 Million.

Seasonal aspects that had a material effect on the financial condition or results of operations

There are no identifiable seasonal aspects that had a material effect on the financial condition or results of operations.

Requirements under SRC Rule 17 and 68.1

We have extensively disclosed the risks in this report and Financial Statements filed with the exchange.

Financial Risk Assessment

The Company and its operating subsidiaries face various categories and levels of risk. Inherent in all of the businesses is Counterparty risk, or the risk that clients may stop or delay payments of their service invoices, and that suppliers may fail to deliver the goods and services. Each company is addressing these issues through continuous dialogue with, and management of, the specific counterparty at risk. We do not see, at this point, that any failure on the part of our customers, our suppliers, or a group thereof, would materially affect the financial conditions and results of the company

Currency Risk

During the period when the Peso was still strong, the company decided to hedge its net USD inflows with a foreign bank, by fixing the USD-Peso exchange rate until the end of the contract. Since then, the Peso has depreciated and we may see the USD to strengthen as the other economies are affected by the credit crisis, and inflows from OFW remittances may slow down.

Disclosure on Financial Instruments

The Company does not carry any market-based financial instruments, derivatives, and other similar products in their portfolios. Hence, the evaluation of these financial instruments, comparison to fair values and realization of gains or losses, criteria for determining fair values, are not applicable to the Company.

Aside from risks that are inherent in our businesses, such as risks from competitive forces and from the performance of business operations, we do not foresee any other trend, event or uncertainty that will have a material impact on our net sales and income from the continuing operations of our subsidiaries.

Any events that will trigger direct or contingent financial obligation, which is material to the company, including default or acceleration of an obligation.

We do not foresee any event that would trigger direct or contingent financial obligation, including default or acceleration of any obligation.

All material off balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

On October 24, 2014, the Board of Directors of the Company approved to enter into an Investment Agreement with Chen Chih-Hsing whereby the latter shall infuse into the Company P15 million. The amount shall be payable in 3 years, convertible into equity at the option of the investor. The Chairman/ President and CEO, Yang Chi Jen, was authorized to negotiate, finalize the terms and conditions of the agreement and sign on behalf of the Company.

The Board also approved the acquisition of Cebu Canning Corporation (C3) through a combined acquisition of primary and secondary shares, making it a wholly-owned subsidiary of the Company.

Any significant elements of income or loss that did not arise from the issuer's continuing operations.

The Company does not foresee any extraordinary income or charges that would arise from non-core operating business.

Issuances, repurchases, and repayments of debt and equity securities.

Except as disclosed, there are no significant Issuances, repurchases, and repayments of debt and equity securities during the interim period.

Any change in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations.

There was no significant change in the composition of the issuer during the interim period.

Changes in contingent liabilities or contingent assets since the last annual balance sheet date.

There have been no changes in any contingent liabilities or assets since the last annual balance sheet date.

Disclosures not made under SEC Form 17-C.

All disclosures made under SEC Form 17-C have been filed during the period.

Other subsequent events disclosed under SEC Form 17-C.

None to disclose, other than those mentioned.

PART III. CONTROL AND COMPENSATION INFORMATION

DIRECTORS & EXECUTIVE OFFICERS

Name	Age	Citizenship	Position	Term of Office*
Yang Chi Jen (a.k.a Michael Yang)	45	Filipino	Chairman/ President & CEO/ Alternate Corporate Information and Compliance Officer	December 20, 2013 – present
Jaime Enrique Y. Gonzalez	37	Filipino	Director	December 20, 2013 – present
Nancy T. Golpeo	53	Filipino	Director	December 20, 2013 – present
Liza M. Aguilar	54	Filipino	Director	December 20, 2013 – present
Hsien-Tzu Yang	73	Taiwanese	Director/ Deputy Chairman	December 20, 2013 – present
Willy O. Dizon	58	Filipino	Director	December 20, 2013 – present
Maria Soledad C. Lim	54	Filipino	Director	December 20, 2013 – present
Norberto G. Tan	62	Filipino	Director	December 20, 2013 – present
Clemencia R. Cortezano	54	Filipino	Director	December 20, 2013 –present
Ernesto S. Go	63	Filipino	Independent Director	December 20, 2013 – present
Rosa R. Cinco	41	Filipino	Independent Director	December 20, 2013 – present
Amelia T. Tan	48	Filipino	Treasurer	December 20, 2013 – present
Lyra Gracia Y. Lipae-Fabella	38	Filipino	Corporate Secretary, Corporate Information and Compliance Officer	December 20, 2013 – present
Eduardo P. Tanjuatco	42	Filipino	Assistant Corporate Secretary/ Alternate Corporate Information and Compliance Officer	December 20, 2013 – present

*Reckoned from date of last election

PROFILES OF DIRECTORS AND EXECUTIVE OFFICERS

YANG CHI JEN (a.k.a Michael Yang)

Chairman/ President & CEO/ Alternate Corporate Information and Compliance Officer

Mr. Yang has 27 years of extensive experience in the export/import business as he has been immersed in the day to day operations of various businesses owned by his family. Mr. Yang is the controlling shareholder of Shie Jie Corporation, a company engaged in the business of seafood processing, packing, and import/export trading; Millennium Ocean Star Corporation; Jomark Food Corporation, a company engaged in fish and squid ball, kikiam, crab nuggets processing and serves as the local distributor of Millennium products; and Lion Head Int'l Corporation, a company engaged in spa business.

HSIEN-TZU YANG

Director/ Deputy Chairman

Mr. Yang has had more than 30 years experience in the areas of seafood processing, packing, canning, and manufacturing of marine products. For a number of years he ran Shie Jie Corporation, South Sea Marine Products, Tawi-Tawi King Fisher Incorporated and South Phil. Marine Products, Incorporated.

JAIME ENRIQUE Y. GONZALEZ

Director

Mr. Gonzalez has been intimately involved in the start-up process of all business units and works with business unit heads to ensure that they meet or exceed operating targets. He has had a successfully track

record in the internet space, having founded a series of internet start-ups that have been acquired by larger U.S. based firms (match.ph/itzamatch.com) and has taken IPVG from garage to public. Mr. Gonzalez has a Bachelor of Arts in International Politics and Economics from Middlebury College. He attended the program for Masters in Entrepreneurship course at the Asian Institute of Management. He was also a student at the Harvard Business School as part of its OPM program.

WILLY O. DIZON

Director

Mr. Dizon is the Chairman/President of Timbercity Jetty Gas Station and De Luxe Construction Supply Co., Inc. He is a seasoned businessman with more than 22 years track experience in sales and marketing.

MARIA SOLEDAD C. LIM

Director

Ms. Lim is the Executive Vice President in Optimum Solutions, Inc. and Secretary of Fuji Zipper Manufacturing Inc., a family owned business. She has extensive experience in marketing and finance. Ms. Lim is a graduate of the University of the East in Business Administration.

LIZA M. AGUILAR

Director

Ms. Aguilar is an entrepreneur by profession. She is presently the President/Owner of LAS Management & General Services, Inc., a company engaged in providing manpower services for permanent and temporary local employment (Staff to Managerial positions), job contracting services (Engineering, Technical, Encoding and Janitorial) and other outsourced manpower requirements. Ms. Aguilar also owns L-3As Freight Express and RAPIDATA CONVERSION SERVICES, the former is engaged in sea freight and air freight services both for local and international shipments while the latter is engaged in Business Process Outsourcing (BPO) specializing in scanning documents and preparing back-up systems for pertinent records and documents. Prior to setting up her own company, Ms. Aguilar used to work as a Recruitment Officer from August 1982-1985 at VARISHPHERS Corporation and as a Trainor/Recruitment Assistant at BOB GARON CONSULTANCY, INC. Ms. Aguilar has a Bachelor of Science Degree in Psychology from St. Paul College of Manila. She also has units in Masters in Business Administration from Pamantasan ng Lungsod ng Makati and MS in Psychology from the University of Santo Tomas.

NORBERTO G. TAN

Director

Mr. Tan has had more than forty (40) years experience in banking starting with Merchants Banking Corporation (1972-1975), Philippine Commercial International Bank (1975-2000), Philippine National Bank (2001-2003) and Maybank Philippines, Inc. (2004-2012). He has held various positions from Assistant Bookkeeper to Vice President until his retirement in Maybank. He was also a faculty of Maybank Academy where he conducted lectures/seminars on credit related subject matters such as: Credit Risk Rating System, Overview of Credit and Process Flow and Anti-Money Laundering Act. As Vice President, Mr. Tan provided support to Human Resource Management Department in the recruitment/selection of credit personnel and training on business/credit policies. He earned his Bachelor of Science in Commerce major in Economics from San Beda College.

NANCY T. GOLPEO

Director

Ms. Golpeo is a self-employed real estate broker. She has a Bachelor of Science degree in Commerce from the University of Santo Tomas.

CLEMENCIA R. CORTEZANO

Director

Ms. Cortezano is a Consultant to Millennium Ocean Star Corporation. Prior to that, she was Assistant Vice President at Card Bank, Inc. (2008-2009) and Senior Manager for Maybank, Inc. (2007-2008). Ms. Cortezano also has an extensive 17 years of banking experience in BPI Family Bank (1982-1999). She holds a Bachelor of Science in Commerce degree, major in Accounting from St. Paul College of Manila.

ROSA R. CINCO

Independent Director

Ms. Cinco is the Chairman of MRC Beauty Product and Equipment, Inc. and General Manager of New Summit Colors Distribution, Inc. She is a doctor of medical dentistry.

ERNESTO S. GO

Independent Director

Atty. Go holds a Bachelor of Laws degree from the Ateneo De Manila University Law School (1975). He placed 20th in the 1975 Bar Exam. Mr. Go is a Senior Partner at the Cerilles Navarro Nuval & Go Law Offices, based in Zamboanga City. Mr. Go specializes in Corporate and Litigation practice.

AMELIA T. TAN

Treasurer

Ms. Tan is a holder of a Bachelor of Science in Commerce major in Management Financial Institution. Prior to joining the company, she has more than 19 years of banking experience in Bank of the Philippine Islands (2004-1999), Far East Bank (1999-1987) and Urban Bank (1987-1985).

LYRA GRACIA Y. LIPAE-FABELLA

Corporate Secretary/ Corporate Information and Compliance Officer

Atty. Lipae-Fabella is a Certified Public Accountant and member of the Integrated Bar of the Philippines. She serves as Corporate Secretary to a number of publicly-listed and private companies. At present, she is the Managing Partner of the Fabella and Fabella Law Office. Her work experience includes being a Junior Auditor in a leading auditing firm, Associate in a law firm and Securities Counsel III at the Securities and Exchange Commission. Atty. Lipae-Fabella graduated from San Beda College of Law and obtained her BS Business Administration and Accountancy degree from the University of the Philippines-Diliman.

EDUARDO P. TANJUATCO

Asst. Corporate Secretary/Alternate Corporate Information and Compliance Officer

Atty. Tanjuatco is a Partner of the Law Firm Tanjuatco & Partners established in 1998. Prior to joining the law firm, he was Assistant to the Secretary General at the House of Representatives Philippine Congress in 1991 and part-time Faculty at De La Salle University (Canlubang). He obtained his Bachelor of Laws degree from Arellano Law Foundation and Bachelor's degree in AB Political Science from Ateneo de Manila University.

Family Relationship

Yang Chi Jen (a.k.a. Michael Yang) is the son of Hsien-Tzu Yang. There are no other family relationships known to the Company other than the ones disclosed herein

PART IV. CORPORATE GOVERNANCE

The Board of directors and shareholders, management and employees of the Company believe that corporate governance is a necessary component to achieve strategic business management. Going beyond compliance to laws and the implementation of rules and regulations, the Company's governance cultivates a corporate culture of integrity and empowering leadership, and significantly contributes to long-term growth and enhanced shareholder value.

The Company is committed to adhering to the highest level of sound corporate governance practices in setting values that serve as its foundation in guiding both employees and stockholders alike. With a dedicated team of professionals who share such passion, its business practices and work ethics put in place a philosophy of corporate transparency and public accountability.

In Compliance with SEC Memorandum Circular No. 9, series of 2014, the Company amended its Manual of Corporate Governance on July 28, 2014, adopting all the mandatory provisions of the Revised Code of Corporate Governance. There has been no material deviation from the Corporation's Manual of Corporate Governance.

THE BOARD OF DIRECTORS

A Board leads the Company, which is the highest authority in matters of governance and in managing the business of the Company.

It is the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders.

The Board meets regularly throughout the year to ensure a high standard of business practice for the Corporation and its stakeholders and to ensure soundness, effectiveness, and adequacy of the Corporation's internal control environment. Independent judgment is exercised at all times.

COMMITTEES

To aid in complying with the principles of good corporate governance and as expressly provided in the Corporation's Manual of Corporate Governance, the following committees were established with specific responsibilities.

Compensation Committee

The Compensation Committee is composed of three (3) members of the Board of Directors and at least one of who is an independent director.

The Committee has established a formal, transparent procedure developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors. It provides oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment. It determined the amount of remuneration, which is sufficient to attract and retain directors and officers who are needed to run the company successfully.

Audit Committee

The Audit Committee is composed of three (3) members of the Board and chaired by an independent director. The members of the Audit Committee are as follows:

1. Atty. Ernesto S. Go (independent director)-Chairman
2. Hsien-Tzu Yang

3. Ms. Clemencia R. Cortezano

The members have adequate understanding at least or competence at most of the company's financial management systems and environment. The Committee checks all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements. It performs oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.

The committee function includes a direct interface with the internal and external auditors, which are separate and independent of each other.

Nomination Committee

The Nomination Committee is composed of three (3) members of the Board of Directors and at least one of who is an independent director.

Its main function is to install and maintain a process to ensure that all directors to be nominated for election at the annual stockholders' meeting have all the qualifications and none of the disqualifications for directors as stated in the By-Laws, the Manual of Corporate Governance of the Corporation and the pertinent rules of the SEC.

Also, the Committee is tasked to review and evaluate the qualifications of all persons nominated to positions in the Corporation, which require appointment, by the Board.

Executive Committee

The Executive Committee is composed of a minimum of three (3) members.

The Executive Committee acts in accordance with the authority granted by the Board, or during the absence of the Board, on specific matters within the competence of the Board of Directors, except with respect to approval of any action for which shareholders' approval is also required; distribution of cash dividends; filling of vacancies in the Board or in the Executive Committee; amendment or repeal of By-Laws or the adoption of new By-Laws; amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; and the exercise of powers delegated by the Board exclusively to other committees.

Compliance Officer

The Compliance Officer (and his/her Alternate) is designated to ensure adherence to corporate principles and best practices.

The duties of the Compliance Officer include monitoring of compliance with the provisions and requirements of the Manual on Corporate Governance; determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board; appear before the Securities and Exchange Commission upon summon; and identify, monitor and control compliance risks.

The Compliance Officer is responsible in issuing a certification every January 30th of the year on the extent of the Corporation's compliance with this Manual for the completed year.

Content and Timing of Disclosures

The Company updates the investing public with strategic, operating and financial information through adequate and timely disclosures filed with the Securities and Exchange Commission and the Philippine Stock Exchange.

In addition to compliance with periodic reportorial requirements, the Corporation ensures that not only major and market-sensitive information but material information such as earnings, dividend declarations, joint ventures and acquisitions, sale and disposition of significant assets are punctually disclosed to the SEC, Philippine Stock Exchange ("PSE") and to the public through the Corporation's website which are updated regularly.

PART VI. EXHIBITS AND SCHEDULES

The reports on SEC Form 17-C, as amended, which were filed during the period covered by this report, pertain to the following:

- Form 17-C dated June 27, 2014

The Company advised that the annual stockholders' meeting, which pursuant to its By-Laws should be held on the last Friday of June of every year, has been postponed to give the Company sufficient time to prepare for the additional matters which may have to be presented to the stockholders.

- Form 17-C dated May 15, 2014

The Company disclosed that it has received on May 14, 2014 the approval of the SEC on the Company's application for the amendments of its Amended Articles of Incorporation and Amended By-Laws effecting the following amendments:

1. **Amended Articles of Incorporation:** Fourth Article - Extension of 50 years from the expiration of the original term of 50 years from and after the date of incorporation. The company was incorporated on May 19, 1964; and
2. **Amended By-Laws:** Section 1, Article 11-inclusion of, as optional venue for the holding of the annual stockholders' meeting, any place within the city or municipality where the principal office of the Company is located on the last Friday of June of each year, for the purpose of electing directors and transacting such other business as may properly come before the meeting.

- Form 17-C dated April 11, 2014:

The Company disclosed that at the meeting of the Board of Directors held on April 11, 2014, the following corporate actions were approved:

1. Acquisition of manufacturing and canning businesses in the Visayas, by the Company or its subsidiary. A comprehensive disclosure shall be made as soon as the agreements are firmed up.
2. Assignment of the Deposit for Future Share Subscription of P9.39 Million and issuance of 9,215,000 shares to Mr. Yang Chi Jen (a.k.a. Michael Yang), the Company's Chairman and President, to be taken from the existing unissued common shares of the Company.
3. Approval of the 2013 Audited Financial Statements of the Company.

- Form 17-C dated January 10, 2014:

The Company disclosed that it has executed a Subscription Agreement acquiring 51% controlling interest in MOSC, as approved by the stockholders on December 20, 2013.

Under the agreement, the Company subscribed to P137,908,163.00 worth of primary common shares of MOSC at par value of P1.00 per share.

MOSC is majority-owned by the Company's Chairman and President, Yang Chi Jen. The Company's Treasurer, Ms. Amelia T. Tan, is MOSC's Director, CFO and Corporate Secretary. Messrs. Yang Hsien Tzu and Yang Chi Jen, who are father and son, respectively, are directors of both MOSC and the Company.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in Paranaque City on NOV 05 2014.

MILLENNIUM GLOBAL HOLDINGS, INC.

Issuer

By:


YANG CHI JEN (a.k.a. Michael Yang)
President and CEO



AMELIA T. TAN
Treasurer

MILLENNIUM GLOBAL HOLDINGS, INC.

(Formerly IPVG CORP.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2014 (Unaudited) and DECEMBER 31, 2013 AND 2012 (Audited)

AS AT	30 Sept.14	31 Dec.13	31 Dec.12
ASSETS			
Current Assets			
Cash on hand and in banks (Note 4)	45,068,972	1,304,851	-
Trade and other receivables, net (Note 5 & 6)	382,683,333	-	-
Due from a related party (Note 6)	248,955,264	487,500	-
Inventories	145,728,632	-	-
Other current assets (Note 7)	26,710,046	2,938,086	3,444,589
Total Current Assets	849,146,247	4,730,437	3,444,589
Noncurrent Assets			
Property & equipment	390,902,054	-	-
Loans receivable	-	30,000,000	-
Other noncurrent assets	30,299,979	-	-
Total Noncurrent Assets	421,202,033	30,000,000	-
TOTAL ASSETS	1,270,348,280	34,730,437	3,444,589
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Note 6)	229,231,889	640,094	946,550
Due to a related party	4,103,650	6,834,130	-
Obligation under finance lease - current portion	12,183,273	-	-
Borrowings	766,918,000	-	-
Income tax payable	1,057,298	19,500	-
Other current liabilities	-	-	-
Total Current Liabilities	1,013,494,110	7,493,724	946,550
Noncurrent Liabilities			
Borrowings, net of current portion	4,274,652	-	-
Obligation under finance lease - net of current portion	53,533,235	-	-
Retirement liability	31,858,996	-	-
Deposit for future stock subscription (Note 7)	-	-	9,390,000
Total Noncurrent Liabilities	89,666,883	-	9,390,000
Total Liabilities	1,103,160,993	7,493,724	10,336,550
Equity			
Share Capital	2,082,910,300	2,031,250,000	2,000,000,000
Share Premium	820,128,896	819,953,89	819,953,896
Deposits for share subscriptions	-	9,390,000	-
Deficit	(2,850,704,753)	(2,833,357,183)	(2,826,845,857)
	52,334,442	27,236,713	(6,891,961)
Non-controlling Interests	114,852,845	-	-
Total Equity	167,187,287	27,236,713	(6,891,961)
TOTAL LIABILITIES & EQUITY	1,270,348,280	34,730,437	3,444,589

MILLENNIUM GLOBAL HOLDINGS, INC.

(Formerly IPVG CORP.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014, 2013 AND 2012 (Unaudited)

	9 mos. 30-Sep-14 (Unaudited)	9 mos. 30-Sep-13 (Unaudited)	9 mos. 30-Sep-12 (Unaudited)
REVENUES			
Gross Sales	1,151,425,519	-	-
Other Income		487,500	
TOTAL REVENUES	1,151,425,519	487,500	
Less: COST OF SERVICES	963,696,759	-	-
GROSS PROFIT	187,728,760	487,500	-
EXPENSES			
Shipping & handling cost	45,902,640	-	-
Salaries & other employees benefits	37,881,604	-	3,278,125
Communication, light & water	29,552,895	23,002	-
Taxes and licenses	15,853,414	775,827	8,162,605
HO administrative cost	9,039,433	-	-
Transportation and travel	6,570,662	65	7,193,143
Rental	5,474,355	26,786	-
Repairs and maintenance	5,003,457	-	-
Office supplies	4,831,296	22,829	-
Miscellaneous	3,220,409	25,459	12,988,338
Commissions	1,807,931	-	-
Management & professional fess	1,744,536	468,857	4,123,019
Security messengerial & janitorial services	1,506,003	-	-
Storage expense	1,248,179	-	-
Representation and entertainment	881,511	5,000	1,730,786
Insurance	767,282	-	-
Information technology services	272,222	20,000	-
Membership fee	254,023	-	-
Purchasing & harvest expense	200,563	-	-
Advertising & promo	36,851	6,586	-
Other outside services	-	-	14,643
Fees & subscriptions	-	1,010,510	-
Research & development	-	-	11,783,750
Total Operating Expenses	172,049,264	2,384,920	49,274,409
Earnings before Interest, taxes, Dep'n & Amortization	15,679,496	(1,897,419)	(49,274,409)
Depreciation & amortization	(35,156,550)	-	-
Provision for bad debts	(851,687)	-	(1,499,996)
Earnings before other income (charges)	(20,328,740)	(1,897,419)	(50,774,405)
Other Income/Charges			
Interest income	8,149,853	1,318	37,773
Interest expense	(30,262,674)	-	(16,500,000)
Bank charges	(730,704)	(690)	(22,983)
Gain (Loss) on sale/leaseback	4,937,874	-	-
Gain (Loss) on foreign exchange	(605,337)	-	401,820
Gain (Loss) on sale of fixed asset	(47,500)	-	-
HO Admin cost recovery	9,114,611	-	-

Miscellaneous income	17,903,635	-	-
Rental Income	9,166,641	-	-
Other income/expense	-	-	91,758
Other Income/(Charges)	17,626,399	628	(15,991,632)
Income (Loss) Before Tax	(2,702,342)	(1,896,791)	(66,766,037)
Provision for Income Tax	(3,819,439)	-	(14,634,632)
Income (Loss) Before Share in Net Losses (Income)	(6,521,780)	(1,896,791)	(52,131,405)
Share in Net Losses (Income) of Consolidated Subsidiaries in excess of Investments	(10,825,790)	-	-
Net Profit (Loss) After Tax	(17,347,570)	(1,896,791)	(52,131,405)
Other comprehensive income	-	-	-
Total Comprehensive Income (Loss)	(17,347,570)	(1,896,791)	(52,131,405)

MILLENNIUM GLOBAL HOLDINGS, INC.

(Formerly IPVG CORP.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE 3 MONTHS PERIOD ENDED SEPTEMBER 30, 2014, 2013 AND 2012 (Unaudited)

	3 mos. Jul-Sept, 2014 (Unaudited)	3 mos. Jul-Sept, 2013 (Unaudited)	3 mos. Jul-Sept, 2012 (Unaudited)
REVENUES			
Gross Sales	373,052,267	-	-
Other Income		487,500	-
TOTAL REVENUES	320,052,267	487,500	
Less: COST OF SERVICES	320,824,950		
GROSS PROFIT	52,227,317	487,500	-
EXPENSES			
Salary & other employees benefits	12,791,250	-	-
Communication, light & water	5,829,597	21,743	-
Shipping & Handling Cost	5,204,434	-	-
Taxes and licenses	4,876,201	775,000	-
HO administrative cost	3,582,016	-	-
Transportation and travel	1,261,073	-	-
Miscellaneous	1,133,842	23,300	-
Repairs and maintenance	1,094,349	-	-
Rental	869,417	26,786	-
Office supplies	708,412	21,429	-
Commissions	630,209	-	-
Representation and entertainment	473,335	5,000	-
Management & Professional Fees	467,500	235,000	-
Security Messengerial & Janitorial services	301,275	-	-
Storage expense	295,173	-	-
Insurance	123,931	-	-
Purchasing & harvest expense	47,423	-	-
Information Technology services	37,895	-	-
Membership fee	4,023	-	-
Advertising & promo	200	-	-
Other outside services	-	-	-
Fees & subscriptions	-	1,010,510	-
Total Operating Expenses	39,731,554	2,118,767	-
EBITDA	12,495,764	(1,631,267)	-
Depreciation & amortization	(7,922,222)	-	-
Provision for Bad debts	(425,843)	-	-
	4,147,698	(1,631,267)	-
Other Income/Charges			
Interest income	3,044,263	1,176	16,066
Interest expense	(11,966,100)	-	-
Bank charges	-	(200)	-
Gain (Loss) on sale/leaseback	1,659,356	-	-
Gain (Loss) on foreign exchange	(15,708)	-	-
Gain (Loss) on sale of fixed asset	(47,500)	-	-

HO Admin cost recovery	3,657,194	-	-
Miscellaneous income	37,932	-	-
Rental Income	1,516,804	-	-
Other income/expense	-	-	-
Other Income/(Charges)	(2,113,759)	976	16,066
Income (Loss) Before Tax	2,033,939	(1,630,291)	16,066
Provision for Income Tax	(6,246,528)	-	-
Income (Loss) Before Share in Net Losses (Income)	(4,212,589)	(1,630,291)	16,066
Share in Net Losses (Income) of Consolidated Subsidiaries in excess of Investments	(7,390,685)	-	-
Net Profit (Loss) After Tax	(11,603,274)	(1,630,291)	16,066
Other comprehensive income	-	-	-
Total Comprehensive Income (Loss)	(11,603,274)	(1,630,291)	16,066

MILLENNIUM GLOBAL HOLDINGS, INC.

(Formerly IPVG CORP.)

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2014, 2013 AND 2012(Unaudited)**

	30-Sep-14	30-Sep-13	30-Sep-12
	(Unaudited)	(Unaudited)	(Unaudited)
SHARE CAPITAL			
Share Capital			
Balance at beginning of year	2,031,250,000	2,000,000,000	798,344,721
Issuance of shares	42,445,300	31,250,000	496,940,821
Transfer from deposits for future stock subscriptions	9,215,000	-	704,714,458
Interest expense	-	-	-
Balance at end of period	2,082,910,300	2,031,250,000	2,000,000,000
Share Premium			
Balance at beginning of year	819,953,896	819,953,896	801,801,734
Additions during the year	175,000	-	18,152,161
Balance at end of period	820,128,896	819,953,896	819,953,896
Deposits for future stock subscription			
Balance at beginning of year	9,390,000	-	1,000,000
Issuance of shares	(9,390,000)	-	-
Additions during the year			8,390,000
Balance at end of period	-	-	9,390,000
DEFICIT			
Balance at beginning of year	(2,833,357,183)	(2,826,845,857)	(1,343,006,173)
Net income (loss) during the period	(17,347,570)	(1,896,791)	(52,131,405)
Balance at end of period	(2,850,704,753)	(2,828,742,648)	(1,395,137,578)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	52,334,442	22,461,247	1,434,206,317
NON-CONTROLLING INTERESTS			
Balance at beginning of year	-	-	(3,157,239)
Changes in ownership interests	114,852,845	-	(1,499,996)
Net income (loss) for the year	-	-	-
	167,187,287	-	(1,657,243)
TOTAL EQUITY	167,187,287	22,461,247	1,432,549,074

MILLENNIUM GLOBAL HOLDINGS, INC.

(Formerly IPVG CORP.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIOD ENDED SEPTEMBER 30, 2014, 2013 AND 2012 (Unaudited)

	30-Sep-14 (Unaudited)	30-Sep-13 (Unaudited)	30-Sep-12 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (loss) before tax	(13,528,132)	(1,896,791)	(66,766,037)
Adjustments for:	-	-	-
Depreciation and amortization	35,156,550	-	1,499,996
Interest expense	30,262,674	-	16,500,000
Interest income	(8,149,853)	-	(37,773)
Operating loss before working capital changes	43,741,238	(1,896,791)	(48,803,814)
Decrease (increase) in:			
Receivables	(382,683,333)	(487,500)	-
Loans receivable	30,000,000	-	-
Due from related parties	(248,467,764)	-	77,033,528
Inventories	(145,728,632)	-	-
Prepaid expenses and other current assets	(23,771,960)	(49,918)	846,079
Other noncurrent assets	(30,299,979)	-	-
Increase (decrease) in:			
Accounts payable and accrued expenses	225,810,154	(51,862)	(15,776,492)
Due to related parties	(2,730,480)	-	(12,749,917)
Other current liabilities	-	-	232,375
Obligations under finance lease	65,716,508	-	-
Retirement liability	31,858,996	-	-
Cash provided by (used in) operations	(436,555,251)	(2,486,071)	781,759
Interest received	8,149,853	-	37,773
Income taxes paid	-	-	-
Interest paid	(30,262,674)	-	(16,500,000)
Cash provided by (used in) Operating activities	(458,668,071)	(2,486,071)	(15,680,468)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in Investment in associates	-	-	(1,405,580,179)
Disposals (Additions to):			
Property and equipment	(426,058,604)	(26,580)	-
Increase in other noncurrent asset	-	(30,000,000)	-
Cash from investing activities	(426,058,604)	(30,026,580)	(1,405,580,179)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds (repayments) of interest-bearing loans	771,192,652	-	-
Increase in deposits for future stock subscriptions	(9,390,000)	-	8,390,000
Increase in advances from shareholders	-	3,649,900	-
Proceeds Issuance of shares	-	31,250,000	1,201,655,279
Proceeds additional paid-in capital	51,835,300	-	18,152,161
Cash from financing activities	813,637,953	34,899,900	1,228,197,440
Net Increase / (Decrease) in Cash and cash equivalents	(71,088,723)	2,387,249	(193,063,207)
Non-controlling interest	114,852,845	-	-
Cash at beginning of year	1,304,851	-	201,801,401
Cash at end of year	45,068,972	2,387,249	8,738,194

MILLENNIUM GLOBAL HOLDINGS, INC.

(Formerly IPVG CORP.)

SCHEDULE OF FINANCIAL SOUNDNESS AND INDICATORS

FOR THE PERIOD ENDED SEPTEMBER 30, 2014 (Unaudited) AND DECEMBER 31, 2013 AND 2012 (Audited)

LIQUIDITY ANALYSIS RATIOS:

	30-Sep-14 (Unaudited)	Dec. 31, 2013 (Audited)	Dec. 31, 2012 (Audited)
Current Ratio or Working Capital Ratio			
Current assets	849,146,247	4,730,437	3,444,589
Current liabilities	1,013,494,110	7,493,724	946,550
Current Ratio	0.84	0.63	3.64
Quick Ratio			
Current Asset-Inventory-Prepayments	703,417,615	4,730,437	3,444,589
Current Liabilities	1,013,494,110	7,493,724	946,550
Quick Ratio	0.69	0.63	3.64
Solvency ratio			
Total Assets	1,270,348,280	34,730,437	3,444,589
Total Liabilities	1,103,160,993	7,493,724	10,336,550
Solvency Ratio	1.15	4.63	0.33
FINANCIAL LEVERAGE RATIOS			
Debt Ratio			
Total Debt	1,103,160,993	7,493,724	10,336,550
Total Assets	1,270,348,280	34,730,437	3,444,589
Debt Ratio	0.87	0.22	3.00
Debt-to-Equity Ratio			
Total Debt	1,103,160,993	7,493,724	10,336,550
Total Stockholders' Equity	167,187,287	27,236,713	(6,891,961)
Debt-to Equity Ratio	6.60	0.28	(1.50)
Interest Coverage			
EBIT	15,679,496	-1,897,419	(49,274,409)
Interest Charges	30,262,674	0	16,500,000
Interest Coverage	0.52	-	(2.99)
Assets to Equity ratio			
Total Assets	1,270,348,280	34,730,437	3,444,589
Total Stockholders' Equity	167,187,287	27,236,713	-6,891,961
Assets to Equity Ratio	7.60	1.28	(0.50)

PROFITABILITY RATIOS

Gross Profit Margin

Sales-Cost of Services	187,728,760	(487,500)	-
Sales	1,151,425,519	-	-
Gross Profit Margin	16%	0%	0%

Net Profit Margin

Net Profit	(6,521,780)	(468,857)	-
Sales	1,151,425,519	-	-
Net Profit Margin	-0.566%	0%	0%

Return on Assets

Net Income	(6,521,780)	(1,896,791)	(52,131,405)
Total Assets	1,270,348,280	34,730,437	3,444,589
Return on Assets	-0.513%	-5%	-1513%

Return on Equity

Net Income	(6,521,780)	(1,896,791)	(52,131,405)
Total Stockholders' Equity	167,187,287	27,236,713	(6,891,961)
Return on Equity	-3.901%	-7%	756%

MILLENNIUM GLOBAL HOLDINGS, INC. AND SUBSIDIARY
(Formerly IPVG Corp.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT September 30, 2014 (Unaudited) and December 31, 2013 and 2012 (Audited)

NOTE 1 – GENERAL INFORMATION

1.1 Corporate information

Millennium Global Holdings, Inc. (*formerly IPVG Corp.*) (the Parent Company), was incorporated under the laws of the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) per SEC Registration No. 25160 on May 19, 1964.

The capital stocks of the Company were listed beginning March 1, 1976 in the Philippines Stock Exchange (PSE) with the ticker code MG (formerly IP).

On May 22, 2012, the Company's shareholders approved to amend its Articles of Incorporation to change the primary purpose of the Company, allowing the Corporation among others, to establish a refinery in the Philippines to refine metal ores, precious stones, oil, gas, coal and minerals intended primarily for export purposes. The shareholders also approved to increase the authorized capital stock of the Company from Two Billion Pesos up to Ten Billion Pesos and the change of its corporate name with delegation of authority to the Board of Directors (BOD) to determine and approve the new corporate name.

On October 22, 2012, the shareholders approved the amendment to the Articles of Incorporation to change the primary purpose of the Company to include seafood, aqua-culture, seafood processing and agriculture, modifying and superseding their earlier approval on the primary purpose. The shareholders also approved to change the principal office of the Company and delegated the authority to the BOD to determine and approve the new principal office.

On February 14, 2013, the SEC approved the following amendments, among others, to the Company's Articles of Incorporation:

- Change in the registered business name from IPVG Corp. to its current name;
- Change in the primary purpose to a general holding company; and
- Change in the principal office and place of business of the Company from 34th Floor, Tower 2, RCBC Plaza, 6819 Ayala Avenue, Makati City, to 2nd Floor Senses Spa Building, MIA Road corner Pildera Street, Tambo, Parañaque City.

The Company's previous primary purpose is to invest and engage in management of investments in media technology industry; internet, intranet, extranet, and all types of information technology users; purchase, sale, import and export, license, distribution and rental of any computer hardware and equipment; and engage in e-commerce. The subsidiaries are mainly involved in communications, IP services and internet security services; content online games and mobile solutions; and payment solutions.

On June 27, 2013, the BOD approved the following amendments to the Company's By-Laws and Articles of Incorporation:

- Articles of Incorporation – Fourth Article – Extension of 50 years from the expiration of the original term of 50 years from and after the date of Incorporation on May 19, 1964; and
- By-Laws – Section 1, Article 11 – Inclusion of, as venue for the holding of the annual shareholders' meeting, any place within the city or municipality where the principal office of the Company is located.

The above amendments to the By-Laws and Articles of Incorporation were ratified by the shareholders on December 20, 2013 and consequently approved by the SEC as on May 14, 2014.

1.2 Company updates

a) Corporate restructuring

In July 2011, the shareholders and the Board of Directors (BOD) of the Company approved the Company's corporate restructuring which aims to increase shareholder value and potentially generate cash for the Company. As part of the Restructuring plan, IP Ventures, Inc. (IPVI) was incorporated in the Philippines on September 16, 2011. IPVI is owned by the same shareholders of the Company in the same proportion as their shareholdings in the latter.

Following the formation of IPVI, the Company transferred substantially all its assets and liabilities, including its equity interest in the shares of stock of listed subsidiaries, namely IP EGame Ventures, Inc. (IPEVI) and IP Converge Data Center, Inc. (IPCDC), and other non-listed subsidiaries, pursuant to the Asset Purchase Agreement (APA) dated September 28, 2011 (see Note 4). The corporate ownership structure of the Company and IPVI remained the same before and immediately after the transaction.

b) Increase in authorized share capital to P2,500,000,000 and listing of new shares

On November 15, 2011, the BOD approved the increase in authorized share capital from 1,000,000,000 shares at P1 par value per share to 2,000,000,000 shares at P1 par value per share. The increase in authorized share capital was approved by the SEC on March 27, 2012.

On January 5, 2012, the BOD approved the issuance of 400,000,000 shares at P1 par value per share out of the 1,000,000,000 increase in authorized share capital to BDO Private Bank, Inc., acting as a trustee.

On June 27, 2013, the BOD approved the initial increase of the authorized capital stock from 2,000,000,000 shares at P1 par value per share to 2,500,000,000 shares at P1 par value per share. The increase in authorized share capital was approved by the SEC on July 25, 2013.

On December 20, 2013, the stockholders ratified the issuance of 125,000,000 shares at P1 par value per share out of the P500,000,000 increase in authorized share capital to Company's Chairman, President and CEO, and approved the listing of the same, subject to compliance with the requirements of the PSE.

Millennium Ocean Star Corporation (MOSC)

On November 26, 2013, the BOD approved the investment in and/or acquisition of various businesses and operating companies, including 51% controlling interest in MOSC. During the annual shareholders' meeting held last December 20, 2013, the shareholders approved the investment in MOSC and the transaction was executed on January 10, 2014.

c) New Wave Resources Limited (New Wave)

On February 16, 2012, the BOD approved the amendment of the Amended Articles of Incorporation to change the Company's primary purpose, allowing the Company to establish a refinery in the Philippines to refine metal ores, precious stones, oil, gas, coal and other minerals. In line with the change in the Company's primary purpose, BOD authorized the Company to enter into a Memorandum of Understanding (MOU) with CSL in order to carry out the refinery business. Under the MOU, the Company, through CSL, will acquire a 1% ownership of New Wave, a Company incorporated in the British Virgin Islands (BVI) and a wholly-owned subsidiary of CSL, to give the Company access over a strategic relationship with a leading builder and operator of refineries in the People's Republic of China.

On May 23, 2012, the Company entered into a subscription agreement with CSL to authorize the issuance of 704,714,458 share capital at P1 par value per share to the latter out of the unissued 1,000,000,000 increase in share capital.

On September 3, 2012, CSL transferred to the Company the 1% ownership of New Wave.

d) Investment agreements

a. On April 29, 2009, the Company entered into an Investment Agreement (the “Agreement”) with GEM Global Yield Fund Limited and GEM Investment Advisors, Inc. (collectively known as “GEM”), and Elite Holdings Inc. (Elite) that grants the Company the option to require GEM Global Yield Fund Limited (the “Investor”) to subscribe from the Company and to purchase from the existing shareholder of the Company, Elite Holdings Inc., shares in the Company, subject to certain terms and conditions under the Agreement, for up to an aggregate value of P300,000,000. The Company, on various dates, issued drawdowns to GEM. In accordance with the Share Lending provision of the Agreement, Elite and Mr. Jaime Enrique Gonzalez provided loan shares to GEM.

On January 20, 2012, the Company authorized the issuance of 38,000,000 shares at P1.23 for 19,000,000 shares and P1.24 for 19,000,000 shares in favor of GEM or its assigns pursuant to the Agreement.

On February 16, 2012, the Company authorized the additional issuance of 24,583,821 shares at P1.17 per share in favor of the lending shareholders in relation to the drawdown made on January 26, 2012, pursuant to the Agreement.

On March 20, 2012 and April 20, 2012, the Company authorized the issuance of 23,500,000 shares at P1.16 per share and 10,857,000 shares at P1.12 per share, respectively, in relation to the drawdowns made on March 13, 2012 and April 23, 2012, respectively.

b. On July 1, 2013, the Company entered into an Investment Agreement with MOSC, a corporation engaged in the business of trading of goods such as marine and other related products on a wholesale basis, for the purpose of funding and expansion of MOSC’s trading business. Under the Agreement, the Company shall advance up to P60,000,000 as additional working capital to MOSC. The amount shall be payable in two (2) years with interest rate of 6.5% per annum. A total loan of P30,000,000 was made but has been fully paid for as of March 31, 2014.

c. On January 10, 2014, the Company executed a Subscription Agreement with MOSC acquiring 51% controlling interest in MOSC, as approved by the stockholders on December 20, 2013. The aggregate subscription price for the 137,908,163 MOSC primary common shares is P137,908,163. Initial payment has been made in the amount of P65,000,000.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to the years presented, unless otherwise stated.

Statement of compliance

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) as issued by the Financial Reporting Standards Council (FRSC), and adopted by SEC.

Basis of measurement

The accompanying financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The financial statements are prepared in Philippine Peso (P), which is the Company’s functional and presentation currency. All values are rounded off to the nearest peso, unless otherwise indicated.

Use of judgments and estimates

The preparation of the financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in Note 3.

Changes in accounting policies and disclosures

a. New standards and amendments effective from January 1, 2013

The accounting policies adopted are consistent with those of the previous years except for the following new standards and amendments effective for the first time from January 1, 2013 of which none have had a material effect on the financial statements:

i. Standards and amendments relevant to the Company

- **PFRS 10, *Consolidated Financial Statements***
- **PFRS 12, *Disclosures of Interests in Other Entities***
- **PFRS 13, *Fair Value Measurement***
- **Amendments to PAS 1, *Presentation of Items of Other Comprehensive Income***
- **Amendments to PAS 27, *Separate Financial Statements***
- **Amendments to PFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities***

The adoption of the standards or amendments is described below:

- **PFRS 10, *Consolidated Financial Statements*:** The new standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC-12 (PIC-12), *Consolidation - Special Purpose Entities*.

PFRS 10 was developed to eliminate the perceived conflict on the concept of consolidation between PAS 27 (amended in 2008) and PIC-12. PAS 27 (amended in 2008) requires the consolidation of entities based on the power to govern its financial and operating policies whereas PIC-12 mandates consolidation of entities based on risks and rewards.

PFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. It provides a new definition of control based on three elements: power over the investee, exposure or rights to variable returns from involvement with the investee, and ability to use power over the investee to affect the amount of investor's return. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The application of this standard has an effect on the Company's accounting for its subsidiary, which it had acquired on January 10, 2014.

- **PFRS 12, *Disclosures of Interests in Other Entities*:** This standard prescribes all of the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities. The standard requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the reporting entity's relationship with other entities. The standard had an impact on the Company's financial position or performance.

- **PFRS 13, *Fair Value Measurement*:** This standard was developed to eliminate inconsistencies of fair value measurements dispersed in various existing PFRS. It clarifies the definition of fair value, provides a single framework for measuring fair value and enhances fair value disclosures. As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values. The Company has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Company.

- **Amendments to PAS 1, *Presentation of Items of Other Comprehensive Income*:** The amendments improved the consistency and clarity of the presentation of items of other comprehensive income. The amendments also highlighted the importance that the board places on presenting profit or loss and other comprehensive income together and with equal prominence. The main change resulting from the amendments was a requirement for

entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassified to profit or loss subsequently (reclassification adjustments). The amendments did not address which items are presented in other comprehensive income.

The amendments did not change the option to present items of other comprehensive income either before tax or net of tax. However, if the items are presented before tax, then the tax related to each of the two groups of other comprehensive income items (those that might be reclassified and those that will not be reclassified) must be shown separately.

- **Amendments to PAS 27, *Separate Financial Statements*:** As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the financial statements of the Company.

- **Amendments to PFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*:** These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c) The net amounts presented in the statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments affect disclosures only and have no impact on the Company's financial position or performance.

Annual improvements to PFRS (2009-2011 cycle)

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

- Amendments to PFRS 1, *First-Time Adoption of Philippine Financial Reporting Standards – Borrowing Costs*
- PAS 1, *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*
- PAS 16, *Property, Plant and Equipment – Classification of Servicing Equipment*
- PAS 32, *Financial Instruments Presentation – Tax Effect of Distribution to Holders of Equity Instruments*
- PAS 34, *Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities*

The Company, however, expects no significant impact on its financial position or performance from the adoption of the amendments.

- b. New standards, interpretations and amendments to existing standards issued but not yet effective and not early adopted by the Company

Standards and amendments to existing standards issued but not yet effective up to the date of issuance of the financial statements are listed below. This listing is of standards and amendments issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

i. Standards and amendments relevant to the Company

• **PFRS 9, *Financial Instruments: Recognition and Measurement*:** PFRS 9, as issued, reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement* and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. 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 fair value through profit or loss. 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 in respect of the liability's 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 into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. The Company did not conduct an evaluation on the possible financial impact of an early adoption of the new standard as the Company will not early adopt the standard. However, initial indications show that adoption of PFRS 9 will have no significant impact on its financial position or performance.

The new standard removes the January 1, 2015 effective date. The new mandatory effective date will be determined once classification and measurement and impairment phases of PFRS 9 are finalized. As a result, the transitional guidance will change.

• **Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities*:** These amendments are effective for annual periods beginning on or after January 1, 2014. Earlier application is permitted. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The adoption of these amendments will have no significant impact on the Company's financial position or performance.

• **Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*:** The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

• **Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*:** These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

ii. Standards, interpretations and amendments not relevant to the Company

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)* (effective January 1, 2014)
- Amendments to PAS 19, *Defined Benefit Plans: Employment Contribution* (effective July 1, 2014)
- Philippine Interpretation on IFRIC 15, *Agreements for the Construction of Real Estate (no definite effective date)*
- Philippine Interpretation on IFRIC 21, *Levies* (effective January 1, 2014)

2.2 Current versus noncurrent classification

The Company presents assets and liabilities in the statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash on hand and in banks unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

2.3 Fair value measurement

The Company measures financial instruments at fair value at each reporting date.

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 Company.

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 or by selling it to another market participant that would use the asset in its highest and best use.

The Company 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 statements 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 Company 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 the end of each reporting period.

For the purpose of fair value disclosures, the Company 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.

2.4 Foreign currency transactions and translation

Transactions in foreign currencies are initially recorded by the Company at the respective functional currency rates prevailing at the date of the transaction.

Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the statement of loss with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognized in other comprehensive income until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits applicable to exchange differences on these monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

2.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held to maturity (HTM) investments, available for sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

(a) Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading

unless they are designated as effective hedging instruments as defined by PAS 39. Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of loss.

The Company has not designated any financial assets at FVPL.

(b) Loans and receivables

This category is the most relevant to the Company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of loss. The losses arising from impairment are recognized in the statement of loss in finance costs for loans and in other pre-operating expenses for receivables.

This category generally applies to cash on hand and in banks, loans receivable and due from a related party

(c) HTM investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the statement of loss. The losses arising from impairment are recognized in the statement of loss in finance costs. The Company did not have any HTM investments as at September 30, 2014 and 2013.

(d) AFS investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as neither held for neither trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income and credited in the AFS reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of loss in finance costs. Interest earned while holding AFS financial investments is reported as finance income using the EIR method.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial assets if the Company has the intent and ability to hold these assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of loss.

The Company's investment in New Wave Resource Limited is classified under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar

financial assets) is primarily derecognized when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company 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 Company has retained.

ii. Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment exists if one or more events that have occurred since the initial recognition of the asset (an incurred 'loss event'), 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 debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

a) Financial assets carried at amortized cost

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

The carrying amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of loss. Interest income (recorded as finance income in the statement of loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

b) Financial assets carried at cost

If there is objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 discounted at the current market rate of return for a similar financial asset.

c) AFS investments

For AFS financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of loss – is removed from other comprehensive income and recognized in the statement of loss.

Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of loss, the impairment loss is reversed through the statement of loss.

iii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

(a) Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PAS 39 are satisfied.

The Company does not have any liabilities held for trading nor has it designated any financial liability as being at FVPL.

(b) Other financial liabilities

This is the category most relevant to the Company. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of loss.

This category generally applies to trade and other payables, due to a related party and deposit for future share subscription.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of loss.

iv. Classification of financial instruments between debt and equity

Financial instruments are classified as liability 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 is reported as expense or income.

v. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the asset and settle the liability simultaneously.

2.6 Cash on hand and in banks

Cash consists of cash on hand and in banks. Cash in banks earns interest at respective bank deposit rates. For the purpose of reporting cash flows, cash in banks is unrestricted and available for use in current operations.

2.7 Other current assets

Other assets are recognized when the Company expects to receive future economic benefit from them and the amount can be measured reliably. Other assets are classified in the statement of financial position as current assets when the cost of goods or services related to the assets are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, other assets are classified as noncurrent assets. Creditable withholding taxes (CWT) represent taxes withheld by the Company's customers required under the Philippine taxation laws and regulations. CWTs are recognized as asset and will be used to offset against the Company's income tax liability. CWTs are stated at net realizable value (NRV).

2.8 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the Company makes a formal estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or its cash generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Reversals of impairment are recognized in the statement of loss.

2.9 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer); otherwise, they are presented as noncurrent liabilities. These are measured initially at fair value and subsequently measured at amortized cost using the EIR method.

Accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the suppliers. It is necessary to estimate the amount of timing or accrued expenses; however, the uncertainty is generally much less than for provisions.

Government dues and remittances include withholding income taxes which represent taxes retained by the Company for an item of income required to be remitted to the BIR on or before the 10th day of the following month. The obligation of the Company to deduct and withhold the taxes arises at the time the income payment is paid or payable, or the income payment is accrued or recorded as an expense or asset, whichever comes first. The term “payable” refers to the date the obligation becomes due, demandable, or legally enforceable.

2.10 Provisions and contingencies

Provisions are recognized when:

- (a) the Company has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the statement of loss, net of any reimbursement.

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

2.11 Deposits for future shares subscription

Deposit for future shares subscription refers to the amount of cash or property received by the Company with the purpose of applying the same as payment for future issuance of shares.

Deposit for future shares subscription is presented under equity if it meets the following conditions:

- The unissued authorized share capital of the Company is insufficient to cover the amount of shares indicated in the contract;
- There is BOD's approval on the proposed increase in authorized share capital (for which a deposit was received by the Company);
- There is shareholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been filed with the SEC.

Otherwise, the deposit for future shares subscription is presented as noncurrent liability.

2.12 Share capital

Share capital is measured at par value for all shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the “Share premium” account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the

shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Retained earnings (deficit)

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distribution, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has a debit balance, it is called “deficit”, and presented as a deduction from equity.

2.14 Expense recognition

Expenses are recognized in the statement of loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in the statement of loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Expenses in the statement of loss are presented using the function of expense method. General and administrative expenses are costs attributable to administrative, marketing and other business activities of the Company.

2.15 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. The key management personnel of the Company is also considered to be a related party.

2.16 Taxes

Current income tax

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (i) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- (ii) in respect of taxable temporary differences associated investments in subsidiaries, associates and interest in joint ventures, when 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 tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carry-over (NOLCO), and any

unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits from MCIT and NOLCO and unused tax losses can be utilized, except:

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

Deferred 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 at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle the liabilities simultaneously.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

2.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.18 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit attributable to equity holders of the Company by weighted average number of common shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding and assume conversion of all dilutive potential common shares.

The Company presents basic and diluted EPS, even if the amounts are negative (loss per share).

2.19 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chairman of the Board that makes strategic decisions.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues. Segment results that are reported to the Chairman of the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Unallocated items comprise mainly corporate assets, head office expenses, interest income and expenditures and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, and equipment and investment properties.

2.20 Events after the reporting date

Post year-end events up to the date when the financial statements were authorized for issue by the BOD that provide additional information about the Company's position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

NOTE 3 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with PFRS requires the management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and accompanying notes.

The estimates and associated assumptions are based on historical experiences and other various factors that are believed to be reasonable under the circumstances including expectations of related future events, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates, assumptions and judgments are reviewed and evaluated on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

Determination of functional currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency is determined to be the Philippine Peso. It is the currency that mainly influences the Company's operations.

Classification of financial instruments

The Company 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 agreement and the guidelines set by PAS 39 on the definitions of a financial asset, a financial liability or equity. In addition, the Company also determines and evaluates its intention and ability to keep the investments until its maturity date. The substance of a financial instrument, rather than its legal form, and the management's intention and ability to hold the financial instrument to maturity generally governs its classification in the statement of financial position.

Determination whether an arrangement contains a lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

The Company has entered into operating lease arrangement as a lessee. The Company, as a lessee, has determined that the lessor retains substantial risks and rewards of ownership of these properties, which are on operating lease agreements.

Estimates

Impairment of loans and receivables

The Company reviews its loans and receivables at each reporting date to assess whether an allowance for impairment loss should be recognized in its statement of loss or loans and receivables balance should be written off. 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 assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Moreover, management evaluates the presence of objective evidence of impairment which includes observable data that comes to the attention of the Company about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial re-organization.

Impairment of AFS Investments

The Company classifies certain financial assets as AFS equity securities and recognizes movements in fair value in other comprehensive income and equity. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognized in profit or loss. Impairment may be appropriate when there is evidence of deterioration in the financial wealth of investee, industry and sector performance and operational and financing cash flows. The Company treats AFS equity securities as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment.

The Company treats "significant" generally as 20% or more of the original cost of the investment, and "prolonged," longer than 12 months. In addition, the Company evaluates other factors including normal volatility in share price for quoted securities and the future cash flows and the discount factors for unquoted securities.

Realizability of deferred tax assets

Management reviews the carrying amount of deferred tax asset at each reporting date. The carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax asset can be utilized. Deferred income tax is recognized only to the extent that taxable income will be available against which the deferred tax asset can be used.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that the carrying amount of all non-financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. At the reporting date, the Company assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

Estimating provision and contingencies

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside legal counsel and is based upon an analysis of potential results.

Finance cost

Interest expense for loans payable charged to finance costs and guarantee fees to the shareholders forming part of the Company's interest expense.

(f) Pension benefit liability

The Company's employees are entitled to pension benefits in accordance with RA No. 7641, which is unfunded.

NOTE 4 - CASH

This account consists of the following:

	30-Sept-14	31-Dec-13	31-Dec-12
Cash on hand	7,829,876	61,190	-
Cash in banks	37,239,096	1,243,661	-
Total	45,068,972	P1,304,851	-

NOTE 5 – TRADE AND OTHER RECEIVABLES

This account consists of the following:

	30-Sept-14	31-Dec-13	31-Dec-12
Accounts receivable-trade	303,251,230	-	-
Accounts receivable-others	79,432,103	-	-
Allowance for impairment loss	-	-	-
Total	382,683,333	-	-

NOTE 6 - AGING OF TRADE AND OTHER RECEIVABLES/ADVANCES TO RELATED PARTY

This account consists of the following:

	<u>Total</u>	<u>Neither past due nor impaired</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>Over 90 days</u>
AR-Trade	303,251,230	112,360,031	25,406,377	15,493,146	149,991,677
AR-Others	79,432,103	37,893,033	3,291,857	38,247,213	
Advances to related party	248,955,264	25,742,911		18,263,845	204,948,508

NOTE 7 – OTHER CURRENT ASSETS

This account consists of the following:

	30-Sept-14	31-Dec-13	31-Dec-12
Prepayments & other current assets	22,854,523	-	-
Input tax	4,945,521	4,028,085	3,696,876
Allowance for impairment	(1,089,998)	(1,089,998)	(1,089,998)
	26,710,046	2,938,087	2,606,877

Creditable withholding tax	796,522	796,522	796,522
Allowance for impairment	(796,522)	(796,522)	41,190
Total	26,710,046	2,938,086	3,444,589

NOTE 6 – TRADE AND OTHER PAYABLES

This account consists of the following:

	30-Sept-14	31-Dec-13	31-Dec-12
Trade payables	80,214,718	-	-
Expanded withholding tax payable	174,897	7,513	453,750
Accrued expenses	11,944,589	632,581	492,800
Others	136,897,685		
Total	229,231,889	P640,094	P946,550

NOTE 7 – DEPOSIT FOR FUTURE STOCK SUBSCRIPTIONS

This account consists of the following:

	30-Sept-14	31-Dec-13	31-Dec-12
Deposit for future stock subscriptions	-		P9,390,000

* End of report *