



**Transpacific Broadband Group**  
INTERNATIONAL, INC.  
*formerly: Transpacific Broadcast Group International, Inc.*

CORPORATE OFFICE: 9/F SUMMIT ONE TOWER  
530 SHAW BOULEVARD., MANDALUYONG CITY,  
PHILIPPINES, 1550  
TEL.: (632) 718-3720, 718-3721, FAX (632) 533-4052  
EMAIL: tbgi@tbgi.net.ph

SATELLITE CENTER: BLDG. 1751 CHICO ST.  
CLARK SPECIAL ECONOMIC ZONE  
ANGELES CITY, PAMPANGA, PHILIPPINES  
TEL.: (6345) 599-3042, FAX (6345) 599-3041

## **NOTICE OF ANNUAL STOCKHOLDERS' MEETING**

**TO ALL STOCKHOLDERS**  
**TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Transpacific Broadband Group International, Inc. will be held at Multi Media Center, Ground Floor, Summit One Tower Annex Bldg. 530 Shaw Blvd., Mandaluyong City on Wednesday, October 16, 2019 at 12:30 P.M. (lunch), with these agenda:


1. Proof of Notice of the Meeting
2. Proof of Presence of a quorum
3. Approval of the previous annual minutes of meeting
4. Report of the President
5. Approval of the FY December 31, 2018 Audited Financial Statements
6. Election of Directors
7. Appointment of Independent Auditors
8. Adjournment

The record date for determination of the stockholders entitled to notice of, and to vote at said meeting is fixed at the close of business hours on September 18, 2019.

The enclosed Information Statement is being distributed to stockholders of record as of September 18, 2019, in compliance with the requirements of Section 17.1-(b) of the Securities Regulation Code.

Registration starts at 12:20 in the afternoon. Please bring any form of identification to facilitate registration.

Mandaluyong City, September 4, 2019.

  
**PAUL SARIA**  
Corporate Secretary  
Chief Information Officer

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**TRANSPACIFIC BROADBAND GROUP  
INTERNATIONAL, INC.**

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(Company)

9th Floor Summit One Tower  
530 Shaw Boulevard, Mandaluyong City, 1550

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(Address)

**717-0523**

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(Telephone Number)

**DECEMBER 31**

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(Fiscal Year Ending)  
(month & day)

**SEC Form 20-IS  
(Definitive Information Statement)**

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(Form Type)

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Amendment Designation (if applicable)

**Annual Stockholders Meeting  
October 16, 2019**

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(Period Ended Date)

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(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS

Information Statement Pursuant to Section 20  
of the Securities Regulation Code (SRC)

SECURITIES AND EXCHANGE  
COMMISSION

RECEIVED  
SEP 19 2019  
MARKET REGULATION DEPT.

BY: Sheryl TIME: 4:15

1. Check the appropriate box:

Preliminary Information Statement  
 Definitive Information Statement

2. Name of Registrant as specified in its Charter **TRANSPACIFIC BROADBAND GROUP  
INTERNATIONAL, INC.**

3. Country of Incorporation **Philippines**

4. SEC Identification Number **AS095-006755**

5. BIR Tax Identification Number **004-513-153**

6. Address of principal office **Bldg. 1751 Chico St. Clark Special Economic Zone,  
Angeles City, Pampanga  
Or c/o  
Unit 904, 9F Summit One Tower  
530 Shaw Blvd. Mandaluyong City, 1550**

7. Telephone Number **(632) 717-0523**

8. Date, time and place of meeting of security holders:

Date : October 16, 2019, Wednesday  
Time : 12:30 o'clock lunch meeting  
Place : Multi Media Center  
Ground Floor, Summit One Tower Annex Bldg.  
530 Shaw Blvd., Mandaluyong City, 1550

9. Approximate date on which the Information Sheet is first to be sent or given to security holders:

September 25, 2019

10. Securities registered pursuant to Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Subscribed and Outstanding (No. of Shares)</u>	<u>Pesos</u>
Common shares	3,800,000,000	P380,000,000

11. Are any or all of these securities listed on the Philippine Stock Exchange?

YES  NO

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE  
REQUESTED NOT TO SEND US A PROXY.**

## **INFORMATION REQUIRED IN INFORMATION STATEMENT**

### **A. GENERAL INFORMATION**

#### **Item 1. DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS**

**October 16, 2019, Wednesday  
12:30 o'clock, Lunch meeting  
Ground Floor, Summit One Tower Annex Bldg.  
530 Shaw Blvd., Mandaluyong City, 1550**

#### **Complete Mailing Address of Principal Office of Registrant**

**Bldg. 1751 Chico St. Clark Special Economic Zone  
Angeles City, Pampanga  
Or c/o  
Unit 904, 9F Summit One Tower  
530 Shaw Blvd. Mandaluyong City, 1550**

Approximate date on which the Information Sheet is first to be sent or given to security holders is **September 25, 2019.**

#### **Item 2. DISSENTER'S RIGHT OF APPRAISAL**

Sections 80 of the Corporation Code provide for a shareholder's exercise of the right of appraisal (defined as the right of any stockholder to dissent and demand payment of the fair value of his shares). The instances where the right of appraisal may be exercised are as follows:

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the Company's property and assets;
3. In case of merger or consolidation; and
4. In case the Company decides to invest its funds in another corporation or business outside of its primary purpose.

There are no new items in the agenda that may give rise to a dissenting shareholder's exercise of the right of appraisal

#### **Procedure for Exercise of Dissenter's Appraisal Right**

Section 81 of the Corporation Code provides for the appropriate procedure for the exercise of the right of appraisal, *viz*:

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken: Provided, that the failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the Corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and Provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

**Item 3. INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON**

The following persons have no substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office:

1. each person who has been a director or officer of the Corporation at any time since the beginning of the fiscal year;
2. each nominee for election as a director of the Corporation: and
3. each associate of any of the foregoing persons.

No member of the Board of Directors of the Corporation has informed the Corporation in writing that he intends to oppose any action to be taken by the Corporation at the annual meeting of the stockholders.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

Common Shares	3,800,000,000
Less: Treasury shares	4,378,000
Total Outstanding Shares Voting /Shares as of record date Aug. 31, 2019	3,795,622,000

The Company’s capital stock consists of common shares only. Each share is entitled to one vote. All stockholders of record at the close of business on **September 18, 2019** shall be entitled to notice and to vote at the Annual Stockholders meeting.

The directors of the Corporation shall be elected by plurality vote at the annual meeting of the stockholders for that year at which a quorum is present. At each election for directors, every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his share equal, or by distributing such votes at the same principle among any number of candidates.

**(1) SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS**

Owners of more than 5% of voting securities as of **August 31, 2019**:

Class	Name of Record Owner and Relationship with Record Owner	Name of Beneficial Owner	Citizenship	Shares Owned	%
Common	3. Arsenio T. Ng 9F Summit One Tower, 530 Shaw Blvd. Mandaluyong City (CEO)	None	Filipino	1,712,370,990"r"	45.11%
Common	1. PCD Nominee Corp. (F) th 37 floor Tower 1, the Enterprise Ctr., 6766 Ayala Ave, Makati City, Phil.	Various	Filipino	1,620,628,790"r"	42.70%
Common	2. Unipage Management, Inc. F 9 Floor Summit One Tower, 530 Shaw Boulevard Mandaluyong City (Investor)	Stockholders	Filipino	500,000,000"r"	13.17%

The clients of PCD Nomination Corporation are the beneficial owners and have the power to decide how their shares are to be voted.

There is no Filipino and Non-Filipino holder of 5% or more under PCD Nominee Corporation.

The Board of Directors of Unipage Management Inc and ATN Holdings, Inc. appointed Willy Ong and Sophie Miles Ng respectively as the authorized representative and they have the right to vote and direct or dispose of the shares held by the company.

**(2) Security ownership of management as of August 31, 2019:**

Class	Name of Beneficial Owner	No. of Shares and Nature of Beneficial Ownership	Citizenship	%
	<b>Directors:</b>			
Common	Arsenio T. Ng	1,712,370,990"d"	Filipino	45.11%
Common	Kenneth C. Co	42,590,000"d"	Filipino	1.12%
Common	Hilario T. Ng	4,008,040"d"	Filipino	0.11%
Common	HRH Prince Abdul Aziz Bin Talal Al Saud	1,000,000"r"	Saudi Arabian	0.03%
Common	Paul Saria	258,040"d"	Filipino	0.01%
Common	Simon Ung	10,000"d"	Filipino	0.00%
Common	Oscar B. Mapua	40,000"d"	Filipino	0.00%
	<b>Officer:</b>			
Common	Santos Cejoco	10,000"d"	Filipino	0.00
	All directors and executive officers as a group	<b>1,760,287,070"d"</b>		<b>46.38%</b>

Each every security holder is the beneficial owner in his own right.

**(3) VOTING TRUST HOLDERS OF 5% OR MORE**

There are no persons who hold more than 5% of a class under voting trust or similar agreement.

**(4) CHANGES IN CONTROL**

The company has no arrangements, which may result in a change in control of the Corporation. There has been no change in control since the beginning of its last fiscal year.

**Item 5. DIRECTORS AND EXECUTIVE OFFICERS**

(1) The names of the incumbent Directors, Executive officers and nominees of the Company and their respective ages and citizenship, current positions held, period of service and business experience during the past five years as required under Section 38 of the Code and SRC Rule 38.1 are as follows:

**Arsenio T. Ng – President and CEO**

Age 60, Filipino Citizen

Period Served September 2000 to Present

Term of office as director – one year

Holds a Masters degree in Business Management with distinction from the California State College, Stanislaus, and the University of California, Los Angeles. Mr. Ng attended special studies in Politics and Public Administration at the United States Congress in Washington D.C. He took his undergraduate studies in Business Administration and Finance at the De La Salle University (Jose Rizal honors), Philippines and at the California State College, Stanislaus (cum laude), USA.

In 1994, Mr. Ng served as President and CEO of the Energy Corporation; a company listed in the Philippine Stock Exchange and became Chief Finance Officer of Semirara Coal Corporation, the largest coal mining firm in the Philippines the following year. He is the Chairman and CEO of ATN Holdings Inc., a listed holding company in the PSE, in which he holds major equity stake. He is the Chairman and CEO of Palladian Land Development Inc., and the Chairman and Director of Unipage Management Inc. He is also the Chairman and Director of both Advanced Home Concept Development Corporation, and Hart Realty Development Inc. Mr. Ng is concurrently a Director and Treasurer of Hambrecht and Quist Philippine Ventures II, a private equity fund managed by Hambrecht and Quist, Philippines Inc., a subsidiary of US-based Hambrecht and Quist venture firm.

In 1998, Mr. Ng became the President and Chairman of Managed Care, Inc. medical complex of 150 doctors, He is also the Director of Beacon Diversified, Inc. that has investments in Skycable. Mr. Ng also acts as Vice Chairman and President of CBCP World.

**HRH Price Abdul Aziz Bin Talal Bin Abdul Aziz Al Saud - Director**

Age 37, Saudi Arabian

Period Served – June 2009 to present

Term of office as director – one year

HRH Prince Abdul Aziz bin Talal Al Saud, is member of the Saudi Royal Family. He is Prince Talal bin Abdul Aziz's fifth son, son of the founding King of Saudi Arabia, Abdul Aziz Bin Saud, and Princess Majdah Al Sudairi, daughter of H.E. Turki bin Khaled Al Sudairi President of the Government Human Rights Commission, and cousin of the Sudairi Seven. HRH received his early education in Saudi Arabia under his father's auspice and in Institut Le Rosey, Switzerland. HRH Prince Aziz bin Talal is the Honorary President of the Website Services and Internet Technology (WSITGC) of the Gulf Cooperation Council (GCC), Member of the Concordia Summit Leadership Council and Chairman of the Arab Open University.

**Hilario T. Ng – Director, Chief Finance officer and member of Remuneration and Nomination Committee**

Age 58, Filipino Citizen

Period Served September 2000 to Present

Term of office as director – one year

A graduate of Bachelor of Architecture at the Southern California Institute of Architecture, Mr. Ng took his MA in Urban Design at the University of California at Los Angeles. Presently, he is President of Palladian International, Inc., Director of ATN Holdings, Inc., Executive Vice President of Palladian Land Development, Inc., Architect, and Managing Partner of HEO Group. He was previously connected with Nadel Partnership, Inc (Architect, 1990), Figure 5, Inc (Project Director, 1988-1989), Stephen Lam & Associates (Project Director, 1987), Richard Magee & Associates (Project Architect, 1985-1986), T.W. Layman & Associates (Project Architect, 1982), Michael Ross & Associates (Project Architect, 1982), and WOU International (Project Architect, 1981).

**Oscar B. Mapua, Jr. – Independent and Nomination Committee Chairman**

Age 75, Filipino Citizen

Period Served May 2003 to Present

Term of office as director – one year

Mr. Mapua is a member of the Board of Trustees and Executive Vice President of the Mapua Institute of Technology and the Founding Director of the Design Center of the Philippines. He earned his BS Architecture degree from the Rhode Island University in 1969 and his Masters in Architecture from the University of the Philippines in 1987.

**Simoun Ung – Director**

Age 51, Filipino Citizen

Period Served May 2007 to Present

Term of office as director – one year

Simoun Ung has an extensive background in international business in the Asia Pacific, both as a professional in the financial industry, as well as being a successful entrepreneur. He is the President & CEO of OmniPay, Inc., the Philippine's leading issuer of prepaid payment cards and innovator for financial inclusion; Mr. Ung is likewise the President-Commissioner of PT Omni Pay Indonesia. He is also Vice Chairman of Bastion Payment Systems Corporation, which developed and launched the first proprietary payment gateway in the Philippines certified to Payment Card Industry standards. Mr. Ung is likewise the Vice Chairman of Sanson Mineral Resources, Inc. He also serves on the Board of Directors of Transpacific Broadband Group International, Inc. [PSE: TBGI].

Simoun Ung's past experience includes Adviser-Origination of Hambrecht & Quist Philippines Inc. and President of Four Star Consulting. Mr. Ung was a Service Provider to RBS Coutts Bank Ltd. He served as an Advisor to the Supreme Court of the Philippines. He was also a Consultant to the Commission on Elections and the Office of International Policy and Special Concerns of the Department of National Defense. Mr. Ung was an Independent Director on the Board of Federal Resources Investment Group, Inc.[PSE:FED].

Mr. Ung has a Master of Business Administration degree from the Ivey School of Business of the University of Western Ontario and a Bachelor of Arts degree in Psychology and Economics from the University of British Columbia. Mr. Ung received additional training with the 2nd Advanced Programme for Central Bankers and Regulators at the Institute of Global Economics and Finance of the Chinese University of Hong Kong as well as an Executive Education Course on the National Retail Payments System with the National Payment Systems Institute.

**Kenneth Chua Co – Independent and Remuneration Committee Chairman**

Age 46, Filipino Citizen

Period Served May 2011 to Present

Term of office as director – one year

Mr. Kenneth Co is a graduate of AB Economics at Ateneo De Manila University in 1994. At present he is the Proprietor and Owner of Dagupan Commercial, an operator of a wholesale and retail distribution family business dealing mainly with bakery supplies. From 2007 to present, he is also a Distributor of Pharmanex & Nu Skin. A distribution and multilevel network marketing business focused on introducing high quality supplements and skin care products to customers with a goal of contributing the profits significantly to the Nourish the Children Foundation. From 1996 to present, he is also the Administrator of Benito Enterprises, a business engaged mainly in real estate development and lease rental accumulation. Some of his past positions held includes Managing Director of Road on Call from 2005 to 2007 and Chamco Food Ventures Inc. from 1999-2005.

**Paul B. Saria – Director, Chief Operating and Compliance Officer and member of Audit and Nomination Committee**

Age 49, Filipino Citizen

Period Served September 2000 to Present

Term of office as director – one year

A graduate of Bachelor of Architecture at the University of Santo Tomas, Mr. Saria took his graduate studies in Project Management at the Royal Melbourne Institute of Technology, Australia. He is Vice President for Operations of TBGI, Operations Officer of ATN Holdings, Inc. and Project Planning Architect of the Summit One Office Tower. He is likewise Operations Manager of Palladian Land Development Inc. and Advanced Home Concept Development Corporation since 1996.

**Atty. Leonides S. Respicio – Corporate Secretary**

Age 67, Filipino Citizen

Period Served August 2018 to Present

Atty. Respicio is a graduate of Bachelor of Laws in 1978 at the University of the Philippines, Diliman, Quezon City. At present, he is the corporate secretary and legal counsel of Test Consultants, Inc. from 2004-present; legal counsel of Padernal Construction Inc. (2010- present), Radiant Sunshine Power Corporation (2018 – present), Lamon Bay Furniture, Inc. (2018 to present), Philippine Pacific Trade Inc.(Salad Master Distributor (2010-present), Capitol City Sports and Country Club, Inc. (1980-1986), Jocanima Corporation (2012-2017), First Champion, Inc. (Manpower Services) 2012-2017, Prince David Condominium Unit Owners Association Inc. (2010-2015) and Don Enrique Height Subdivision Homeowners Association, Inc. (2016-present)

The aforementioned directors and officers have served the fiscal year ended December 31, 2018, and shall continue to serve until their successors have been duly elected at the Company's next annual stockholders' meeting. Also, none of the current directors and officers work in government.

**NOMINEES FOR ELECTION AS DIRECTORS OF THE COMPANY**

The nominees for election as directors of the company are the following:

Arsenio T. Ng (Filipino)	Hilario T. Ng (Filipino)	Simoun Ung (Filipino)
Ardi Bradley L. Ng (Filipino)	Paul B. Saria (Filipino)	
Oscar B. Mapua Jr. (Filipino)	Kenneth Co (Filipino)	

Oscar Mapua Jr., and Kenneth Co are the nominees for independent directors. In the approval of nomination for independent directors, the Nominations Committee headed by Oscar B. Mapua (Chairman), Hilario T. Ng, (Member) and Paul B. Saria (Member) has taken into consideration the guidelines prescribed under SRC Rule 38., the independent directors are nominated by Paul B. Saria (Filipino) and Hilario T. Ng (Filipino). Mr. Paul Saria and Arch. Hilario Ng have no relationship with the nominees for independent directors.



**ARDI BRADLEY L. NG – Nominee**

Age 25, Filipino Citizen

Mr. Ardi Ng is a graduate of Ateneo De Manila University in year 2016. He holds a degree in Bachelor of Arts in Social Science, Major in Social Science. After graduation, Mr. Ng underwent his training in the Company. He is currently the Business Development Officer of Transpacific Broadband Group, Inc. Ardi Ng is the son of the Chairman Arsenio T. Ng.

The Corporation will observe the term limits for independent directors imposed by SEC Memorandum Circular No. 4, Series of 2017 which became effective on January 2, 2012. The Corporation's two current independent directors may serve as independent directors until 2021 in compliance with the maximum cumulative term of nine (9) years.

The independent directors undertake to submit an updated Certification of Qualifications and Disqualifications thirty (30) days after the date of the Annual Stockholders' Meeting.

Only nominees whose names appear on the final list of candidates will be eligible for election as directors. No further nominations will be entertained or allowed on the floor during the annual stockholders' meeting.

**(2) SIGNIFICANT EMPLOYEES**

The company has no significant employees.

**(3) FAMILY RELATIONSHIP**

The Chairman, Arsenio T. Ng, and Director Hilario T. Ng are brothers. Mr. Ardi Bradley L. Ng (nominee) is the son of Arsenio T. Ng. Except for the above-mentioned directors the company does not know any other family relationship up to the fourth civil degree either by consanguinity or affinity among the directors, executive officers or persons nominated.

**RESIGNATION OF OFFICER**

There was no resignation, removal or election of company Directors or Officers for the past two years.

**(4) INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS**

The Company is not aware that anyone of the incumbent directors and executive officers and persons nominated to become a director and executive officer have been the subject of bankruptcy petition or pending criminal proceedings in court or have been by judgment or decree found to have violated securities or commodities law enjoined from engaging in any business, securities, commodities or banking activities. This disclosure on legal proceedings covers the last five years up to the latest date of this Information Statement.

The Company is not involved in any litigation incidental to the conduct of its business. If there is any claim, the Company believes that the cases against it have no legal basis and that there is no pending litigation that will have a material or adverse effect on its financial position or operations.

**(D) RELATED PARTY TRANSACTIONS****ATN Solar**

The Company subscribed additional shares of stock of ATN Solar amounting to P97 million. At the time of subscription, P2.650 million was paid in February 1, 2018, P2,850 million in August 1, 2018 and P91.5 million in December 2018.

**PLDI**

The Company is a beneficial owner of certain condominium units classified in the Statement of Financial Position as Investment properties. Title to the properties has not been released to the Company as it intends to sell the properties using the marketing expertise of PLDI. In 2017 and 2016, these properties are leased out to third parties thru PLDI. Proceeds of the rent were remitted to the

Company. Rent income collected by PLDI on these properties amounted to P2.684 million in 2018 and P2.479 million in 2017.

A *Teaming Agreements* executed in January 2013 and 2015 between the Company and certain related parties operating within Summit One Condominium Tower, a cost and expense sharing scheme related to technical operations was implemented. All other cost including, but not limited to salaries, utilities, and dues shall be borne by PLDI. Accordingly, certain cost and expenses maybe advanced by a party and to be reimbursed from another party on the proportionate share or usage between the related parties involved.

There was no compensation paid or payable to key management personnel for the year ended December 31, 2018.

Key management personnel have not been provided with retirement benefits.

(3) The registrant has no parent company.

## Item 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Information as to the aggregate compensation during the last two (2) fiscal years paid to the Company's five (5) most highly compensated executive officers and all other officers and directors as a group and the estimated compensation for Year 2017 are as follows:

	2019 Estimated	2018	2017
Four most highly compensated Executive Officers			
1. Arsenio T. Ng – CEO			
2. Paul B. Saria – Chief Operating Officer			
3. Santos L. Cejoco – Corporate Planning Officer			
4. Vicente Layson – Network Engineer			
5. Christian Nucom – Asst. Network Engineer			
TOTAL	600,000	600,000	500,000
All other officers and directors	500,000	500,000	450,000
Total	1,100,000	1,100,000	1,100,000

The CEO and COO has not received compensation from the company during the period 2000-2014, except for the stock options mentioned above in Stock Options for the Chief Executive Officer.

No bonuses were given to directors and officers, payments were purely compensation in nature.

The By-Laws of Transpacific gives each Director a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the Directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders. There are no other standard or other special arrangements regarding the compensation of the Directors of the Company.

The members of the Board are entitled to receive a reasonable per diem of P5,000 for attendance at each meeting of the Board of Directors. Other than such per diem, there is no other arrangement pursuant to which any amount of compensation is due to the directors for services rendered as such.

### Warrants and Options

On May 28, 2008 the Board of Directors and Stockholders approved the grant of stock options to the Chief Executive Officer 40 Million shares at par value of P1.00. In addition, the Remuneration Committee resolved to implement additional terms and conditions specifically on the vesting date. (Note 21).

### EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT, AND CHANGE-IN-CONTROL ARRANGEMENT

An employment contract between the Corporation and a named executive officer will normally include a compensation package, duties and responsibilities, and term of employment.

The Corporation has not entered into any compensatory plan or arrangement with any named executive officer which would entitle such named executive officer to receive any amount under such plan or arrangement as a result of or which will result from the resignation, retirement, or any other termination of such executive officer's employment with the Corporation and its subsidiaries, or from a change-in-control of the Corporation, or a change in the executive officer's responsibilities following a change-in-control of the Corporation.

#### **Item 7. INDEPENDENT PUBLIC ACCOUNTANT**

The audited financial position of the Company for CY 2018 was audited by R. R. TAN & ASSOCIATES, CPAs.

The same accounting firm is being recommended for re-election at the scheduled annual meeting for the almost the same remuneration as in the previous year. Representatives of the said firm are expected to be present at the stockholders' meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

R. R. TAN & ASSOCIATES, CPAs has acted as the Company's external auditor since 2009 and has complied with the five-year rotation requirement under SRC Rule 68(3)(b)(iv) (Qualifications and reports of Independent Auditors). Mr. Chester Nimitz F. Salvador is the current audit partner for R. R. TAN & ASSOCIATES, CPAs. He replaced Mr. Domingo A. Daza Jr., who serves as audit partner from 2012 to 2015.

The audit committee headed by Kenneth C. Co (Independent and Chairman) Arsenio T. Ng, and Paul B. Saria has no policies and procedures of the above services.

#### **(2) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There were no events in the past wherein R. R. TAN & ASSOCIATES, CPAs, and the company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedure.

#### **Item 8. COMPENSATION PLANS**

In 2007, the Remuneration Committee approved the grant of stock options for 38.4 million shares at par value to the Chief Executive Officer to compensate the CEO with options of 4.8 million shares per year for the eight-year period 2000–2007.

The grant of options for the CEO was approved based on the following considerations:

1. The CEO has not received compensation since the strategic acquisition of the company in 2000 to date.
2. The CEO was responsible for (a) rehabilitation of P200 million loss arising from a bad financial structure, and (b) collection of P80 million of bad debts, bringing the company to its present state of profitable operations and strong financial position.
3. Under the leadership of the CEO, the company was able to comply with the mandate of its telecommunications franchise to successfully undertake an initial public offering (IPO) that was executed in early 2003 in the face of weak capital markets in Asia.
4. The CEO used personal bank credit lines for the (a) acquisition of majority stake in the company, (b) rehabilitation of financial position and telecommunications facilities, (c) expansion of digital data services and acquisition of institutional marketing partner for installation of IT laboratories nationwide.
5. The CEO needs the options to enable him to reimburse his personal bank credit lines that the CEO used over the years to fund the comprehensive rehabilitation and expansion of company operations.
6. The same grant of stock options for the CEO shall be approved by the Board and ratified by the shareholders.

## C. ISSUANCE AND EXCHANGE OF SECURITIES

### Item 9. Authorization or Issuance of Securities Other than for Exchange

9.1 In Aug 10, 2018 the Corporation issued 130,000,000 shares to ATN Holdings, Inc. for the investment of P21,684,400 at a subscription price of P0.1668, which was agreed upon last 2002, but recently been completed last year 2018. Government taxes has been paid prior to issuance by the Stock and Transfer Agent.

(a) State the title and amount of securities to be authorized or issued.

130,000,000 common shares as P0.1668 per share

(b) Description of Registrant's Securities

- (1) Common or Preferred Stock - Common Stock
- (2) Amount of capital stock of the common shares to be issued - Php 21,684,400
- (3) The common shares to be issued shall likewise have dividend and voting rights. However, pursuant to the Company's Articles of Incorporation, the pre-emptive rights have been expressly waived.

(c) Description of the Transaction

- (1) The transaction refers to the investment agreement of P P21,684,400 by of ATN Holdings, Inc., prior to the Initial Public Offering in 2002, for the purpose of establishing the corporate office in Metro Manila and working capital of the Company. Full Investment was completed least 2018.
- (2) Discussion on the appropriate amount devoted to each purpose so far as determinative for which the net proceeds have been or are to be used.

Investment Type	Investment Amount
Private Placement/ Cash	P21,684,400

(d) If the securities are to be issued other than in a public offering for cash, state the reasons for the proposed authorization or issuance:

The 130,000,000 share certificates were issued last August 10, 2018. Documentary Stamp Tax arising from the issuance were paid on June 27, 2018.

General effect thereof upon the rights of existing security holders.

The subscription of common shares shall have very minimal dilutive effect upon the existing shareholders. However, in accordance with the rules and regulations of the Philippine Stock Exchange, the subscription and issuance of shares to ATN Holdings, Inc., is a related party transaction, in which case, a rights and/or public offering is required, unless this is waived by a majority of the minority of shareholders present in the annual stockholders' meeting. Hence, the proposed motion for such waiver.

(e) Application for listing with the Philippine Stock Exchange

Pursuant to the Policy of the Philippine Stock Exchange ("Exchange") that all issued and outstanding shares of listed companies be applied for listing with the Exchange, the stockholders of the Corporation in the Annual Stockholders Meeting of October 3, 2018 resolved to approve for the application of listing of 130,000,000 common shares with waiver by a majority of the minority of shareholders, present in the annual stockholders' meeting, the requirement of a rights and/or public offering.

9.2 On September 17, 2018, in a meeting of the Board of Directors resolved to issue 400,000,000 shares to the Chairman, Arsenio T. Ng for investments amounting to Forty Million Pesos to be used solely for payment of subscription payable to ATN Philippines Solar Energy Group, Inc. The issuance of additional shares to be taken from the unissued capital stock of the Company has been approved by stockholders of the Corporation in the Annual Stockholders Meeting of October 3, 2018. Hereunder are the following information on the transaction:

(a) State the title and amount of securities to be authorized or issued.

400,000,000 common shares as P0.10 per share

(b) Description of Registrant's Securities

- (1) Common or Preferred Stock - Common Stock
- (2) Amount of capital stock of the common shares to be issued - Php 40,000,000.00
- (3) The common shares to be issued shall likewise have dividend and voting rights. However, pursuant to the Company's Articles of Incorporation, the pre-emptive rights have been expressly waived.

(c) Description of the Transaction

The transaction refers to the private placement investment of Arsenio T. Ng amounting to P40,000,000, wherein proceeds of the investment were solely used to fund subscription payable of the Corporation in ATN Philippines Solar Energy Group, Inc. (ATN Solar). Currently, Transpacific Broadband Group International, Inc. holds 30% of ATN Solar.

Discussion on the appropriate amount devoted to each purpose so far as determinative for which the net proceeds have been or are to be used.

Investment Type	Investment Amount
Private Placement/ Cash	P40,000,000

(d) If the securities are to be issued other than in a public offering for cash, state the reasons for the proposed authorization or issuance:

On September 17, 2018, in a meeting the Board of Directors resolved to issue 400,000,000 shares to the Chairman, Arsenio T. Ng for investment of Forty Million Pesos, paid and applied in exchange for the same amount of TBGI subscription payable to ATN Philippines Solar Energy Group, Inc. Documentary Stamp Tax arising from the issuance were paid on the same date.

General effect thereof upon the rights of existing security holders.

The subscription of common shares shall have very minimal dilutive effect upon the existing shareholders. However, in accordance with the rules and regulations of the Philippine Stock Exchange, the subscription and issuance of shares to Mr. Arsenio T. Ng, is a related party transaction, in which case, a rights and/or public offering is required, unless this is waived by a majority of the minority of shareholders present in the annual stockholders' meeting. Hence, the proposed motion for such waiver.

(e) Application for listing with the Philippine Stock Exchange

Pursuant to the Policy of the Philippine Stock Exchange ("Exchange") that all issued and outstanding shares of listed companies be applied for listing with the Exchange, the stockholders of the Corporation in the Annual Stockholders Meeting of October 3, 2018 resolved to approve for the application of listing of 400,000,000

common shares with waiver by a majority of the minority of shareholders, present in the annual stockholders' meeting, the requirement of a rights and/or public offering.

9.3 On April 2, 2019, in a meeting of the Board of Directors resolved to issue 1,179,806,700 common shares (0.1632 price per share) to the Chairman, Arsenio T. Ng for investments amounting to One Hundred Ninety Two Million Pesos (P192,500,000) to be used solely for payment of subscription payable to ATN Philippines Solar Energy Group, Inc. The issuance of additional shares to be taken from the unissued capital stock of the Company. Hereunder are the following information on the transaction:

(a) State the title and amount of securities to be authorized or issued.

1,179,806,700 common shares as P0.1632 per share

(b) Description of Registrant's Securities

- (1) Common or Preferred Stock - Common Stock
- (2) Amount of capital stock of the common shares to be issued - Php 192,500,000
- (3) The common shares to be issued shall likewise have dividend and voting rights. However, pursuant to the Company's Articles of Incorporation, the pre-emptive rights have been expressly waived.

(c) Description of the Transaction

The transaction refers to the private placement investment of Arsenio T. Ng amounting to P192,500,000, wherein proceeds of the investment were solely used to fund subscription payable of the Corporation in ATN Philippines Solar Energy Group, Inc. (ATN Solar). Currently, Transpacific Broadband Group International, Inc. holds 30% of ATN Solar.

Discussion on the appropriate amount devoted to each purpose so far as determinative for which the net proceeds have been or are to be used.

<b>Investment Type</b>	<b>Investment Amount</b>
Private Placement/ Cash	P192,500,000

(d) If the securities are to be issued other than in a public offering for cash, state the reasons for the proposed authorization or issuance:

In April 2, 2019, in a meeting of the Board of Directors resolved to issue 1,179,806,700 shares to the Chairman, Arsenio T. Ng for investments amounting to One Hundred Ninety Two Million Five Hundred Thousand Pesos paid and applied in exchange for the same amount of TBGI subscription payable to ATN Philippines Solar Energy Group, Inc. Documentary Stamp Tax arising from the issuance were paid on the same date.

General effect thereof upon the rights of existing security holders.

The subscription of common shares comprises the remaining unissued shares of the Corporation thereby issued shares will be equivalent 3,800,000,000. However, in accordance with the rules and regulations of the Philippine Stock Exchange, the subscription and issuance of 1,179,806,700 shares to Mr. Arsenio T. Ng, is a related party transaction, in which case, a rights and/or public offering is required, unless this is waived by a majority of the minority of shareholders present in the annual stockholders' meeting. Hence, the proposed motion for such waiver.

(e) Application for listing with the Philippine Stock Exchange

Pursuant to the Policy of the Philippine Stock Exchange ("Exchange") that all issued and outstanding shares of listed companies be applied for listing with the Exchange, the motion for the approval for the application of listing of 1,179,806,700 common shares is being submitted to the shareholders for approval in the upcoming Annual Stockholders Meeting on October 16, 2019

Approval is likewise being sought for the grant of authority to the Board of Directors to assign and appoint the Company's duly authorized representative for such application for listing. Such representative shall likewise have the authority to do all necessary acts and execute and/or cause to execute all the necessary documents in furtherance to such application for listing.

**Item 15. OTHER MATTERS**

**Action with Respect to Reports:**

The following reports/minutes shall be submitted to the stockholders for approval/ratification:

1. Minutes of the previous Annual Stockholders' Meeting
  - a. Approval of previous annual minutes of meeting
  - b. Report of the President
  - c. Approval of FY December 31, 2017 audited FS
  - d. Election of Directors
  - e. Appointment of Independent Auditors
2. Annual Report of the President
3. Fiscal Year Ending December 31, 2018 Audited Financial Statements
4. Stockholders approval regarding the (P192,500,000) private placement by Mr. Arsenio T. Ng equivalent to 1,179,806,700 common shares with a subscription price of P0.1632 per share, with waiver of the majority of the minority shareholders to conduct a rights/public offering.

The president reported the highlights of the audited fiscal year December 31, 2018 financial statements, and the acts of the Board and the executive officers during the above fiscal year. The corporate secretary read to the stockholders the minutes of the previous annual stockholders' meeting.

The stockholders in said meeting approved and ratified the following:

1. the minutes of the previous annual stockholders' meeting,
2. the audited December 31, 2017 financial statements,
3. the appointment of R. R. Tan & Associates, CPAs as external auditor,
4. ratified the acts of the Board and the executive officers during the above fiscal year including but not limited to memberships in (a) remuneration committee, (b) audit committee, and (c) nomination committee. Membership in said committees, which include one independent director in compliance with Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code are as follows:

<b>Compensation Committee:</b>	<b>Audit Committee</b>	<b>Nomination Committee</b>
Kenneth C. Co (Chairman)	Kenneth C. Co (Chairman)	Oscar B. Mapua (Chairman)
Arsenio T, Ng – Member	Arsenio T. Ng – Member	Hilario T. Ng – Member
Hilario T. Ng - Member	Paul B. Saria - Member	Paul B. Saria - Member

The same sets of committee members shall apply for the coming fiscal year.

**MERGERS, CONSOLIDATION, ACQUISITIONS AND SIMILAR MATTERS**

No action is to be taken with respect to any transaction involving:

1. the merger or consolidation of the Corporation into or with any person, or of any other person into or with the Corporation;
2. the acquisition by the Corporation or any of its security holders of securities of another person;
3. the acquisition by the Corporation of any other going business or of the assets thereof;
4. the sale or other transfer of all or any substantial part of the assets of the Corporation; or
5. the liquidation or dissolution of the Corporation.

## **Item 17. AMENDMENTS OF CHARTER, BYLAWS AND OTHER DOCUMENTS**

The procedures under SRC Rule 38 (Guidelines on Nomination and Elections of Independent Directors) shall be incorporated in the company's By-Laws. The Board of Directors pursuant to the authority delegated to it by the stockholder under Article VII Section I of the By-Laws of the Registrant, shall cause the amendment of the By-Laws in a regular or special meeting called for the purpose to include the foregoing procedures on the nomination and election of independent directors.

On January 18, 2018 the Securities and Exchange Commission approved the amendment of the Corporation's Articles of Incorporation; "*That the authorized capital stock of the corporation is THREE BILLION EIGHT HUNDRED MILLION PESOS (P3,800,000,000.00) Philippine Currency, and said capital stock is divided into THREE BILLION EIGHT HUNDRED MILLION (3,800,000,000) with a par value of Ten Centavos (P0.10) each.*

## **Item 19. VOTING PROCEDURES**

A majority of the subscribed capital, present in person, shall be sufficient at a stockholders' meeting to constitute a quorum for the election of directors and for the transactions of any business whatsoever, except in those cases in which the Corporation Code requires the affirmative vote of a greater portion.

At each meeting of the stockholders, every stockholder shall be entitled to vote in person, for each share of stock held by him, which has voting power upon the matter in question. The votes for the election of directors, and, except upon demand by any stockholder, the votes upon any question before the meeting, except with respect to the procedural questions determined by the chairman of the meeting, shall be by viva voce or show of hands.

The directors shall be elected by plurality vote at the annual meeting of the stockholders for that year at which a quorum is present. At each election for directors every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his share shall equal, or by distributing such votes at the same principle among any number of candidates.

The manner of counting the vote is done by viva voce unless balloting is demanded by stockholders representing at least 10% of the outstanding capital stock entitled to vote, in the presence of the corporate secretary or the assistant corporate secretary.

The Articles of Incorporation may be amended by the affirmative vote of at least majority of the Board of Directors and stockholders representing a majority of the Board of Directors and stockholders' meeting called for that purpose. However, the power to amend, modify repeal or adopt new articles may be delegated to the Board of Directors by the affirmative vote of stockholders representing not less than two-thirds of the outstanding capital stock of the Corporation.

**After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong on September 18, 2019.**

**Issuer :** TRANSPACIFIC BROADBAND GROUP INTERNATIONAL INC.  
**Date :** September 18, 2019



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**PAUL B. SARIA**  
Corporate Information Officer



## **BUSINESS AND GENERAL INFORMATION**

### **BRIEF DESCRIPTION OF THE GENERAL NATURE AND SCOPE OF THE REGISTRANT'S BUSINESS AND ITS SUBSIDIARIES**

Transpacific Broadband Group International (TBGI or Transpacific) is a domestic corporation registered with the SEC on 14 July 1995. It started commercial operation in 1996 with an authorized capital stock of Twenty-Five Million Pesos (Php25,000,000.00), divided into Two Hundred Fifty Thousand shares (250,000) with a par value of One Hundred Pesos (Php100.00) each. Its primary purpose is to engage in the business of public commercial radio, terrestrial, cable and satellite broadcast. TBGI does not have any subsidiary under it.

On 07 November 2002, the SEC approved the increase in authorized capital stock of TBGI from Twenty-Five Million Pesos (Php25,000,000.00) divided into Two Hundred Fifty Thousand shares with par value of One Hundred Pesos (Php100.00) each, to One Hundred Fifty Million Pesos (Php150,000,000.00) divided into One Hundred Fifty Million (150,000,000) shares with par value of One Peso (Php1.00) each.

On 27 December 2002, the Company's Board of Directors and stockholders approved the following resolutions:

The conversion of additional paid-in capital amounting to Php58,341,330.00 into 58,341,330 shares of stock to be paid, as and by way of stock dividends, to all stockholders of the Company as of 31 December 2002 in proportion to the number of shares held by each stockholder and which will be issued out of the proposed increase in the authorized capital stock from One Hundred Fifty Million Pesos (Php150,000,000.00) to Three Hundred Eighty Million Pesos (Php380,000,000.00);

The increase in authorized capital stock from One Hundred Fifty Million Pesos (Php150,000,000.00) divided into One Hundred Fifty Million (150,000,000) shares with par value of One Peso (Php1.00) per share to Three Hundred Eighty Million Pesos (Php380,000,000.00) divided into Three Hundred Eighty Million (380,000,000) shares with par value of One Peso (Php1.00) per share; and

The amendment of Article Seventh of the Amended Articles of Incorporation in relation to the proposed increase in authorized capital stock.

The Company's subscribed and paid-up capital as of 31 December 2002, after incorporating the effect of stock dividends in 2002, amounts to Php139,341,330.00.

On April 15, 2003, the SEC approved the aforesaid increase and amendments.

The Company is a duly registered Clark Special Economic Zone (CSEZ) enterprise with Registration Certificate No. 95-53 dated 29 November 1995 and has a 25-year Lease Agreement to build, maintain, and manage a satellite earth station within the CSEZ. TBGI holds a 25-year Congressional Telecom Franchise for commercial telecommunications operations under RA 8657, which the legislative body passed into law on 22 June 1998. It also has an approved Provisional Authority to transmit radio signals to satellites granted by National Telecommunication Commission (NTC).

TBGI generates revenues mainly from Internet, Intranet, and local loop services subscriptions of schools, corporate private sector and government agencies. The Company sells (1) data services to subscriber schools (at present the Company only provides services to schools) for Internet connectivity and virtual private network connectivity, and (2) video uplink services to local and foreign TV channels.

For the delivery of its services, TBGI owns and operates satellite facilities having separate buildings for transmitter and power generators at the 1.1-hectare area of former US Air Force Satellite Communication facility in CSEZ in Pampanga. TBGI's integral facility, the Clark Development Corp. (CDC) Broadcast Operations Center, houses 20 studios for media production and post-production services inside 277 square meter area of industrial-grade raised flooring, with an enclosed soundproof broadcast studio. TBGI connection to the Internet features the Asia Broadcasting Satellite 5 space segment, and UUNet fiber optic line to complete the link. As back-up connectivity, a fiber optic line is terminated at TBGI data hub.

The Company does not conduct research and development, in accordance with its policy of using existing technologies and forming alliances or supply arrangements with providers of applicable technology that come in the way to serve market opportunities better. TBGI operations do not generate waste or toxic emissions.

### **Properties**

All of the Company's properties and equipment units have been paid for in full and fully owned by the Company.

Complementing the facilities in Clark, Pampanga is the TBGI Network Monitoring and Operations Center at the 9<sup>TH</sup> floor of Summit One Building in Mandaluyong City, Metro Manila. TBGI bought the remaining ATN financial interest in the 9<sup>th</sup> Floor of Summit One Tower Building with a total area of 853 square meters. In addition, TBGI owns a 210 square meter house inside a 248 square meter lot in Island Park Dasmariñas, Cavite. The facility is used for training, seminars and other human resource development activities.

The Company has no plan to acquire additional real estate properties within the next twelve (12) months.

### **Legal Proceedings**

The Company is not involved in any litigation incidental to the conduct of its business. If there is any claim against the company, the Company believes that the cases against it have no legal basis and that there is no pending litigation that will have a material or adverse effect on its financial position or operations.

### **Submission of Matters to a Vote of Security Holders**

There was no meeting held during the 4th quarter of fiscal year ending December 31, 2018.

### **Management's Discussion and Analysis or Plan of Operation**

#### **(1) Plan of operation**

TBGI started to establish its data services network in 2001 with the installation of a satellite main hub transmitter-receiver to link the interactive broadband requirements of educational institutions.

Aside from its new market development efforts, the Company plans to continue its business in the manner it did last year. The company's internal revenue generation, interest income from various money market placements, and the cash balance are sufficient to satisfy its cash requirements for the next twelve months. It will continue to focus on its existing principal activities and has no plan to engage in major product research and development or purchase or sell any plant and significant equipment. The company values its human resources and it has no plan to decrease the number of its employees.

There is no known trend or uncertainty that will significantly reduce TBGI's liquidity. Management expects growth in revenues to come increasingly from data services and Internet growth as the satellite data broadcast network expands with market demand. The demand of schools subscribing for Internet connectivity will require equipment purchases that will be taken out of inventory.

TBGI's profitability is significantly sensitive to revenues and cost of bandwidth used. While there is no known event that will materially affect revenues, the price of bandwidth has declined significantly with the sharing of the new DS3 line with various users located in Summit One Tower.

#### **CY 2018**

Total assets increased from PHP 358.371 million to PHP 563.359 million as of December 31, 2018. The net increase of PHP 205 million in the total assets resulted from movements in the following:

Decrease in current assets of P 1.6 million arising from the following changes:

- a. Decrease of PHP 4.3 million in cash primarily due to additional investment in associates.
- b. Increase of PHP 2.8 million in accounts receivables.

Increase in non-current assets of PHP 206 million due to the following:

- a. Decrease in advances for projects of PHP 657 thousand due to liquidation.
- b. Increase in investment in associates of PHP 204 million due to additional subscription.
- c. Amortization of franchise by PHP 0.6 million.
- d. Decrease of PHP 16.million in property and equipment due to depreciation.
- e. Increase of PHP 16 million in investment property due to fair value adjustment.
- f. Increase of PHP 4 million in other non-current assets due to increase in advances to related parties.

Total liabilities increased from PHP 60 million as of December 31, 2017 to PHP 210 million as of December 31, 2018. The net increase of PHP 149 million was due to the following:

Decrease in current liabilities of PHP 344 thousand arising from the following changes:

- a. Decrease of PHP 400thousand in short term loans.
- b. Increase in income tax payable of PHP 34 thousand.

Increase of non-current liabilities by PHP 149 million arising from the following changes:

- a. Increase of PHP 192.500million in deposits due to deposit for future subscription.
- b. Increase of PHP 48 thousand in pension liability.
- c. Decrease of PHP43 million in advances from related parties.

On the equity side, total equity increased from PHP297.885 million as of December 31, 2017 to PHP353.244 million as of December 31, 2018. The net increase of PHP55 million was due to the following:

- a. Increase of PHP40 million in share capital due to additional subscription.
- b. Increase of PHP15 million in retained earnings due to income during the year.

The following table shows the top five (5) important financial indicators of the company with comparable period in the past year.

	December 31, 2018	December 31, 2017
Current Ratio	0.92	1.01
Debt-to-Equity Ratio	0.60	0.20
Gross Profit Margin	5.1%	-20.2%
Net Income to Sales Ratio	25%	-11.0%
Net Income (loss) in pesos	P14,394,862	-P4,576,591

The following are important performance indicators of the company:

Current Ratio	Calculated ratio of current assets into current liabilities. Indicates the ability of the company to finance current operations without need for long term capital.
Debt-to Equity Ratio	Calculated ratio of total debt into total equity. Indicates the level of indebtedness of the company in relation to buffer funds provided by equity against any operating losses. Also indicates the capacity of the company to absorb or take in more debt.
Gross Profit margin	Calculate ratio expressed in percentage of the gross margin into revenues. Indicates the ability of the company to generate margin sufficient to cover administrative charges, financing charges and provide income for the stockholders.
Net Income to sales Ratio, and Earnings per Share	Calculated ratio of net income into total revenues. Indicates the efficiency of the company in generating revenues in excess of cash operating expenses and non-cash charges, and the ability of the company to declare dividends for stockholders.

There is no 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.

## CY 2017

Total assets increased from PHP 310.284 million to PHP 358,371 million as of December 31, 2017. The net increase of PHP 48 million in the total assets resulted from movements in the following:

Decrease in current assets of P 20 million arising from the following changes:

- a. Decrease of PHP 6.6 million in cash primarily due to additional investment in associates.
- b. Decrease of PHP 12.3 million in accounts receivables due to collection.
- c. Decrease of PHP 920 thousand in spares inventory due to transfer to property and equipment.

Increase in non-current assets of PHP 68 million due to the following:

- a. Decrease in advances for projects of PHP 5 million due to liquidation.
- b. Increase in investment in associates of PHP 96 million due to additional subscription.
- c. Amortization of franchise by PHP 0.6 million.
- d. Decrease of PHP 16.millionin property and equipment due to depreciation.
- e. Decrease of PHP6.237 million in other non-current assets due to decrease in advances to related parties.

Total liabilities increased from PHP 6.442 million as of December 31, 2016 to PHP 14.116 million as of December 31, 2017. The net increase of PHP 7.7 million was due to the following:

Increase in current liabilities of PHP 92thousand arising from the following changes:

- a. Increase of PHP 7.55 million in accounts payable due to accruals.
- b. Increase in income tax payable of PHP 120 thousand.

Increase of non-current liabilities by PHP 45 million arising from the following changes:

- a. Decrease of PHP 125 thousand in deposits.
- b. Increase of PHP 41 thousand in pension liability.
- c. Increase of PHP45 million in advances from related parties.

On the equity side, total equity remains almost the same as of December 31, 2017 and 2016 of PHP 300 million and PHP302 million respectively.

The following table shows the top five (5) important financial indicators of the company with comparable period in the past year.

	December 31, 2017	December 31, 2016
Current Ratio	1.00	5.28
Debt-to-Equity Ratio	0.20	0.03
Gross Profit Margin	-20.2%	2.6%
Net Income to Sales Ratio	-11.2%	3.8%
Net Income (loss) in pesos	-P4,639,325	P1,477,317

The following are important performance indicators of the company:

Current Ratio	Calculated ratio of current assets into current liabilities. Indicates the ability of the company to finance current operations without need for long term capital.
Debt-to Equity Ratio	Calculated ratio of total debt into total equity. Indicates the level of indebtedness of the company in relation to buffer funds provided by equity against any operating losses. Also indicates the capacity of the company to absorb or take in more debt.
Gross Profit margin	Calculate ratio expressed in percentage of the gross margin into revenues. Indicates the ability of the company to generate margin sufficient to cover administrative charges, financing charges and provide income for the stockholders.
Net Income to sales Ratio, and Earnings per Share	Calculated ratio of net income into total revenues. Indicates the efficiency of the company in generating revenues in excess of cash operating expenses and non-cash charges, and the ability of the company to declare dividends for stockholders.

There is no 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.

### CY 2016

Total assets almost the same from PHP 308.730 million to PHP 310.284 million as of December 31, 2016. The net increase of PHP 1.5 million in the total assets resulted from movements in the following:

Increase in current assets of P 13 million arising from the following changes:

- a. Increase of PHP 17.421 million in cash primarily due to collection of trade receivables.
- b. Decrease of PHP 4.137 million in accounts receivables due to collection.
- c. Decrease of PHP 300thousand in spares inventory due to transfer to property and equipment.

Decrease in non-current assets of PHP 11.430 million due to the following:

- a. Increase in advances for projects of PHP 300thousand due to adjustment in foreign exchange rate.
- b. Amortization of franchise by PHP 0.6 million.
- c. Decrease of PHP 16.4millionin property and equipment due to depreciation..
- d. Increase of PHP5.787 million in other non-current assets due to increase in advances to related parties.

Total liabilities almost remains the same from PHP 7.7 million as of December 31, 2015 to PHP 7.8 million as of December 31, 2016. The net increase of PHP 76thousand was due to the following:

Increase in current liabilities of PHP 92thousand arising from the following changes:

- a. Decrease of PHP 145thousand in accounts payable due to payment.
- b. Increase of PHP 334thousand in loans payable.
- c. Decrease in income tax payable of PHP 96 thousand.

Decrease of non-current liabilities by PHP 16thousand arising from the following changes:

- a. Decrease of PHP 92thousand in deposits.
- b. Increase of PHP 75thousand in pension liability.

On the equity side, total equity remains almost the same as of December 31, 2016 and 2015 of PHP 302 million.

The following table shows the top five (5) important financial indicators of the company with comparable period in the past year.

	December 31, 2016	December 31, 2015
Current Ratio	5.28	3.31
Debt-to-Equity Ratio	0.03	0.03
Gross Profit Margin	10.29%	11.37%
Net Income to Sales Ratio	4.12%	3.42%
Net Income (loss) in pesos	P1,477,317	P1,203,046

The following are important performance indicators of the company:

Current Ratio	Calculated ratio of current assets into current liabilities. Indicates the ability of the company to finance current operations without need for long term capital.
Debt-to Equity Ratio	Calculated ratio of total debt into total equity. Indicates the level of indebtedness of the company in relation to buffer funds provided by equity against any operating losses. Also indicates the capacity of the company to absorb or take in more debt.
Gross Profit margin	Calculate ratio expressed in percentage of the gross margin into revenues. Indicates the ability of the company to generate margin sufficient to cover administrative charges, financing charges and provide income for the stockholders.
Net Income to sales Ratio, and Earnings per Share	Calculated ratio of net income into total revenues. Indicates the efficiency of the company in generating revenues in excess of cash operating expenses and non-cash charges, and the ability of the company to declare dividends for stockholders.

There is no 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.

Disclosure on material events and uncertainties:

- 1 There is no known trend, demands, commitments, events or uncertainties that will have material impact on the issuer's liquidity
- 2 There is no event that will trigger direct or contingent financial obligation that is material to the company.
- 3 There is no material off-balance sheet transaction, arrangement, obligations and other relationships of the company.
- 4 There is no material commitment for capital expenditures.
- 5 There is no known unfavorable trend, events, or uncertainties that have material impact on net sales.
- 6 There is no significant element of income that did not arise from the issuer's operations.
- 7 There is no seasonal aspects that has a material effect on the FS.

### **Information on Independent Accountant and related Matter**

#### **(1) External Audit Fees and Services**

R. R. TAN & ASSOCIATES, CPAs, the external auditor of the company, audited the financial position as at December 31, 2018 and 2017 with the contract amount of P340,000 and P310,000 respectively, inclusive of out of pocket expenses.

R. R. Tan & ASSOCIATES, CPAs will audit the Company's statement of financial positions and the related statements of comprehensive income, statement of changes in equity and statement of cash flows for the year then ending and will provide an audit report on the financial statements referred to above in accordance with Philippine Financial Reporting Standards.

As part of the engagement, R. R. Tan & ASSOCIATES, CPAs will also assist in the preparation of the Company's annual income tax returns for filing with the Bureau of Internal Revenue;

There were no tax fees paid for the last two fiscal years for professional services rendered on tax accounting, compliance, advice, planning and any other form of tax services.

There were no other fees paid by the company for product and other services provided by the auditor.

The audit committee headed by Kenneth C. Co (Chairman), Arsenio T. Ng (Member) and Paul B. Saria (Member) has no policies and procedures of the above services.

#### **(2) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There were no events where R. R. Tan & ASSOCIATES, CPAs and the company had any disagreement on any matter of accounting principles or practices, financial statements disclosures, audit scope or procedures which led to a change in external auditors and if not resolved to the satisfaction of any of these accountants, would have caused the latter to make reference to the subject matter of disagreement in connection with its report.

#### **Expansion Plans**

Transpacific installed its web site [www.tbgi.net.ph](http://www.tbgi.net.ph) and is developing a portal, which form the basis for hosting of B2B and B2C e-commerce. TBGI has at its disposal the use of facilities owned by the ATN Group for the performance of broadband services. Summit One Tower hosts the fiber optic backbone with bandwidth of 1 DS3 (equivalent to 22 E1 or 44 Mbps), and the necessary tower height for WIFI transmission in Metro Manila. With the DS3 bandwidth supply now available at Summit One Tower, the TBGI WIFI network envisaged for Metro Manila will be implemented in alliance with equipment suppliers from Taiwan and the USA.

TBGI expects to become a major wireless data services provider for schools in the Philippines. There is no foreseeable event, which may have a material impact on its short-term liquidity, and no seasonal

aspect had material effect on the financial condition of the Company's operation. Funding for the expansion will be sourced from borrowings and available credit facilities from local banks.

TBGI market development and business expansion are focused on energy. TBGI has made investments in ATN Philippines Solar Energy Group, Inc. (ATN Solar) in cooperation with project proponent ATN Holdings, Inc. The TBGI affiliate has secured its Solar Energy Service Contract from the Department of Energy for a 30 Megawatt Solar PV Power Plant near Metro Manila. The project is shovel ready and is undertaking financial closing with banks and private equity.

## Market Price for Registrant's Common Equity and Related Stockholder Matters

### (1) Market Information

The registrant's common equity is principally traded at the Philippine Stock Exchange. TBGI high and low sales prices for the last two years are indicated in the table below.

	Jan 1 to Dec 31, 2018		Jan 1 to Dec 31, 2017
	High	Low	High
Qtr. 1	0.56	0.44	1.75
Qtr. 2	0.41	0.41	1.97
Qtr. 3	0.54	0.51	2.09
Qtr. 4	0.46	0.44	2.99

**The price information as of the latest practicable trading date, September 17, 2019 has a high of 0.365 and low of P0.355.**

### (2) Holders

There is no acquisition, business combination or other reorganization that affect the transaction on amounts and percentage of present holdings of the registrant's common equity owned beneficially by:

- (a) more than five percent (5%) beneficial owner of registrant's common equity;
- (b) each directors and nominee; and
- (c) all directors and officers as a group, and the registrant's present commitments to such persons with respect to the issuance of shares.

There are approximately 381 holders of common shares of the Company as of August 31, 2019. (based on the number of accounts registered with the Stock Transfer Agent).

**The top 20 common stockholders as of August 31, 2019 are as follows:**

	Stockholder	Number Of Common Shares Held	% of Total Shares Outstanding
1	NG, ARSENIO T.	1,712,370,990.00	45.11%
2	PCD NOMINEE CORP	1,320,628,790.00	34.79%
3	UNIPAGE MANAGEMENT, INC.	500,000,000.00	13.17%
4	ATN HOLDINGS, INC.	130,000,000.00	3.42%
5	PCD NOMINEE CORP	64,200,590.00	1.69%
6	LIU, JESSILYN NG	15,000,000.00	0.40%
7	YAP, RODOLFO T.	8,000,000.00	0.21%
8	NG, HILARIO TIU	4,008,040.00	0.11%
9	NG, ANNIE CHAM	3,750,000.00	0.10%
10	NG, MARK T.	3,750,000.00	0.10%
11	NG, MATTHEW H.	3,750,000.00	0.10%
12	NG, TIFFANY ANNE	3,750,000.00	0.10%
13	NG, IRENE T.	3,600,000.00	0.09%
14	NG, BUN KUI	3,600,000.00	0.09%
15	OLIVA, DULCE MARIA S.	3,600,000.00	0.09%
16	LIMQUECO, MARGIE VILLAFLO	3,500,000.00	0.09%
17	LIMQUECO, MARGIE V.	2,180,000.00	0.06%
18	CHOA, BONIFACIO N.	1,000,000.00	0.03%
19	TAN, CAESAR Y.	1,000,000.00	0.03%
20	CHUA, RICARDO R.	1,000,000.00	0.03%

(3) Dividends

There was no cash dividend declared for the last three fiscal years and there are no restrictions that limit the payment of dividend on common shares.

(4) Recent Sales of Unregistered Securities

The Company has not sold any securities within the past three years that were not registered under the RSA.

**Compliance with leading practice on Corporate Governance**

The company will make a separate submission on filling of Integrated Annual Corporate Governance. The detailed discussion of the Annual Corporate Governance Section deleted as per SEC memorandum Circular No. 5, series of 2013, issued last March 20, 2013

The Company did not deviate from the adopted Manual of Corporate Governance and all members of the Board Directors as well as Senior Management officers completed and were duly certified to have attended a 1-day special in-house seminar on Corporate Governance.

**SEC FORM 17-A**

**A copy of SEC Form 17-A will be provided to any stockholder of Transpacific Broadband Group International Inc. without any charge upon written request addressed to:**

**Paul B. Saria**

Transpacific Broadband Group International, Inc.

9<sup>th</sup> Floor Summit One Tower

530 Shaw Blvd., Mandaluyong City, Metro Manila





Transpacific Broadband Group

INTERNATIONAL, INC.

formerly: Transpacific Broadcast Group International, Inc.

CORPORATE OFFICE: 9/F SUMMIT ONE TOWER  
530 SHAW BOULEVARD, MANDALUYONG CITY,  
PHILIPPINES, 1550  
TEL: (632) 717-0523  
EMAIL: tbgi@tbgi.net.ph

SATELLITE CENTER: BLDG. 1751 CHICO ST.  
CLARK SPECIAL ECONOMIC ZONE  
ANGELES CITY, PAMPANGA, PHILIPPINES  
TEL.: (6345) 599-3042, FAX: (6345) 599-3041

April 2, 2019

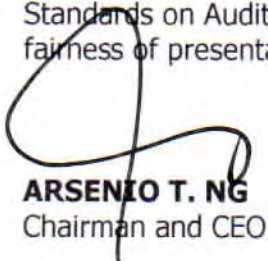
**STATEMENT OF MANAGEMENT RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management on **TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

**R.R. Tan and Associates, CPAs**, the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**ARSENIO T. NG**  
Chairman and CEO

  
**PAUL B. SARIA**  
Chief Operating Officer

  
**HILARIO T. NG**  
Chief Financial Officer

APR 04 2019

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of April 2019, affiants exhibiting to me their driver's license, as follows:

NAMES	RES. CERT. NO.	EXPIRY DATE	PLACE OF ISSUE
Arsenio T. Ng	DL NO1-86-031588	03/13/2021	Manila
Paul B. Saria	DL N04-93-264992	12/15/2021	Mandaluyong
Hilario T. Ng	DL F03-89-049-506	08/23/2021	Manila

NOTARY PUBLIC

Doc. No. : 269  
Page No. : 27  
Book No. : XII  
Series of 2019 : 2019

  
**ATTY. ROGELIO J. BOLNAR**  
NOTARY PUBLIC IN QUEZON CITY

AM Adm. Not. Com. No. NI-124 1-12-10 until 12-31-2020  
IBP O.R. No. 055255, Jan. 2019 & IBP O.R. No. 055256 Jan. 2020  
PTR O.R. No. 7378155 C 1-7-10 / Roll No. 33832 / TIN# 129-871-009  
MCLE No. V-0019296 valid from 04/15/2016 until 04/14/2019/PASIG CITY  
Address: 31-F Harvard St. Cubao, Q.C.

PRC-BOA Reg. No. 0132, valid until December 31, 2021  
SEC Accreditation No.0220-FR-2, valid until March 27, 2020  
BIR Accreditation No. 07-001080-002-2016, valid until October 3, 2019

***Report of Independent Public Accountants***

The Board of Directors and Stockholders  
**TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.**  
9<sup>TH</sup> Floor, Summit One Tower,  
530 Shaw Blvd., Mandaluyong City

***Report on the Audit of the Financial Statements***

***Opinion***

We have audited the financial statements of **TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.** (the Company), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2018, in accordance with Philippine Financial Reporting Standards (PFRSs).

***Basis for Opinion***

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, the description of how our audit addressed the matter is provided in that context.



### *Recoverability of Investment in an Associate*

As of December 31, 2018 and 2017, the Company's investment in an associate amounted to ₱409 million and ₱204.4 million, respectively, equivalent to a 30% equity interest. This asset represents 73% of the total assets at year-end after the Company poured in additional investment amounting to ₱206.8 million during 2018. The associate, which is accounted under the equity method, is still in the pre-operating stage and is now venturing into quarrying activities. We consider this as a key audit matter based on the following key assessments: (i) volume of investment, (ii) complex nature of associate's operations and (iii) certainty or uncertainty of commencing operations.

The Company's disclosure in Investment in an associate is discussed in Note 11 of the Notes to Financial Statements.

### *Our audit procedures*

In the audit of Investment in associates, the following procedures were carried out:

- Performing an analytical procedures of the associates latest financial statements and impairment assessment, where necessary;
- Discussion with key management and technical personnel regarding the developments of solar projects and the rock crusher project during the year and any subsequent material events;
- Review of financial forecast of the associates including project financing, revenue estimates and other investment opportunities.
- Review significant agreements entered into with other parties related to its solar project, including minutes of the Board of Directors meetings;
- Site visit, inspection and observation at the plant site;

### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

### ***Responsibilities of Management and Those Charged With Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Supplementary Information Required Under Revenue Regulation (RR) 15-2010 of the Bureau of Internal Revenue**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information disclosed in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Chester Nimitz F. Salvador

**R. R. TAN AND ASSOCIATES, CPAs**



By: **CHESTER NIMITZ F. SALVADOR**

Partner

CPA Certificate No. 0129556

Tax Identification No. 307-838-154

PTR No. 5174718, January 12, 2019, Pasig City

SEC Accreditation No. 1608-A, valid until January 26, 2020

BIR Accreditation No. 07-001050-002-2016, valid until June 22, 2019



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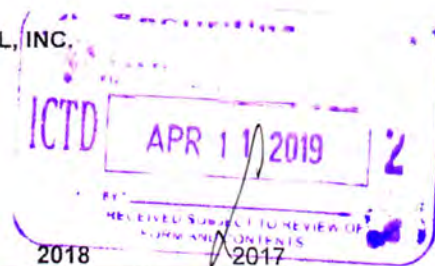
ERNESTO G. CALIMLIM  
Administrative Section

April 2, 2019  
Pasig City

R. R. Tan & Associates, CPAs

Unit 1705, Antel Global Corporate Center, Dofia Julia Vargas Avenue, Ortigas Center, Pasig City 1605

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017



ASSETS	Note	2018	2017
<b>Current Assets</b>			
Cash and cash equivalents	8	P 7,858,193	P 12,200,177
Receivables - net	9	3,882,099	1,002,116
Other current assets - net	10	984,056	1,130,942
		12,724,348	14,333,235
<b>Non-current Assets</b>			
Investment in an associate	11	408,993,627	204,435,192
Franchise - net	12	3,142,405	3,742,405
Property and equipment - net	14	70,908,215	87,402,731
Investment properties	15	61,568,800	45,287,800
Advances for projects	16	-	657,699
Deferred tax asset - net	28	-	672,228
Other non-current assets	13,26	6,022,032	1,840,434
		550,635,079	344,038,490
<b>TOTAL ASSETS</b>		<b>P 563,359,427</b>	<b>P 358,371,725</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	17	P 8,082,242	P 8,061,007
Short-term loans	18	5,500,000	5,900,000
Income tax payable		126,760	92,239
		13,709,002	14,053,246
<b>Non-current Liabilities</b>			
Deposits	19	192,903,000	403,000
Pension liability	20	761,550	809,729
Advances from related parties	26	1,987,143	45,219,832
Deferred tax liabilities - net	28	754,670	-
		196,406,363	46,432,561
<b>Total Liabilities</b>		<b>210,115,365</b>	<b>60,485,807</b>
<b>Equity</b>			
Share capital	21	262,019,330	222,019,330
Share premium		29,426,022	29,426,022
Share options outstanding	21	8,921,814	8,921,814
Retained earnings		53,312,696	37,954,552
Treasury shares	21	(437,800)	(437,800)
<b>Total Equity</b>		<b>353,244,062</b>	<b>297,885,918</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 563,359,427</b>	<b>P 358,371,725</b>


See accompanying notes to financial statements

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Administrative Section

**TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**

	Note	2018	2017	2016
<b>REVENUES</b>				
Service income	22	P 37,948,577	P 36,216,325	P 35,875,465
Other income	24	20,506,969	5,308,685	3,062,776
		<b>58,455,546</b>	<b>41,525,010</b>	<b>38,938,241</b>
<b>COST AND EXPENSES</b>				
Direct costs	23	35,995,700	43,540,610	34,929,840
Administrative expenses	25	1,925,983	962,960	1,577,606
Finance costs	18	358,133	310,780	336,743
Impairment loss	10,15	918,887	-	-
		<b>39,198,703</b>	<b>44,814,350</b>	<b>36,844,189</b>
<b>INCOME(LOSS) FROM OPERATION</b>		<b>19,256,843</b>	<b>(3,289,340)</b>	<b>2,094,052</b>
<b>EQUITY IN NET LOSS OF AN ASSOCIATE</b>	11	<b>(2,241,565)</b>	<b>(1,100,024)</b>	<b>(422,757)</b>
<b>INCOME(LOSS) BEFORE INCOME TAX</b>		<b>17,015,278</b>	<b>(4,389,364)</b>	<b>1,671,295</b>
<b>INCOME TAX EXPENSE</b>	28	<b>1,657,134</b>	<b>187,227</b>	<b>193,979</b>
<b>INCOME(LOSS) FOR THE PERIOD</b>		<b>15,358,144</b>	<b>(4,576,591)</b>	<b>1,477,316</b>
<b>OTHER COMPREHENSIVE INCOME</b>		-	-	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>P 15,358,144</b>	<b>P (4,576,591)</b>	<b>P 1,477,316</b>
<b>EARNINGS (LOSS) PER SHARE</b>				
Basic	28	P 0.0061	P (0.0021)	P 0.0007
Diluted		0.0053	(0.0017)	0.0006


See accompanying notes to financial statements


**BUREAU OF INTERNAL REVENUE**  
 RDO 214 North Pampanga  
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 Administrative Section

**TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**

	Note	2018	2017	2016
<b>SHARE CAPITAL</b>				
Balance, January 1		222,019,330	P 222,019,330	P 222,019,330
Issuance during the year		40,000,000	-	-
Balance, December 31	21	262,019,330	222,019,330	222,019,330
<b>SHARE PREMIUM</b>				
		29,428,022	29,428,022	29,428,022
<b>SHARE OPTIONS OUTSTANDING</b>				
	21	8,921,814	8,921,814	8,921,814
<b>RETAINED EARNINGS</b>				
Balance, January 1		37,954,552	42,531,143	41,053,827
Income(Loss) for the year		15,358,144	(4,576,591)	1,477,316
Balance, December 31		53,312,696	37,954,552	42,531,143
<b>TREASURY SHARES - at cost</b>				
	21	(437,800)	(437,800)	(437,800)
		<b>P 353,244,062</b>	<b>P 297,885,918</b>	<b>P 302,462,510</b>

See accompanying notes to financial statements

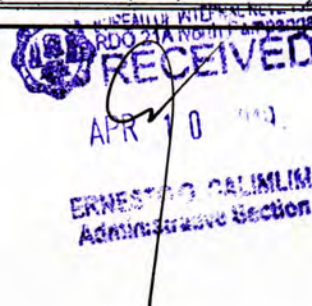
  
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**ERNESTO G. CALINLIAN**  
**Administrative Section**



**TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**

	Note	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (Loss) before income tax expense	P	17,015,278	P (4,389,364)	P 1,671,295
Adjustments for:				
Provisions for (Reversal of):				
Depreciation and amortization	12,14	17,094,516	17,644,282	17,308,768
Retirement benefits	20	40,582	33,051	75,845
Probable loss on trade receivable	9	-	(3,159,565)	446,811
Impairment loss	10,15	918,887	-	-
Foreign exchange (gains) loss	24	(753,958)	387,344	(636,566)
Unrealized fair value gain on investment property	15	(17,053,000)	-	-
Equity in net loss of an associate	11	2,241,565	1,100,024	422,757
Interest income	24	(15,287)	(57,004)	(184,057)
Operating income before Working Capital Changes		19,488,583	11,558,768	19,104,853
Decrease (Increase) in Operating Assets:				
Receivables		(2,879,983)	15,041,500	1,978,090
Other non-current assets		(4,181,598)	(2,723,263)	(2,809,278)
Increase (Decrease) in Operating Liabilities:				
Accounts payable and accrued expenses		21,235	7,552,457	(145,565)
Deposits		-	(125,000)	(92,000)
Cash generated by operations		12,448,237	31,304,462	18,036,100
Income taxes paid		(103,475)	(82,031)	(204,560)
Retirement benefits paid		(88,761)	(74,602)	-
Interest received		15,287	57,004	184,057
<b>Net Cash Provided by Operating Activities</b>		<b>12,271,288</b>	<b>31,204,833</b>	<b>18,015,597</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from:				
Return of funds from advances for projects	16	705,653	5,091,300	-
Collection from related parties		219,832	8,659,213	2,000,000
Collection from sale of communication device		-	301,548	1,929,639
Advances made to related parties		-	-	(4,919,640)
Payment of stock subscription to associate	11	(206,800,000)	(97,000,000)	-
<b>Net Cash Used in Investing Activities</b>		<b>(205,874,515)</b>	<b>(82,947,939)</b>	<b>(990,001)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds of Deposit for future subscription	19	192,500,000	-	-
Issuance of share capital	21	40,000,000	-	-
Availment of loan	18	5,500,000	-	6,000,000
Availments of advances from related parties		-	45,219,832	-
Loan maturities		(5,900,000)	-	(5,722,700)
Payment of advances from related parties		(43,250,874)	-	-
<b>Net Cash Provided by Financing Activities</b>		<b>188,849,126</b>	<b>45,219,832</b>	<b>(5,722,700)</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>				
<b>IN CASH AND CASH EQUIVALENTS</b>		<b>412,117</b>	<b>(88,158)</b>	<b>118,581</b>
<b>NET INCREASE (DECREASE) IN</b>				
<b>CASH AND CASH EQUIVALENTS</b>		<b>(4,341,984)</b>	<b>(6,611,432)</b>	<b>11,421,477</b>
<b>CASH AND CASH EQUIVALENTS, January 1</b>		<b>12,200,177</b>	<b>18,811,609</b>	<b>1,390,132</b>
<b>CASH AND CASH EQUIVALENTS, December 31</b>	P	<b>7,858,193</b>	P 12,200,177	P 12,811,609

See accompanying notes to financial statements



**TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**1. Corporate Information**

Transpacific Broadband Group International, Inc. (TBGI or the Company), a corporation duly organized and existing under the laws of Republic of the Philippines, was incorporated and registered with Securities and Exchange Commission ("SEC") on July 14, 1995, primarily to engage in the business of public commercial radio, terrestrial, cable, and satellite broadcast. The Company is 9.57% owned by Unipage Management Inc.

The Company holds a 25-year Congressional Franchise to construct, establish, install, maintain, and operate communications systems for the reception and transmission of messages within the Philippines. It also has an approved Provisional Authority to transmit radio signals to satellites granted by the National Telecommunications Commission (NTC) on April 7, 1999.

In 2007, the Company received from NTC its Certificate of Registration as a value added services provider and offer Voice Over Internet Protocol (VOIP) service. In the same year, NTC granted Frequency Supportability to the Company.

The Company is a duly registered Clark Special Economic Zone (CSEZ) enterprise and has committed to operate, manage, and maintain a satellite earth station with broadcast production and postproduction facilities and other related activities, located at Clark Field, Pampanga. Pursuant to its registration with CSEZ, the Company is subject to a special tax rate of 5% of gross income on registered activities.

The Company's registered office is located at the 9th Floor of Summit One Tower, 530 Shaw Boulevard, Mandaluyong City. Its satellite center is located at Bldg. 1751, Chico St., Clark Special Economic Zone, Angeles City, Pampanga.

The financial statements of the Company as of December 31, 2018 (including the comparative figures as of December 31, 2017 and 2016) were authorized for issue by the President on April 2, 2019.

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**2. Basis of Preparation and Presentation**

*Statement of Compliance*

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and interpretations thereof. PFRS are adopted standards by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board.

*Basis of Financial Statement Preparation and Presentation*

The accompanying financial statements have been prepared on a historical cost basis except for certain property and equipment and investment properties that are carried at fair value or revalued amounts.

The financial statements are presented in Philippine Peso, the Company's functional currency and all values represent absolute amount except when otherwise indicated.

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### 3. Summary of Significant Accounting Policies

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

#### Current Versus Non-Current Classification

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading; or
- Expected to be realized within twelve months after the end of the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the end of the reporting period.

The Company classifies all other assets 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 end of the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the end of the reporting period.

The Company classifies all other liabilities as non-current.

#### Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

#### Financial Instruments

##### *Date of Recognition*

Financial assets and financial liabilities are recognized in the statements of financial position of the Company when it becomes a party to the contractual provisions of the instrument.

##### *Initial Recognition*

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of these financial instruments includes transaction costs.

##### *Determination of Fair Value*

The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Company recognizes the difference between the transaction price and fair value in the statement of comprehensive income unless it qualifies for recognition as some other type of asset.

#### *Offsetting of Financial Instruments*

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

#### *Classification and Measurement effective January 1, 2018*

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

- Financial Assets at Amortized Cost

The Company measures financial assets at amortised cost if both of the following condition are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

The Company's financial assets at amortised cost includes cash and cash equivalents, receivables, advances and deposits.

- Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

#### *Equity instruments*

Upon initial recognition, the company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under *PAS 32 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Subsequent to initial recognition, financial assets at FVOCI are carried at fair value. Gains and losses on these financial assets are never recycled to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

As of December 31, 2018, the Company has no financial instrument under this category.

#### Debt instruments

A debt financial asset is measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

As of December 31, 2018, the Company does not have debt instruments at FVOCI.

- Financial Assets at Fair Value through Profit or Loss (FVPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss. Dividends are also recognized as other income in the statement of profit or loss when the right of payment has been established.

#### *Classification and Measurement of Financial Liabilities effective January 1, 2018*

Financial liabilities are measured at amortized cost, except for the following:

- (i) Financial liabilities measured at fair value through profit or loss;
- (ii) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement;
- (iii) Financial guarantee contracts;
- (iv) Commitments to provide a loan at a below-market interest rate; and
- (v) Contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- (i) If a host contract contains one or more embedded derivatives; or
- (ii) If a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

As of December 31, 2018, included in this category are the Company's accounts payable and accrued expenses.

*Classification of Financial Instruments as of December 31, 2017*

The Company classifies financial assets into the following categories, (i) At fair value through profit or loss (FVPL), (ii) Available-for-sale, (iii) Held-to-maturity and (iv) Loans and receivable. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

- Financial Assets and Financial Liabilities at FVPL  
Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL. After initial recognition, financial assets and financial liabilities at FVPL are carried at fair value.

A financial asset and financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is part of an identified portfolio of financial instruments that the Company manages together and has recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistently that would otherwise arise; or
- The financial asset forms part of a group of financial assets that is managed and its performance is evaluated on a fair value basis.
- It forms part of a contract containing one or more embedded derivatives.

As of December 31, 2017, there are no financial assets under this category.

- Available-for-sale (AFS)  
AFS are non-derivative financial assets that are either designated on this category or not classified in any of the other categories. Subsequent to initial recognition, AFS assets are carried at fair value in the statement of financial position. Changes in the fair value are recognized directly in equity account as "*Revaluation reserve on AFS financial assets*". Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in equity is included in profit or loss for the period.

As of December 31, 2017, there are no financial assets under this category.

- Loans and Receivables  
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no

intention of trading the receivables. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

Included under this category are the company's cash and cash equivalents, trade receivables, advances and deposits.

- **Held-to-maturity (HTM)**  
HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Company has the positive intention and ability to hold to maturity. After initial measurement, HTM assets are carried at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Any changes to the carrying amount of the investment are recognized in statements of income.

As of December 31, 2017, there are no financial assets under this category.

- **Other Financial Liabilities**  
Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of comprehensive income.

Included under this category are accounts payable and accrued expenses and loans payable. Furthermore, the adoption of PFRS 9 does not significantly change the accounting for financial liabilities under PAS 39.

#### *Reclassification of Financial Assets – effective January 1, 2018*

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company is required to reclassify financial assets:

- (i) from amortized cost to FVPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
- (ii) from FVPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will be effected only at the beginning of the next reporting period following the change in the business model.

*Reclassification of Financial Assets – As of December 31, 2017*

A financial asset is reclassified out of the FVPL category when the following conditions are met:

- (i) the financial asset is no longer held for the purpose of selling or repurchasing it the near future; and,
- (ii) there is a rare situation

A financial asset that is reclassified out of the FVPL category if reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the statement of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

*Impairment of Financial Assets effective January 1, 2018*

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established probability of default rates for third party trade receivables based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company applies the historical credit loss method in case undue cost or effort is involved in calculating the ECL by considering the forward-looking factors. For inter-group trade receivables, the Company has established probability of default rates based on internal credit rating of the customers. Internal credit ratings are based on methodologies adopted by independent credit rating agencies. Therefore, the internal ratings already consider forward looking information.

The Company consider a financial asset to be in default when contractual payments are 180 days past due. However, Company considers internal or external information when there are indicators that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Impairment of Financial Assets as of December 31, 2017*

The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

*(i) Assets carried at amortized cost*

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the profit and loss accounts.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.



Any subsequent reversal of an impairment loss is recognized in the profit and loss accounts, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

(ii) *Assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets are subject to impairment review at each end of the reporting period. Impairment loss is recognized when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

*Derecognition of Financial Instruments – as of and for the year ended December 31, 2017 and 2018*

*Financial Assets*

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

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

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

*Financial Liabilities*

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

*Prepaid Expenses*

Prepaid expenses are measured at amounts paid and subsequently recognized as expense over which the prepayments apply.

*Spare Parts Inventory*

Spare parts inventory is stated at the lower of cost and net realizable value (NRV). Cost is determined using the first-in first-out method. NRV is the selling price less the estimated cost to sell.

### Property and Equipment

Transportation equipment, furniture, and fixtures are initially and subsequently carried at cost less accumulated depreciation and impairment in value, if any. Buildings and improvements, uplink/data equipment and leasehold improvements are carried at revalued amounts less accumulated depreciation and impairment losses, if any. Subsequent acquisitions are stated at cost less accumulated depreciation and impairment losses, if any.

The initial cost of property and equipment consist of its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the properties have been put into operation, such as repairs and maintenance, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the property and equipment.

Depreciation is computed on a straight-line method over the estimated useful lives of the depreciable assets as follows:

Building and improvements	20 years
Uplink/data equipment	10-20 years
Furniture and fixtures	10 years
Transportation equipment	5 years
Lease improvements	6 years or lease term whichever is shorter.

An asset's residual value, useful life, and depreciation method are reviewed periodically to ensure that the period, residual value, and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are sold, retired, or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the period.

When the carrying amount of an asset is greater than its estimated recoverable amount, the cost is written down immediately to its recoverable amount. Fully depreciated assets are retained in the accounts until they are no longer in use.

### Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both and that is not occupied by the company. Investment properties are initially measured at cost, including transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The Company reviews these valuations annually.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Investment property is derecognized when either it has been disposed of, or when the investment property is permanently withdrawn or sold and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

### Investment in Associate

An associate is an entity over which the Company is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investment in an associate is initially recognized at cost and subsequently accounted for using the equity method. The equity method of accounting for investment in associate recognizes the changes

in the Company's share of net assets of the associate. The share in the net results of the operations of the associate is reported as *Equity in Net Loss/Earnings of an Associate* reported in the Statement of Comprehensive Income. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized. Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Company, as applicable.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

If significant influence is lost over the associate, the Company measures the carrying value of investment at its fair value. The difference, if any, upon the loss of significant influence over its associate is reported in the Statement of Comprehensive Income.

#### Franchise

The Company holds a congressional franchise for the operation of telecommunication service. All cost and expenses directly related to its initial acquisition that meets the definition of an intangible asset is capitalized as Franchise. After the initial recognition, Franchise is carried at cost less accumulated depreciation and any impairment losses. Franchise is amortized using the straight line method over its congressional term of 25 years. The amortization period and amortization method is reviewed at each financial year-end. If the expected useful life of the asset is different from previous estimate, the amortization period is changed accordingly. When the carrying amount of Franchise is greater than its estimated recoverable amount, the cost is written down to its recoverable amount. Franchise is derecognized either upon disposal or the right to use expired.

#### Other Non-current Assets

Other non-current assets of the Company include advances to affiliates, security deposit, other receivable, rent receivable and other asset.

#### Equity

Share capital is determined using the par value of shares that have been issued.

Share premium represents the excess of the par value over the subscription price.

Retained earnings include all current and prior period results as disclosed in the Statements of Income.

Share options is measured based on the fair value of the stock option on the date of grant. If the fair value of the stock option cannot be estimated reliably, the intrinsic value method is used. The intrinsic value is the excess of the market value of the share over the option price.

Treasury shares are recorded at cost, which is equal to the cash payment or for noncash consideration. It is shown in the statements of financial position as a deduction from the equity.

#### Revenue and Costs Recognition

Revenue comprises revenue from rendering of services measured by reference to the fair value of consideration received or receivable by the Company for services rendered, excluding VAT and discounts. Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time. A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;

- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

In addition, the following specific recognition criteria must also be met before revenue is recognized:

*Service income*

Revenues from uplink services and bandwidth subscriptions are recognized when services are rendered and billed.

*Rent income*

Rent income is recognized on a straight-line basis over the lease term.

*Interest income*

Interest income from bank deposits is recognized as interest accrues taking into account the effective yield on the related asset.

*Dividend income*

Dividend income is recognized when the right to receive dividends is established.

Cost is recognized in the Statement of Comprehensive Income when the related revenue is earned (e.g. when goods are sold or services have been performed). Expenses are recognized upon utilization of the service or when they are incurred.

*Income Taxes*

Current tax liabilities are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted as at the end of reporting period.

Deferred tax asset is recognized for all temporary differences that are expected to reduce taxable profit in the future, and for the carry forward of unused tax losses and unused tax credits. Deferred tax liability is recognized for all temporary differences that are expected to increase the taxable profit in the future. Deferred tax assets and liabilities are measured using the tax rates and laws substantively enacted at the end of the reporting period.

The carrying amount of deferred tax asset is reviewed at each end of reporting period 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 income tax assets to be utilized.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statements of income. Only changes in deferred tax assets or liabilities that relate to a change in value of asset or liabilities are charged or credited directly to equity.

*Employee Benefits*

(i) Retirement benefit cost

The Company provides for estimated retirement benefits costs required to be paid under RA 7641 to qualifying employees. The cost of defined retirement benefits, including those mandated under RA 7641 is determined using the accrued benefits valuation method or projected benefit valuation method. Both methods require an actuarial valuation which the Company has not undertaken. Management believes, however, that the effect on the financial statements of the difference between the retirement cost determined under the current method used by the Company and an acceptable actuarial valuation method is not significant.

(ii) **Compensated absences**

Compensated absences are recognized for the number of paid leaves days (including holiday entitlement) remaining at reporting date. They are included as part of Accounts payable and accrued expenses account at the undiscounted amount the Company expects to pay as a result of the unused entitlement.

Leases

*Company as a lessee*

Leases where the lessor retains substantially all the risk and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as expense on a straight line basis over the lease term.

*Company as a lessor*

Leases where the Company does not transfer substantially all the risk and benefits if ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the statement of comprehensive income on a straight line basis over the lease term.

Foreign Currency Transactions and Translations

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (*the functional currency*). The financial statements are presented in Philippine Peso, the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency at exchange rates prevailing at the time of transaction. Foreign currency gains and losses resulting from settlement of such transaction and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Impairment of Non-Financial Assets

Property and equipment, Franchise, and Investment in an associate are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable or the recoverable amount is less than its carrying amount. Recoverable amount is the higher of the assets' fair value less cost of disposal or value in use. Fair value less costs of disposal 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 less costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or from its disposal at the end of its useful life. The following impairment assessment approach are used for each non-financial assets.

*Spare parts inventory*

The impairment is measured if NRV is less than the acquisition cost. Assessment is made at each reporting period whether there is an indication that previously recognized impairment may no longer exists or may have decreased.

*Property and equipment*

When carrying amount of the asset is greater than its estimated recoverable amount, the cost of the asset is written down immediately to its recoverable amount.

*Franchise*

Franchise is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the franchise relates. When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized.

*Investment in an associate*

The Company determines at each Statement of Financial Position date whether there is any objective evidence that investment in an associate is impaired. If this is the case, the

Company calculates the amount of impairment as being the difference between the recoverable amount of the investment in an associate and the carrying amount of the investment, and recognizes the amount in the Statement of Comprehensive Income.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

#### *Deposits for Future Stock Subscriptions*

Deposits for future stock subscription refer to the amount of money received by the Company with the purpose of applying the same as payment for future issuance of stocks. The Company does not consider a deposit for stock subscription as an equity instrument unless all of the following elements are present:

- There is a lack or insufficient authorized unissued shares of stock to cover the deposit;
- The Company's BOD and stockholders have approved an increase in capital stock to cover the shares corresponding to the amount of the deposit; and,
- An application for the approval of the increase in capital stock has been presented for filing or filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability. The amount of deposits for future stock subscription will be reclassified to equity accounts when the Company meets the foregoing criteria.

#### *Related Party Transactions*

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The related party transactions are recognized based on transfer of resources or obligations between related parties, regardless of whether a price is charged.

#### *Provisions*

Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example legal disputes for onerous contract.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at end of reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. In addition, long-term provisions are discounted at their present values, where time value of money is material.

Provisions are reviewed at each end of reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent asset, hence, are not recognized in the financial statements.

#### *Operating Segment*

Operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by

the chief operating decision maker to make decisions about how resources are to be allocated and for which discrete financial information is available.

Management has determined that the Company has only one segment which is the provision of uplink and broadband system to its clientele.

#### Contingencies

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

#### Events After End of Reporting Period

Post year-end events that provide additional information about the Company's financial position at the end of reporting period (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.

#### Earnings (Loss) Per Share

Basic earnings per share is computed by dividing profit for the period by the weighted average number of shares issued and outstanding during the year.

#### Diluted Earnings (Loss) Per Share

Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares.

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## **4. Changes in Accounting Standards**

### New Accounting Standards and Amendments to Existing Standards Effective as of January 1, 2018

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to PFRS effective beginning January 1, 2018.

#### *PFRS 9, Financial Instruments*

PFRS 9 *Financial Instruments*, which replaces PAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9, brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company chose not to restate comparative figures permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

- Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 will be retained for the comparative periods. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.
- The Company will disclose the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as of December 31, 2017.

The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified approach (or general approach, as applicable), has no significant impact on the carrying amounts of the Company's financial assets. Financial

assets previously classified as loans and receivable will be classified as Financial assets at amortized cost.

Further, there is no significant impact on the basic and diluted earnings per share as a result of the Company's adoption of PFRS 9.

The impact of adoption of PFRS 9 is as follows:

- Trade and non-trade receivables, including advances to Related parties as of December 31, 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest and will be classified and measured as Financial asset at amortized cost beginning January 1, 2018.
- The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss. There are no impairment losses incurred at the adoption of PFRS 9.

PFRS 15, *Revenue from Contract with Customers*. This standard replaces PAS 18, Revenue, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company's revenues mainly pertain to the providing internet services which are recognized as the Company renders and completes the performance obligation agreed with the customer, who, in turn, receives and consumes the benefits provided by the Company as it performs the agreed service. Upon adoption, the Company has concluded that it is acting as principal in its revenue arrangements since the Company is the primary responsible for providing the services to customers which also bear the credit risk.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

#### Amendments to PFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*

The amendments are intended to clarify following:

- Accounting for cash-settled share-based payment transactions that include a performance condition;
- Classification of share-based payment transactions with net settlement features; and
- Accounting for modifications of share-based payment transactions from cash-settled to equity settled

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.



The adoption of this amendment did not result in any impact on the financial statements since the Company has no share-based payment transactions.

*Amendments to PFRS 4, Insurance Contracts – Applying PFRS 9 ‘Financial Instrument’ with PFRS 4 ‘Insurance Contracts’*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard, before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Company since there are no activities that are predominantly connected with insurance or issue insurance contracts.

*Amendments to PAS 40, Investment Property – Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development, into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. The amendments are effective for annual periods beginning on or after July 1, 2018. Retrospective application is only permitted if that is possible without the use of hindsight. The amendments did not result in any impact on the Company’s financial statements.

*Annual Improvements to PFRSs (2014-2016 cycle)*

The Annual Improvements to PFRSs (2014-2016 cycle) are effective for annual periods beginning on or after January 1, 2018 and did not result in any material impact to the Company’s financial statements. They include:

- *PFRS 1, First-time Adoption of Philippine Financial Reporting Standards*  
The amendment deleted the short-term exemptions in paragraphs E3-E7 of PFRS 1, because they have now served their intended purpose.
- *PFRS 12, Disclosure of Interests in Other Entities*  
The amendment clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity’s interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.
- *PAS 28, Investments in Associates and Joint Ventures*  
The amendment clarified that the election to measure at fair value through profit or loss an investment in associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

*Philippine IFRIC Interpretation 22, Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the interpretation on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The adoption of this interpretation did not result in any significant impact on the financial statements.

*New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2018*

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2018 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on its financial position or performance.

*Effective in 2019*

*PFRS 16, Leases*

On January 13, 2016, the IASB issued its new standard, PFRS 16, Leases, which replaces PAS 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating lease or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statement of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted the new revenue recognition standard. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective application, with options to use certain transition reliefs.

*Annual Improvements to PFRSs (2015-2017 cycle)*

The Annual Improvements to PFRSs (2015-2017 cycle) are effective for annual periods beginning on or after January 1, 2019 and will not have any material impact to the Company's financial statements. They include:

- PFRS 3, Business Combinations and PFRS 11, Joint Arrangements  
The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint

control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- PAS 12, Income Taxes  
The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- PAS 23, Borrowing Costs  
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalization rate on general borrowings.

#### Amendments to PFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*

The amendments cover two issues:

- What financial assets may be measured at amortized cost. The amendment permits more assets to be measured at amortized cost than under the previous version of PFRS 9, in particular some pre-payable financial assets.
- How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under PAS 39.

The amendments are effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The amendments will not have significant impact on the Parent Company's financial statements.

#### *Deferred*

#### PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are originally effective from annual periods beginning on or after January 1, 2016. This mandatory adoption date was later on deferred indefinitely pending the final outcome of the IASB's research project on International Accounting Standards 28. Adoption of these amendments when they become effective will not have any impact on the financial statements.

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## **5. Summary of Significant Accounting Judgments and Estimates**

The Company makes estimates and assumptions that affect the reported amounts of the assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### *(i) Judgments*

The following judgments were applied which have the most significant effect on the amounts recognized in the financial statements.

*Determination of functional currency*

The Company has determined that its functional currency is the Philippine peso which is the currency of the primary economic environment in which the Company operates.

*Determination of control*

Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

As of December 31, 2018 and 2017, the Company has 30% equity interest in an associate where the Company has significant influence over the associate's financial and operating policies.

*Classification of leases*

The Company has entered into various leases to third parties. Judgment is exercised in determining whether substantially all the significant risk and rewards of ownership of the leased asset is transferred to the Company. Leases where the lessor transfers all the risk and rewards incidental to the ownership of the leased asset are taken up as finance leases. Leases where the lessor retains all the risk and rewards to assets are taken up as operating leases.

Operating lease payment is reported in the Statement of Comprehensive Income.

*Determination of fair value of assets and liabilities*

The Company measures fair value of assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1

Included in the Level 1 category are assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. Assets and liabilities are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Fair value measurement is disclosed in Note 6.

*(ii) Estimates*

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

*Estimating allowance for probable losses on trade receivables*

The Company estimates the allowance for probable losses related to its trade receivable based on assessment of specific accounts when the Company has information that certain customers are unable to meet their financial obligation. In these cases, management uses the best available facts and circumstances including but not limited to third party credit reports and known market factors.

As of December 31, 2018, management believes that no provision for impairment is necessary. In 2017, a reversal of allowance for probable loss on trade receivable in the amount of P3,159,565 was made due to collection of previous set-up of allowance for probable losses.

*Estimating NRV of spare parts inventories*

The carrying value of inventories is carried at lower of cost and NRV. The estimates used in determining NRV is dependent on the recoverability of its cost with reference to existing market prices, location or the recent market transactions. The amount and timing of recorded cost for any period would differ if different estimates were used.

The carrying value of spare part inventory amounted to P832,359 and P979,246 in 2018 and 2017. (See Note 10)

*Estimating useful lives of property and equipment*

The Company reviews annually the estimated useful lives of property and equipment, based on the period on which the assets are expected to be available for use. It is possible that future results of operation could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and decrease the related asset account.

The carrying value of property and equipment as at December 31, 2018 and 2017 amounted to P70,908,215 and P87,402,731, respectively. (See Note 15)

*Recoverability of deferred tax assets*

The Company reviews the carrying amounts of deferred tax asset at each end of reporting period and reduces the deferred tax asset 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 assets to be utilized.

The carrying value of deferred tax liabilities (net of deferred tax assets of P306,208 in 2018) as at December 31, 2018 amounted to P754,670 The carrying value of Deferred tax assets (net of Deferred tax liabilities of P13,784 in 2017) as at December 31, 2017 amounted to P672,228, respectively. (See Note 28)

*Estimating retirement benefits*

The determination of the Company's obligation and cost for retirement and other retirement benefits which is based on RA 7641 is dependent on the length of stay of the qualifying employees and reaching the age of 60 upon retirement. Annually, retirement benefits are computed based on existing employees as there is no assurance that the employee will still be with the Company at the age of retirement.

Retirement benefit cost recognized in the financial statements amounted to P40,582 in 2018, P68,748 in 2017, and P75,845 in 2016. (See Note 20)

*Impairment of non-financial asset*

The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Several factors are considered which could trigger that impairment has occurred. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have material adverse effect on the results of operations.

As at December 31, 2018 and 2017, management believes that no provision for impairment losses is necessary.

*Measurement of stock options*

The compensation resulting from stock options is measured based on the fair market value of the stock option on the date of grant. If the fair value of the stock option cannot be estimated reliably, the intrinsic value method is used. The intrinsic value is the excess of the market value of the share over the option price.

During 2010, the TBGI Remuneration Committee met to discuss the request of the Chief Financial Officer to indefinitely defer the Stock Option plan for the CEO. The Stock

Options Plan for the CEO may be restored only upon the recommendation of the Remuneration Committee and subject to the approval of the Board of Directors.

As at December 31, 2018 and 2017, share options outstanding amounted to P8,921,814. (See Note 21)

## 6. Fair Value Measurement

The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable price exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Company recognizes the difference between the transaction price and the fair value in the statements of income unless it qualifies for recognition as some other type of asset.

The table below analyzes assets and liabilities measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

<b>2018</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	P	-	P 7,858,193	P -	P 7,858,193
Receivables - net		-	3,882,099	-	3,882,099
Property and equipment		-	70,908,215	-	70,908,215
Investment properties		-	55,394,800	6,174,000	61,568,800
Other non-current assets		-	6,022,032	-	6,022,032
Accounts payable and accrued expenses		-	(8,082,242)	-	(8,082,242)
Loans payable		-	(5,474,582)	-	(5,474,582)
Deposits		-	(192,903,000)	-	(192,903,000)

<b>2017</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	P	-	P 12,200,177	P -	P 12,200,177
Receivables - net		-	1,002,116	-	1,002,116
Advances for projects		-	657,699	-	657,699
Property and equipment		-	87,402,731	-	87,402,731
Investment properties		-	38,368,800	6,919,000	45,287,800
Other non-current assets		-	1,840,434	-	1,840,434
Accounts payable and accrued expenses		-	(8,061,007)	-	(8,061,007)
Loans payable		-	(5,889,823)	-	(5,889,823)
Deposits		-	(403,000)	-	(403,000)

Fair values were determined as follows:

- *Cash and cash equivalents, receivables and other financial liabilities* – the fair values are approximately the carrying amounts at initial recognition due to their short-term nature.
- *Property and equipment* – fair value was based on appraiser's report. It is estimated using Market Data Approach, which is based on sales and listings of comparable property registered within the vicinity that considered factors such as locations, size and shape of the properties.

- *Investment properties* – the valuation approach used in the independent appraiser’s report was Market Approach, which estimates the value of asset by comparing similar or substitute properties and related market data.

## 7. Financial Risk Management Objectives and Policies

### Financial Risk

The Company’s activities expose it to a variety of financial risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Company’s overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below:

- *Credit Risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The table below shows the gross maximum exposure to credit risk of the Company as at December 31, 2018 and 2017.

	Gross Maximum Exposure			
	2018		2017	
Cash and cash equivalents *	P	7,845,193	P	12,187,177
Trade receivables		8,318,326		5,438,343
Advances for projects		-		657,699
Other non current assets**		6,022,032		1,840,434
	P	22,185,551	P	20,123,653

\*excludes cash on hand of P13,000

\*\*excludes prepayments of transponder rent and real property tax

The credit risk on cash and cash equivalents are limited since funds are invested in financial institutions with high credit ratings.

Trade receivables are accounts with its customer where appropriate trade relations have been established including billings and collections processes.

The credit quality of the Company’s assets as at December 31, 2018 and 2017 is as follows:

	December 31, 2018									
	Neither past due nor impaired		Past due but not impaired	Past due and impaired	Total					
	High grade	Standard grade								
Cash and cash equivalents	P	7,845,193	P	-	P	-	P	7,845,193		
Trade receivables		-	3,882,099		-	4,436,227		8,318,326		
Other non-current assets		-	6,022,032		-	-		6,022,032		
	P	7,845,193	P	10,888,187	P	-	P	4,436,227	P	23,169,607

December 31, 2017						
	Neither past due nor impaired		Past due but not impaired	Past due and impaired		Total
	High grade	Standard grade				
Cash and cash equivalents	P 12,187,177	P -	P -	P -	P -	P 12,187,177
Trade receivables	-	1,002,116	-	4,436,227	-	5,438,343
Non-trade receivable	-	-	-	-	-	-
Advances for projects	-	657,699	-	-	-	657,699
Other non-current assets	-	1,840,434	-	-	-	1,840,434
	P 12,187,177	P 3,500,249	P -	P 4,436,227	P -	P 20,123,653

High-grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in banks belonging to the top banks in the Philippines in terms of resources and profitability.

Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

#### *Liquidity Risk*

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Either liquidity risk may result from the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Company manages its liquidity profile to (i) ensure that adequate funding is available at all times; (ii) meet commitments as they arise without incurring unnecessary costs; (iii) to be able to access funding when needed at the least possible cost, and (iv) maintain an adequate time spread of financing maturities.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2018 and 2017.

December 31, 2018						
	< 1 month	> 1 month & < 3 months	> 3 months & < 1 year	> 1 year & < 3 years		Total
Interest-bearing liabilities						
Loans payable	-	-	5,500,000	-	-	5,500,000
	P 8,082,242	P -	P 5,500,000	P -	P -	P 13,582,242

December 31, 2017						
	< 1 month	> 1 month & < 3 months	> 3 months & < 1 year	> 1 year & < 3 years		Total
Interest-bearing liabilities						
Loans payable	-	-	5,900,000	-	-	5,900,000
	P 8,061,007	P -	P 5,900,000	P -	P -	P 13,961,007

#### *Market Risk*

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.



Market risk is the risk to an institution's financial condition from volatility in the price movements of the assets contained in a portfolio. Market risk represents what the Company would lose from price volatilities. Market risk can be measured as the potential gain or loss in a position or portfolio that is associated with a price movement of a given probability over a specified time horizon.

i. Currency risk

The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US Dollar. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the company's functional currency. Significant fluctuations in the exchanges rates could significantly affect the Company's financial position.

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities at reporting date are as follows:

	2018		2017	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Cash and cash equivalents	\$ 64,101	P 3,379,670	\$ 155,228	P 7,749,448
Advances for projects	-	-	13,000	648,999

The following table demonstrates the sensitivity to a reasonable change in the US\$ exchange rate, with all other variables held constant, the Company's income before tax for the years ended December 31, 2018 and 2017:

Increase/decrease in Peso to US Dollar Rate	Effect on Income Before Taxes	
	2018	2017
+ P5.00	P 320,506	P 841,140
- P5.00	(320,506)	(841,140)

There is no other impact on the Company's equity other than those affecting profit and loss.

ii. Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating interest rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

Exposure to interest rate risk arises from bank loans with interest dependent on the prevailing market rate. As of December 31, 2018 and 2017, the Company is not exposed to any interest rate risk from fluctuation of market interest. Thus, no sensitivity analyses are provided for 2018 and 2017 since its financial liability is not subject to a floating interest rate.

*Operational risk*

Operational risk is the risk of loss from system failure, human error, fraud, or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risk but initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education, and assessment processes. Business risk such as changes in environment, technology, and industry are monitored through the Company's strategic planning and budgeting processes.

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The capital structure of the Company consists of issued capital, share premium and retained earnings.

The financial ratio at the year-end, which is within the acceptable range of the Company, is as follows:

	<b>2018</b>	2017
Equity	<b>P 353,244,062</b>	P 297,885,918
Total Assets	<b>563,359,427</b>	358,371,725
Ratio	<b>0.627</b>	0.831

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**8. Cash and Cash Equivalents**

As of December 31, 2018 and 2017, cash and cash equivalents represent cash on hand and cash in banks of P7,858,193 and P12,200,177, respectively.

Cash in bank represents current accounts and US dollar account that earn interests at prevailing bank interest rates.

Interest income on these deposits amounted to P15,287 in 2018, P10,038 in 2017, and P6,121 in 2016.

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**9. Receivables**

The composition of this account is as follows:

	<b>2018</b>	2017
Trade		
In local currency	<b>P 4,436,227</b>	P 4,436,227
In foreign currency	<b>3,882,099</b>	1,002,116
	<b>8,318,326</b>	5,438,343
Less: Allowance for probable losses	<b>(4,436,227)</b>	(4,436,227)
	<b>P 3,882,099</b>	P 1,002,116

Trade receivable in foreign currency represents US dollar subscription on uplink services from a customer based in Hong Kong. Unrealized foreign exchange gain on this account amounted to P237,124 in 2018 and P243,678 in 2017.

Non-trade receivable represents receivable from Summit One Condominium Corporation on the sale of a communication tower bearing an interest rate of 7.5% per annum.

Breakdown of allowance for probable losses is as follows:

	<b>2018</b>	2017
Balance, January 1	<b>P 4,436,227</b>	P 7,595,792
Provision	-	-
Reversal	-	(3,159,565)
Balance, December 31	<b>P 4,436,227</b>	P 4,436,227

## 10. Other current assets

The breakdown of this account is as follows:

	2018	2017
Spare parts inventory - net of allowance for impairment of P146,887 in 2018	832,359	979,246
Prepaid taxes	151,697	151,697
	<b>P 984,056</b>	<b>P 1,130,942</b>

- Spare parts inventory consists of communication supplies and materials that are normally provided to customers in the delivery of services. Spare part inventory as of December 31, 2018 is measured at NRV. The allowance for impairment in value is reported in the statement of comprehensive income. Spare part inventory as of December 31, 2017 is measured at cost which approximates the NRV.
- Prepaid expenses in both years represents advance payment of real property taxes that will be applicable and expensed in the subsequent period. Payments are made in advance so as to take advantage of the discounts granted by the local government. Expired portion is charged to taxes and licenses reported as part of administrative expenses in the statement of comprehensive income.

## 11. Investment in an Associate

Investment in an Associate represents the 29.93% equity interest in ATN Solar Energy Group, Inc (ATN Solar). Management believes that it exercises significant influence over the financial and operating policies of ATN Solar.

The composition of this account is as follows:

	2018	2017
<b>Cost</b>		
Balance at beginning of year	P 209,500,000	P 112,500,000
Additions during the year	-	97,000,000
Balance at end of year	<b>209,500,000</b>	<b>209,500,000</b>
<b>Equity in net loss</b>		
Balance at beginning of year	5,064,808	3,964,784
Share in net loss for the year	2,241,565	1,100,024
Balance at end of year	<b>7,306,373</b>	<b>5,064,808</b>
<b>Deposit on stock subscription</b>	<b>206,800,000</b>	-
	<b>P 408,993,627</b>	<b>P 204,435,192</b>

ATN Solar is a grantee of Solar Energy Service Contract with the Philippine Government through the Department of Energy to develop, own and operate a 30MW solar power plant in Rodriguez, Rizal. The following events transpired during 2018 involving the solar project of ATN Solar.

- Significant completion of pre-construction activities;
- Interconnection and negotiation for power supply agreement with Manila Electric Company;
- Registration of ATN Solar's project site as Special Economic Zone with the Philippine Economic Zone Authority

In the of process setting up the foundation, PV mounting frames and modules and other land developments, the Company have identified the quality of rocks and boulders at the project site to be of commercial use. Hence, a Rock Crusher Project was introduced. This involves the construction of rock crushing plant which will process armor rocks and

crushed basalt aggregates. As of December 31, 2018, the rock crusher processing plant have been completed and the trial-run of production of aggregates has commenced with production cost of ₱68.5 million at year-end.

On various dates during 2018, the Company infused an additional ₱206.8 million unto ATN Solar in response to the latter's capital call. The funds will be used to subscribe additional shares of ATN Solar pending for application for increase of share capital of the latter.

The financial information of ATN Solar as of and for year ended December 31, 2018 and 2017 is as follows:

	<b>2018</b>	2017
Total current assets	<b>P 21,178,754</b>	P 41,485,929
Total non-current assets	<b>1,476,378,726</b>	858,514,077
Total current liabilities	<b>74,657,758</b>	13,162,655
Total non-current liabilities	<b>747,452,388</b>	203,900,656
Net loss	<b>(7,489,360)</b>	(3,675,321)
Cash flow from investing activities	<b>(617,758,347)</b>	(151,397,730)
Cash flow from financing activities	<b>604,814,947</b>	167,608,735

The reconciliation of net assets of the associate to the carrying amounts of investments in associates recognized in the statement of financial position is as follows:

	<b>2018</b>	2017
Net asset of associate	<b>P 675,447,334</b>	P 682,936,694
proportionate ownership interest (%)	<b>29.93</b>	29.93
	<b>202,161,388</b>	204,402,953
Pre-acquisition adjustment	<b>32,239</b>	32,239
Deposit on stock subscription	<b>206,800,000</b>	-
	<b>P 408,993,627</b>	P 204,435,192

## 12. Franchise - net

The Company holds a 25-year Congressional Franchise to construct, establish, install, maintain, and operate communication systems for the reception and transmission of messages within the Philippines with a cost of P15M.

The movement in this account is as follows:

	<b>2018</b>	2017
Balance, January 1	<b>P 3,742,405</b>	P 4,342,405
Amortization	<b>(600,000)</b>	(600,000)
Balance, December 31	<b>P 3,142,405</b>	P 3,742,405

The amortization of franchise is shown as part of direct costs in the Statement of Comprehensive Income. Management believes that the carrying amount of franchise is recoverable in full and no impairment loss is necessary.

### 13. Other Non-current Assets

This account consists of:

	2018	2017
Advances to (see Note 26):		
Palladian Land Development Inc. (PLDI)	P 1,176,051	P -
ATN Phils. Solar Energy Group Inc. (Solar)	3,261,475	312,693
Security deposits	1,584,506	1,527,741
	<b>P 6,022,032</b>	<b>P 1,840,434</b>

Security deposits are made to secure leasing arrangement on transponders. These deposits are refundable at the expiration of lease term.

### 14. Property and Equipment – net

The movement in this account is as follows:

2018	Building & improvements	Uplink/data Equipment	Furniture & Fixtures	Leasehold improvements	Transportation equipment	Total
<b>Carrying Amount</b>						
At January 1, 2018	P 23,893,402	P 254,121,190	P 5,180,726	P 19,145,709	P 14,675,284	P 317,016,311
At December 31, 2018	23,893,402	254,121,190	5,180,726	19,145,709	14,675,284	317,016,311
<b>Accumulated depreciation</b>						
At January 1, 2018	20,698,746	174,928,109	4,487,346	16,144,086	13,355,293	229,613,580
Provisions	1,194,667	12,037,618	376,214	2,147,990	738,027	16,494,516
At December 31, 2018	21,893,413	186,965,727	4,863,560	18,292,076	14,093,320	246,108,096
<b>Net Carrying Value</b>						
At December 31, 2018	P 1,999,989	P 67,155,463	P 317,166	P 853,633	P 581,964	P 70,908,215
<hr/>						
2017	Building & improvements	Uplink/data Equipment	Furniture & Fixtures	Leasehold improvements	Transportation equipment	Total
<b>Carrying Amount</b>						
At January 1, 2017	P 23,893,402	P 253,200,490	P 5,180,726	P 19,145,709	P 14,675,284	P 316,095,611
Reclassification from spare parts inventory	-	920,700	-	-	-	920,700
At December 31, 2016	23,893,402	254,121,190	5,180,726	19,145,709	14,675,284	317,016,311
<b>Accumulated depreciation</b>						
At January 1, 2017	19,504,077	162,890,486	3,561,376	13,996,094	12,617,265	212,569,298
Provisions	1,194,669	12,037,623	925,970	2,147,992	738,028	17,044,282
At December 31, 2017	20,698,746	174,928,109	4,487,346	16,144,086	13,355,293	229,613,580
<b>Net Carrying Value</b>						
At December 31, 2017	P 3,194,656	P 79,193,081	P 693,380	P 3,001,623	P 1,319,991	P 87,402,731

During 2017, additions to property and equipment amounting to P920,700 represent reclassification from spare parts inventory.

### 15. Investment Properties

As of December 31, 2018 and 2017, investment property consists of the following:

	2018	2017
Condominium units	P 55,421,800	P 38,368,800
Land and improvements	6,147,000	6,919,000
Balance at end of year	<b>P 61,568,800</b>	<b>P 45,287,800</b>

Condominium units represent the beneficial ownership of four (4) commercial units held at Summit One Office Tower in Mandaluyong City with a total floor area of 852.64 square meters. Land and improvements represents a parcel of residential lot with house thereon and covers an area of 432 square meters. This is situated in Paliparan 1, Dasmariñas, Cavite.

On April 2, 2018, these properties were subject of an appraisal conducted by Asian Appraisal Company, Inc. Accordingly, the aggregate fair market value of the Mandaluyong property amounted to P55.4 million or an increment of P17 million as of the date of appraisal. Such increment was reported under *Fair value gains* in the Statement of income. Fair value is determined using the Market approach under the level 2 of the fair value hierarchy. The highest and best use of these properties is commercial, its current use.

Meanwhile, the Cavite property with fair market value of P6.1 million incurred an impairment loss of P772,000 as of April 2, 2018 and is reported in the Statement of Comprehensive Income under impairment loss. The highest and best use of this property is for residential use. For strategic reason, the property is not used in that manner. Fair value of the land was determined under the Market approach. Fair value of improvements is determined using the Cost Approach. These are estimated under the level 3 of the fair value hierarchy.

The movements in investment properties as of December 31, 2018 and 2017 is as follows:

	<b>2018</b>	<b>2017</b>
Balance, January 1	<b>P 45,287,800</b>	P 45,287,800
Fair value gains	<b>17,053,000</b>	-
Impairment loss	<b>(772,000)</b>	-
<b>Balance, December 31</b>	<b>P 61,568,800</b>	P 45,287,800

The description of valuation techniques and inputs used in determining the fair value of investment properties classified as Level 2 and Level 3 in the fair value hierarchy is as follows:

Location	Type	Valuation techniques	Significant observable inputs	Fair value hierarchy	Range	
Summit One Tower	Condominium Units	Market approach	Selling price(per square meter)	Level 2	P 61,864 - P 64,937	
			Size			5%
			Location			-5%
			Improvement			10% - 15%
Caribe Subdivision Island Park, Parliparan II, Dasmariñas, Cavite	Residential Unit	Market approach	Selling price(per square meter)	Level 3	P 6,667 - P 9,000	
			Neighborhood			10%
			Development			10%

Significant increase (decrease) in selling price per square meter would result in a significantly higher (lower) fair value of the property.

As of December 31, 2018, the lot remains idle and no immediate plan to develop or sell the property. There is no contractual obligation to develop the property or for repairs, maintenance and enhancements.

During 2018 and 2017, there were no transfers between levels of fair value hierarchy.

Rental income and direct operating expenses from investment properties included in the statement of income are as follows:

	2018	2017	2016
Rental income	P 2,684,723	P 2,479,460	P 2,242,152
Direct operating expenses on investment properties that:			
Generated rental income	151,697	151,697	151,697
Did not generate rental income	829	829	829

## 16. Advances for Projects

Advances for projects are intended for identifying, researching and exploring feasible business prospects. The existing fund is earmarked on the development of a 30MW solar PV plant in Rodriguez, Rizal of ATN Philippines Solar Energy Group, Inc. (ATN Solar). These advances are not subject to interest and the Company intends to convert the outstanding balance into the shares of stock of ATN Solar once commercial operation of the latter starts. As of December 31, 2018, no impairment loss was provided since management believes that the advances are fully recoverable in the form of shares of stock of ATN Solar. ATN Solar is an associate of the Company. (See Note 12)

The movement of this account is as follows:

	2018	2017
Balance at beginning of year	P 657,699	P 5,628,869
Return of funds	(705,653)	(5,091,300)
Effect of changes in foreign exchange	47,954	120,130
	P -	P 657,699

As of December 31, 2018 the funds are fully liquidated.

## 17. Accounts Payable and Accrued Expenses

This account is broken down as follows:

	2018	2017
Accounts payable	P 7,629,583	P 7,629,583
Accrued expenses	452,659	431,424
	P 8,082,242	P 8,061,007

The description of this account is as follows:

- Accounts payable represents the unpaid balance of Supervision and Regulatory Fee (SRF) due to National Telecommunication Commission, now Department of Information and Communication Technology (DICT). SRF are assessed to public telecommunication companies based on paid up capital. SRF is payable on demand.

As of June 18, 2018, an appeal was lodge to NTC for the settlement of unpaid SRF. Management believes that a favorable decision from NTC will be laid during 2019.

- Accrued expenses are accruals for various expenses and are usually settled for a maximum period of 6 months.

Management believes that the carrying values of *Accounts payable and accrued expenses* approximate their fair values.

## 18. Short-term loans

Short-term loans are availed for working capital requirements. The loan carries a floating interest rate initially peg at 5.5% per annum, payable monthly in arrears. The principal is payable after 12 months renewable at the option of the both parties. The maximum credit line with the bank is up to P6 million. As of December 31, 2018 and 2017, the balance of the loan amounted to P5.5 million and P5.9 million, respectively.

The loan is collateralized by the following:

- Real estate mortgages over properties owned by a related party; and
- Suretyship agreement by the Company as borrower and a stockholder as a surety.

Total interest paid and accrued reported in the Statement of Comprehensive Income amounted to P358,133 in 2018 and P310,780 in 2017 and P336,743 in 2016. The fair value of short-term loans amounted to P5.47 million and P5.88 million discounted using the borrowing rate of 5.5% and 5.0% as of December 31, and 2018, 2017, respectively.

## 19. Deposits

This account is broken down as follows:

	2018		2017	
Deposit on stock subscription	P	192,500,000	P	-
Deposit on lease contracts		403,000		403,000
	P	192,903,000	P	403,000

- On December 27, 2018, the Company received from a stockholder a total amount of P192.5 million intended for additional subscription to the Company's share capital. In accordance with SEC Financial Reporting Bulletin No. 6, the same was presented in the liability section pending for filing with the SEC of documentary requirements on the increase in share capital.
- Deposits on lease contracts are amounts paid by various lessee as guarantee for the faithful compliance to the terms and conditions of the lease contract. The amount is expected to be settled at the termination of the contract.

## 20. Pension Liability

The movements of pension liability as of December 31, 2018 and 2017 are as follows:

	2018		2017	
Balance at the beginning of the year	P	809,729	P	851,280
Current service cost		40,582		68,748
Benefits paid		(88,761)		(74,602)
Actuarial gain		-		(35,697)
Balance at year end	P	761,550	P	809,729

The Company provides retirement benefits in accordance with the provisions of Republic Act No. 7641 (RA 7641), prescribing the minimum retirement benefits to be paid by a company to its qualified retiring employees. No actuarial valuations are made since the Company employs a minimal number of employees.

Among others, RA 7641 provides for retirement benefits to retiring employees who have reached sixty (60) years old or more, but not beyond 65 years and have served at least five (5) years in the Company. Such retiring employee is entitled to a retirement pay of



one half (1/2) month salary for every year of service computed based on the following components:

- 15 days salary;
- 5 days of service incentive leave; and
- One half (½) of the 13<sup>th</sup> month pay

Differences in computation of pension liability arising from changes in number of employees are absorbed by current service cost as shown below.

	<b>2018</b>	2017	2016
Salaries and wages	<b>P 1,451,253</b>	P 1,474,695	P 1,465,981
Provision for retirement benefit cost			
Current service cost	<b>40,582</b>	68,748	75,845
Actuarial gain	-	(35,697)	-
	<b>P 1,491,835</b>	P 1,507,746	P 1,541,826

Management believes that any disparity of retirement benefit cost computed internally against independent actuarial valuations will not significantly affect the Company's financial statements.

## 21. Equity

### *Share capital*

The Company's capital movements is as follows:

	Authorized		Issued	
	Shares	Amount	Shares	Amount
Balances, Jan. 1, 2018	380,000,000	P 380,000,000	222,019,330	P 222,019,330
Effect of change in par value	3,420,000,000	-	1,998,173,970	-
Issuance during the year	-	-	400,000,000	40,000,000
	<b>3,800,000,000</b>	<b>P 380,000,000</b>	<b>2,620,193,300</b>	<b>P 262,019,330</b>

There are no share capital transaction during the year ended December 31, 2017.

Share capital transaction during 2018 is as follows:

- On October 4, 2017, the BOD approved the amendment of Section 7 of the Company's Articles of Incorporation changing the par value from P1.00 per share to P0.10 per share with the corresponding increase in Authorized and Issued shares. The same was ratified by the stockholders on October 4, 2017 and was approved by the SEC on January 18, 2018.
- On September 17, 2018, the Company issued 400 million shares to Mr. Arsenio Ng, President, at a par value of P0.10 per share from the unissued share capital. This was made in response to a capital call from ATN Solar in pursuing its business objectives.

From the total issued shares of 2,620,193,300, 2,090,193,300 shares are listed in the Philippine Stock Exchange (PSE) and 4,378,000 shares are held in treasury. Such listing started on December 12, 2003.

### *Share options*

On May 28, 2008, the Company's BOD approved the grant of share option to its Chief Executive Officer (CEO). The CEO has been largely responsible for bringing the Company to its present financial condition. Furthermore, the CEO has not been compensated since his assumption of management in 2000. Hence, the grant of share option to the CEO will be in order.

The share option comprises the following:

- (i) 350 million shares of TBGI at par value of P0.10 per share as compensation for services rendered as CEO of the Company during the period 2001 to 2007, and;
- (ii) 50 million shares of TBGI at par value of P0.10 per share as compensation for services rendered as CEO of the Company during 2008 and onwards, provided, that the subject shares will not be sold in quantities exceeding 20% of the trading volume of Philippine Stock Exchange in any single business day.

The stock options were measured using the intrinsic value method since the fair value of the options cannot be measured reliably.

On April 23, 2009 in a special meeting of the BOD, additional terms of conditions was agreed defining the vesting schedule of the options as management believes that a one-time recognition of the options cannot be afforded in 2008 alone. The vesting period was stretched up to 2023 of which 5,000,000 shares may be exercised starting 2013 up to 2022. Another 55 million shares in 2022 and finally, 300 million shares in 2023

During 2010, the Company's BOD through the Remuneration Committee approved the indefinite deferment of the aforementioned stock options of the CEO. No options were exercised prior to the said deferment.

As of December 31, 2018 and 2017, the stock options has a carrying value of P8,921,814.

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## 22. Service Income

As discussed in Note 1, the Company is duly enfranchised to provide telecommunication services to various clients. Services include provision for uplink services, VSAT-based internet service, wireless networking, hosting and content conversion.

The geographic distribution of the Company's revenues as reported in the Statement of Comprehensive Income is as follows:

	<b>2018</b>		<b>2017</b>		<b>2016</b>
Domestic	<b>P 6,262,377</b>	P	5,953,225	P	7,423,465
Hong Kong	<b>31,686,200</b>		30,263,100		28,452,000
	<b>P 37,948,577</b>	P	36,216,325	P	35,875,465

VSAT uplink services have terms of 2 to 3 years, billable monthly with one month advance payment and one month security deposit.

The revenues derived from overseas represents the account of a single customer.

## 23. Direct Costs

This account consists of:

	2018	2017	2016
Depreciation (see Note 15)	P 16,494,516	P 17,044,282	P 16,708,768
Transponder lease (see Note 30)	10,806,141	10,952,003	10,629,176
Rental (see Note 30)	3,529,137	3,208,444	2,914,249
Salaries, wages and other benefits (see Note 20)	1,491,835	1,507,746	1,541,826
Taxes and licenses	1,062,142	8,400,018	770,435
Utilities and communication	1,012,143	895,411	901,814
Amortization of franchise (see Note 13)	600,000	600,000	600,000
Security services	480,351	487,478	381,661
Transportation and travel	376,985	238,262	276,783
Insurance	139,000	109,607	109,494
Office supplies	3,450	97,359	95,634
	<b>P 35,995,700</b>	<b>P 43,540,610</b>	<b>P 34,929,840</b>

## 24. Other Income

The composition of this account is as follows:

	2018	2017	2016
Fair value gain on investment properties	P 17,053,000	P -	P -
Rent income (see Note 16)	2,684,723	2,479,460	2,242,152
Foreign exchange gain (loss):			
Cash	412,117	(88,158)	118,581
Accounts receivable	237,124	(419,316)	216,966
Advances for projects	47,954	120,130	299,111
Bank loans	-	-	(57,112)
Other non-current assets	56,764	-	59,021
Interest income	15,287	57,004	184,057
Reversal of provision for probable loss	-	3,159,565	-
	<b>P 20,506,969</b>	<b>P 5,308,685</b>	<b>P 3,062,776</b>

Foreign exchange gain arising from the translation of foreign currency accounts receivable is net of realized foreign exchange loss P662,994 in 2017.

## 25. Administrative expenses

This account consists of:

	2018	2017	2016
Permits, taxes and licenses	P 1,293,325	414,613	377,960
Legal and professional fees	430,000	P 430,000	P 430,000
Office supplies	82,208		
Representation and entertainment	40,450	39,000	20,947
Transportation and travel	40,000	63,495	117,427
Provision for probable losses	-	-	446,811
Miscellaneous	40,000	15,852	184,461
	<b>P 1,925,983</b>	<b>P 962,960</b>	<b>P 1,577,606</b>

Pursuant to a *Teaming Agreement* executed in January 2013 and 2015, a 75%-25% cost sharing of cost/expenses related to technical operations was implemented. All other cost including, but not limited to salaries, utilities and associate dues shall be borne solely by PLDI. (See Note 26)

Accordingly, certain cost and expenses of the Company were significantly reduced since 2013.

## 26. Related party transactions

The following related party transactions occurred during 2018 and 2017:

Related party	Nature of transaction	Amount of Transaction		Year-end balances		Terms and condition
		2018	2017	2018	2017	
<b>Associate</b>						
ATN Solar	Advances	P 2,948,782	P -	P -	P -	Unsecured, unimpaired and no payment terms
	Collection of advances	-	(3,514,264)	P 3,261,475	P 312,693	
<b>Affiliated companies</b>						
Palladian Land Devt. Inc (PLDI)	(i) Rent income	2,684,723	2,479,460	-	-	Unsecured, unimpaired and no payment terms
	(ii) Share in utilities	1,395,883	883,548	-	-	
	Collection of advances	(219,832)	(5,446,497)	1,176,051	(219,832)	Unsecured, unimpaired and no payment terms
Managed Care Philippines, Inc. (MCPI)	(ii) Share in utilities	-	230,452	-	-	Unsecured, unimpaired and no payment terms
	Collection of advances	-	(576,131)	-	-	
<b>Stockholder</b>	(iii) Advances	(43,012,857)	(45,000,000.00)	(1,987,143)	(45,000,000)	Unsecured, unimpaired and no payment terms
	(iv) Deposits for future subscription	(192,500,000)	-	(192,500,000)	-	
Total advances to related parties				1,176,051	312,693	
Total advances from related parties				(194,487,143)	(45,219,832)	
Total				P (193,311,092)	P (44,907,139)	

Details of significant related party transactions are as follows:

- (i) As discussed in Note 16, the Company is a beneficial owner of certain condominium units registered under the name of PLDI. Title to the properties has not been released to the Company as the Company intends to sell the properties through the sales network of PLDI. These properties are leased out to third parties also through PLDI. Proceeds of the rent are remitted to the Company by the latter.

Rent income collected by PLDI on these properties amounted to P2,684,723 in 2018 and P2,479,460 in 2017.

- (ii) Pursuant to *Teaming Agreements* executed in January 2013 and 2015 between the Company and certain related parties operating within Summit One Condominium Tower, a cost and expense sharing scheme related to technical operations was implemented. All other cost including, but not limited to salaries, utilities, and dues shall be borne by PLDI. Accordingly, certain cost and expenses maybe advanced by a party and to be reimbursed from another party on the proportionate share or usage between the related parties involved.

- (iii) Advances from stockholder were made for payment of additional stock subscription to ATN Solar.

For the years ended December 31, 2018, 2017, and 2016, the Company charged PLDI, ATN Solar, and MCPI their proportionate share of communication, dues, and utilities expenses as shown below:

	2018		2017		2016
PLDI	P 1,395,883	P	883,548	P	771,022
MCPI	-		230,452		345,687
	<b>P 1,395,883</b>	P	<b>1,114,000</b>	P	<b>1,116,709</b>

For the years ended December 31, 2018, 2017, and 2016, the Company did not provide compensation to its key management personnel.

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## 27. Registration with Clark Special Economic Zone

The Company is a duly registered Clark Special Economic Zone (“CSEZ”) enterprise with Registration Certificate No. C2013-683 issued last January 10, 2014. This certificate supersedes Certificate of Registration No. 2002-065 dated July 25, 2002 and 95-53 dated November 29, 1995, issued by Clark Development Corporation (“CDC”) to the Company, and shall be valid until December 15, 2016 unless earlier revoked by CDC. As of December 31, 2018, the Company has renewed its tax exemption with CDC.

Pursuant to Section 15 of Republic Act No. 7227, Section 5 of Executive Order No. 80 and Proclamation 163, and as further confirmed by BIR Ruling No. 046-95 dated March 3, 1995, the Company is entitled to all incentives available to a CSEZ-registered enterprise, including but not limited to exemption from customs and import duties and national and internal revenues taxes on importation of capital of goods, equipment, raw materials, supplies and other articles including household and personal items.

Subject to compliance with BIR Revenue Regulations and such other laws on export requirements, exemption from all local and national taxes, including but not limited to corporate withholding taxes and value added taxes (“VAT”). In lieu of said taxes, the enterprise shall pay 3% of gross income earned to the national government, 1% to the local government units affected by the declaration of the CSEZ and 1% to the development fund to be utilized for the development of the municipalities contiguous to the base area.

Exemption from inspection of all importations at the port of origin by the Societe Generale de Surveillance (“SGS”), if still applicable, pursuant to Chapter III, C.1 of Customs Administrative Order No. 6-94.

However, in cases where the Company generated income from its sale of services to customs territory customers exceeding 30% of its total income, the entire income from all sources is subjected to the regular corporate income tax of 30% based on net income (e.i. gross income less allowable deductions) rather than the 5% preferential tax based on gross income.

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## 28. Income tax expense (benefit)

The major components of provision for income tax for the years ended December 31, 2018, 2017 and 2016 are as follows:

	2018		2017		2016
Current	P 230,235	P	140,011	P	108,328
Deferred	1,426,899		47,216		85,651
	<b>P 1,657,134</b>	P	<b>187,227</b>	P	<b>193,979</b>

The components of deferred taxes that were recognized in the statements of financial position are as follows:

	2018		2017		2016
<b>Deferred tax assets</b>					
Unrealized loss on fair value adjustment on investment property - net	P 46,320	P	423,715	P	423,715
Pension liability	38,077		40,486		42,563
Allowance for probable losses	221,811		221,811		379,790
	<b>306,208</b>		<b>686,012</b>		<b>846,068</b>
<b>Deferred tax liability</b>					
Unrealized gain on fair value adjustment on investment property - net	(1,023,180)		-		-
Lease spread on transponder lease	-		-		(30,739)
Unrealized income on foreign exchange	(37,698)		(13,784)		(95,886)
	<b>(1,060,878)</b>		<b>(13,784)</b>		<b>(126,625)</b>
<b>Net</b>	<b>P (754,670)</b>	P	<b>672,228</b>	P	<b>719,443</b>

The reconciliation of tax on pretax income computed at the applicable statutory rate to income tax expense is as follows:

	2018		2017		2016
Gross profit before income tax	P 21,687,845	P	(2,015,600)	P	4,008,401
Statutory income tax (@5%)	1,084,392		(100,780)		200,420
Adjustment for:					
Permanent differences	-		-		-
Non-taxable income	(156,748)		(31,369)		(8,292)
Non-deductible expenses	729,490		319,376		1,851
Actual provision for income tax	<b>P 1,657,134</b>	P	<b>187,227</b>	P	<b>193,979</b>

## 29. Earnings (loss) per share

Earnings (loss) per share is computed by dividing the profit (loss) for the year by the weighted average number of common shares outstanding during the year as follows:

	2018		2017		2016
(a) Profit (loss) for the year	P 15,358,144	P	(4,576,591)	P	1,477,317
Number of shares					
Shares outstanding at the beginning of the year (see Note 21)	222,019,330		2,220,193,300		2,220,193,300
Effect of changes in par value from P1 to P0.10	1,998,173,970		-		-
Weighted average number of shares issued during the year	300,000,000		-		-
(b) Adjusted weighted average number of shares outstanding - basic	2,520,193,300		2,220,193,300		2,220,193,300
Effect of dilutive potential shares (see Note 21)	400,000,000		400,000,000		400,000,000
Treasury shares (see Note 21)	(4,378,000)		(4,378,000)		(4,378,000)
(c) Adjusted weighted average number of shares outstanding - diluted	<b>2,915,815,300</b>		<b>2,615,815,300</b>		<b>2,615,815,300</b>
EPS:					
Basic (a/b)	P 0.0061	P	(0.0021)	P	0.0007
Diluted (a/c)	<b>0.0053</b>		<b>(0.0017)</b>		<b>0.0006</b>

### 30. Lease commitments

#### Company as a Lessee

(a) Transponder lease with APT Satellite Company Ltd.

On October 1, 2017, the Company amended its lease agreement with APT Satellite Company Ltd. to provide transponder satellite service. The existing 7.8MHz Service was renewed for the period of October 1, 2017 to September 30, 2019, and the monthly service fee was reduced from \$19,500 to \$16,380 with the effect from October 1, 2017. APT agrees to waive the monthly service fee for the period of September 2018.

Transponder lease recognized in the statements of comprehensive income amounted to P10,806,141 in 2018, P10,952,003 in 2017, and P10,629,176 in 2016. None of these leases include contingent lease rental.

(b) Lease Agreement with Clark Development Corporation

The Company leases a land it presently occupies in Clarkfield, Pampanga with Clark Development Corporation for a period of twenty-five years starting July 10, 1995 to July 10, 2020.

(c) Staff Housing and Guest House

The Company leases its staff houses and a residential unit in Clarkfield, Pampanga. Both leases have minimum term of one year and renewable within one year upon mutual agreement of both parties.

Rent expense recognized in the Statements of Comprehensive Income amounted to P3,529,137 in 2018, P3,208,444 in 2017, and P2,914,249 in 2016,.

Future minimum lease payments from these lease contracts are as follows:

	<b>2018</b>	2017
within 12 months	<b>P 13,843,403</b>	P 13,934,915
more than 12 months	<b>3,878,195</b>	9,304,528
	<b>P 17,721,598</b>	P 23,239,443

#### Company as a Lessor

(d) Lease Agreement with Various Lessees

Through PLDI, the Company's investment properties are leased out to various third parties (see Note 26). The lease is for a period of one year subject to renewal upon mutual agreement of the lessee and the lessor.

Rent income recognized in the Statements of Income amounted to P2,684,723 in 2018, P2,479,460 in 2017, P2,242,152 in 2016. (See Note 16)

### 31. Other signification matters

#### Subsequent events

On April 2, 2019, the Board of Directors of the Company approved the subscription of Mr. Arsenio T. Ng of 1,179,806,700 shares at a subscription price of P0.1632 per share to be taken out from the remaining unissued capital stock. Payment for such share will be paid substantially in conversion of deposits for future subscription as discussed in note 19.

#### Other matters

Certain account and information in 2017 and 2016 is reclassified/adjusted to conform with 2018 financial statement presentation. These are consequentially made as a result of change in par value from P1 to P0.10 per share.

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**32. Supplementary information required under Revenue Regulation 15-2010**

The Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) 15-2010 which requires additional tax information to be disclosed in the Notes to Financial Statements. The following information covering the calendar year ended December 31, 2018 is presented in compliance thereto.

- The Company is a CSEZ-registered entity subject to zero-rated value-added tax. Pursuant to Section 15 of Republic Act No. 7227, Section 5 of Executive Order No. 80 and Proclamation 163, the Company is entitled to all incentives available to a CSEZ-registered enterprise.
- The amounts of withholding taxes paid and accrued, by category are as follows:

Expanded withholding taxes	<b>P</b>	<b>13,443</b>
Tax on compensation		-

- As of December 31, 2018, the Company has no pending tax cases within and outside the administration of the BIR.
- Taxes and licenses presented in the statements of comprehensive income are as follows:

Direct cost		
Supervision and regulatory fee - NTC	<b>P</b>	<b>1,045,097</b>
Other licenses - NTC		<b>17,045</b>
		<b>1,062,142</b>
Administrative expenses		
Annual listing fee - PSE		<b>250,000</b>
Additional listing fee - PSE		<b>188,117</b>
Business permits and licenses		<b>550,221</b>
Real property tax		<b>151,697</b>
Other permits and licenses		<b>153,290</b>
	<b>P</b>	<b>1,293,325</b>

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***Independent Auditors' Report on Supplementary Schedules***

The Board of Directors and Stockholders  
**TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.**  
9<sup>TH</sup> Floor, Summit One Tower,  
530 Shaw Blvd., Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.** (the Company) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 included in this Form 17-A, and have issued our report thereon dated April 2, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

**R. R. TAN AND ASSOCIATES, CPAs**



By: **CHESTER NIMITZ F. SALVADOR**

Partner

CPA Certificate No. 0129556

Tax Identification No. 307-838-154

PTR No. 5174718, January 12, 2019, Pasig City

SEC Accreditation No. 1608-A, valid until January 26, 2020

BIR Accreditation No. 07-001050-002-2016, valid until June 22, 2019

April 2, 2019  
Pasig City

**Transpacific Broadband Group International, Inc.**  
**Index to Supplementary Schedules**  
**Under SEC Rule 68, As Amended (2011)**

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**TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.**  
**Schedule I - Tabular Schedule of All Effective Standards and**  
**Interpretations Pursuant to SRC Rule 68, as Amended**  
**December 31, 2018**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2018</b>		Adopted	Not adopted	Not applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b>				
	Conceptual Framework Phase A: Objectives and qualitative characteristics	x		
	PFRS's Practice Statement Management Commentary	x		
<b>Philippine Financial Reporting Standards</b>				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			x
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary; Jointly Controlled Entity or Associate			x
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			x
	Amendments to PFRS 1: Limited Exemptions from Comparative PFRS 7 Disclosures for First-time Adopters			x
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			x
	Amendments to PFRS 1: Government Loans			x
	Annual Improvements (2009-2011 Cycle): Repeated Application of PFRS 1			x
	Annual Improvements (2009-2011 Cycle): First-time adoption of PFRS - Borrowing Cost			x
	Annual Improvements (2001-2013 Cycle): First-time adoption of PFRS - Meaning of Effective PFRS			x
	Annual Improvements (2014-2016 Cycle): First-time adoption of PFRS - Deletion of Short-term Exemptions for First-time Adopters			x
PFRS 2	Share-based Payment	x		
	Amendments to PFRS 2: Vesting Conditions and Cancellations			x
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			x
	Annual Improvements (2010-2012 Cycle): Definition of Vesting Condition			x
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			x
PFRS 3	Business Combinations			x
	Annual Improvements (2010-2012 Cycle): Accounting for Contingent Consideration in a Business Combination			x
	Annual Improvements (2011-2013 Cycle): Scope Exceptions for Joint Arrangements			x
PFRS 4	Insurance Contracts			x
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			x
	Amendments to PFRS 4: Applying PFRS 9 'Financial Instrument' with PFRS 4 'Insurance Contracts'	Not early adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			x
	Annual Improvements (2012-2014 Cycle): Changes in Methods of Disposal			x
PFRS 6	Exploration for and Evaluation of Mineral Resources			x
PFRS 7	Financial Instruments: Disclosures	x		
	Amendments to PFRS 7: Transition	x		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	x		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	x		
	Amendments to PFRS 7: Improving Disclosures About Financial Instruments	x		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	x		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	x		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	x		
	Annual Improvements (2012-2014 Cycle): Servicing Contracts			x
	Annual Improvements (2012-2014 Cycle): Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			x
PFRS 8	Operating Segments	x		
	Annual Improvements (2010-2012 Cycle): Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			x
PFRS 9	Financial Instruments	x		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	x		
	Amendments to PFRS 9: Financial Instruments - Classification and Measurement	x		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation			x

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		Adopted	Not adopted	Not applicable
<b>Effective as of December 31, 2018</b>				
PFRS 10	Consolidated Financial Statements			x
	Amendments to PFRS 10: Investment Entities			x
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			x
	Amendments to PFRS 10: Consolidated Financial Statements and PAS 28: Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Not early adopted		
PFRS 11	Joint Arrangements			
	Amendments to PFRS 11: Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations			
PFRS 12	Disclosure of Interest in Other Entities	x		
	Amendments for Investment Entities			x
	Amendments to PFRS 12: Investment Entities - Applying the Consolidation Exception			x
	Annual Improvements (2014-2016 Cycle): Clarification of the Scope of the Standard			x
PFRS 13	Fair Value Measurement	x		
	Annual Improvements (2010-2012 Cycle): Short-term Receivables and Payables	x		
	Annual Improvements (2011-2013 Cycle): Portfolio Exceptions			x
PFRS 14	Regulatory Deferral Accounts			x
PFRS 15	Revenue from Contracts with Customers	x		
	Amendments to PFRS 15: Clarifications to PFRS 15	x		
PFRS 16	Leases	Not early adopted		
<b>Philippine Accounting Standards</b>				
PAS 1 (Revised)	Presentation of Financial Statements	x		
	Amendment to PAS 1: Capital Disclosures	x		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			x
	Amendments to PAS 32 and PAS 1: Presentation of Items of Other Comprehensive Income	x		
	Annual Improvements (2009-2011 Cycle): Clarification of the Requirements for Comparative Presentation	x		
	Amendments to PAS 1: Disclosure Initiative	x		
PAS 2	Inventories	x		
PAS 7	Statement of Cash Flows	x		
	Amendments to PAS 7: Disclosure Initiative	x		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	x		
PAS 10	Events After the Reporting Period	x		
PAS 11	Construction Contracts			x
PAS 12	Income Taxes	x		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	x		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	x		
PAS 16	Property, Plant and Equipment	x		
	Annual Improvements (2009-2011 Cycle): Classification of Servicing Equipment	x		
	Annual Improvements (2010-2012 Cycle): Revaluation Method - Proportionate Restatement of Accumulated Depreciation	x		
	Amendments to PAS 16: Property, Plant and Equipment and PAS 38: Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization	x		
	Amendments to PAS 16: Property, Plant and Equipment and PAS 41: Agriculture - Bearer Plants			x
PAS 17	Leases	x		
PAS 19 (Amended)	Employee benefits	x		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			x
	Annual Improvements (2012-2014 Cycle): Regional Market Issue Regarding Discount Rate			x
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			x
PAS 21	The Effects of Changes in Foreign Exchange Rates	x		
	Amendment: Net Investment in a Foreign Operation			x
PAS 23 (Revised)	Borrowing Costs	x		
PAS 24 (Revised)	Related Party Disclosures	x		
	Annual Improvements (2010-2012 Cycle): Key Management Personnel	x		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	x		
PAS 27 (Revised)	Separate Financial Statements			x
	Amendments to PAS 27: Investment Entities			x
	Amendments to PAS 27: Separate Financial Statements - Equity Method in Separate Financial Statements			x

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		Adopted	Not adopted	Not applicable
<b>Effective as of December 31, 2018</b>				
PAS 28 (Amended)	Investment in Associates and Joint Ventures	x		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			x
	Annual Improvements (2014-2016 Cycle): Measuring an Associate or Joint Venture at Fair Value			x
	Amendments to PAS 28: Investment in Associates and Joint Ventures and PFRS 10: Consolidated Financial Statements - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Not early adopted		
	Amendments to PAS 28: Long Term Interests in Associates and Joint Ventures	Not early adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			x
PAS 31	Interest in Joint Ventures			x
PAS 32	Financial Instruments: Disclosure and Presentation			x
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			x
	Amendment to PAS 32: Classification of Rights Issues			x
	Annual Improvements (2009-2011 Cycle): Tax Effect of Distribution of Holders of Equity Instruments			x
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			x
PAS 33	Earnings Per Share	x		
PAS 34	Interim Financial Reporting			x
	Annual Improvements (2009-2011 Cycle): Interim Financial Reporting and Segment Information for Total Assets and Liabilities			x
	Annual Improvements (2012-2014 Cycle): Disclosure of Information 'Elsewhere in the Interim Financial Report'			x
PAS 36	Impairment of Assets	x		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	x		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	x		
PAS 38	Intangible Assets	x		
	Annual Improvements (2010-2012 Cycle): Revaluation Method - Proportionate Restatement of Accumulated Amortization	x		
	Amendments to PAS 16: Property, Plant and Equipment and PAS 38: Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization	x		
PAS 40	Investment Property	x		
	Annual Improvements (2011-2013 Cycle): Investment Property	x		
	Amendments to PAS 40: Transfers of Investment Property	x		
PAS 41	Agriculture			x
	Amendments to PAS 16: Property, Plant and Equipment and PAS 41: Agriculture - Bearer Plants			x
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			x
IFRIC 2	Member's Share in Co-operative Entities and Similar Instruments			x
IFRIC 4	Determining whether an Arrangement contains a Lease			x
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			x
IFRIC 6	Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Component			x
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting under Hyperinflationary Economies			x

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		Adopted	Not adopted	Not applicable
<b>Effective as of December 31, 2018</b>				
IFRIC 9	Reassessment of Embedded Derivatives			x
	Amendments to Philippine Interpretations IFRIC-9 and PAS 39: Embedded Derivatives			x
IFRIC 10	Interim Financial Reporting and Impairment			x
IFRIC 12	Service Concession Arrangements			x
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirement and Their Interaction			x
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			x
IFRIC 16	Hedges of a Net Investment in Foreign Operation			x
IFRIC 17	Distribution of Non Cash Assets to Owners			x
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			x
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			x
IFRIC 21	Levies			x
IFRIC 22	Foreign Currency Transactions and Advance Consideration			x
IFRIC 23	Uncertainty Over Income Tax Treatments	Not early adopted		
SIC - 7	Introduction of the Euro			x
SIC - 10	Government Assistance - No Specific Relation to Operating Activities			x
SIC - 15	Operating Leases - Incentives			x
SIC - 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			x
SIC - 27	Evaluating the Substance of Transactions Involving the Legal form of a Lease			x
SIC - 29	Service Concession Arrangements - Disclosures			x
SIC - 32	Intangible Assets - Web Site Costs			x

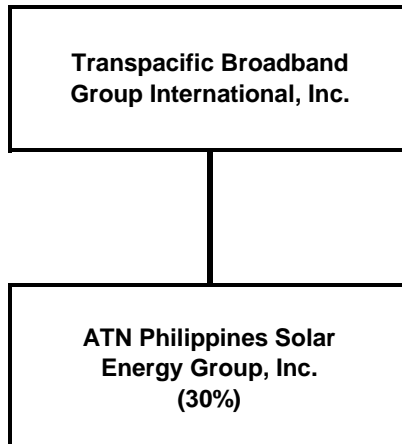
**Transpacific Broadband Group International, Inc.**  
**Schedule II - Financial Soundness**  
**Pursuant to SRC Rule 68, As Amended**

	<b>2018</b>	2017
A. Current/liquidity ratios		
Current ratio	<b>0.93</b>	1.02
Quick ratio	<b>0.87</b>	0.95
Cash ratio	<b>0.57</b>	0.87
B. Solvency ratio/Debt-to-equity ratio		
Solvency ratio	<b>0.15</b>	0.22
Debt ratio	<b>0.37</b>	0.17
Debt-to-Equity ratio	<b>0.59</b>	0.20
C. Asset-to-Equity ratio	<b>1.59</b>	1.20
D. Interest rate coverage ratio	<b>48.51</b>	(13.12)
E. Profitability ratios		
Net profit margin analysis	<b>40.47%</b>	-12.64%
Gross profit margin analysis	<b>5.15%</b>	-20.22%
Return on assets	<b>3.33%</b>	-1.37%
Return on equity	<b>4.72%</b>	-1.52%
Return on capital employed	<b>3.33%</b>	-1.37%

**Transpacific Broadband Group International, Inc.**  
**Schedule III - Retained Earnings Available for Dividend Declaration**  
**December 31, 2018**

<b>Retained Earnings, as at December 31, 2017</b>	P	37,954,552
<b>Adjustments:</b>		
Cumulative share in losses of associate - prior period		5,063,808
Loss on fair value adjustment of investment properties - prior period		-
Deferred tax assets - net		<u>(672,228)</u>
<b>Retained Earnings, as at December 31, 2017, as adjusted</b>		42,346,132
<b>Net loss during the period closed to Retained Earnings</b>		<u>15,358,144</u>
Less: Non-actual/unrealized income net of tax		-
Equity in net income of associate/joint venture		-
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)		341,842
Unrealized actuarial gain		-
Fair value adjustment (mark-to-market gains)		-
Fair value adjustment of investment property resulting to gain		17,053,000
Recognized deferred tax asset that increased the net income		379,802
Adjustment due to deviation from PFRS/GAAP - gain		-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS		-
Subtotal		<u>17,774,644</u>
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)		-
Unrealized actuarial loss		-
Equity in net loss of associate/joint venture		2,241,565
Recognized deferred tax liability that decreased the net income		1,047,095
Fair value adjustment (mark-to-market losses)		-
Adjustment due to deviation from PFRS/GAAP - loss		-
Loss on fair value adjustment of investment property (after tax)		<u>725,680</u>
Subtotal		<u>4,014,340</u>
<b>Net loss actually incurred during the period</b>		<u>1,597,840</u>
Add(less):		
Dividend declarations during the period		-
Appropriations of retained earnings during the year		-
Reversals of appropriations		-
Deemed cost adjustment on investment property		-
Treasury shares		<u>437,800</u>
<b>Subtotal</b>		<u>(437,800)</u>
<b>Retained Earnings as at December 31, 2018, available for dividend declaration</b>	P	<u><u>43,506,172</u></u>

**Transpacific Broadband Group International, Inc.**  
**Schedule IV - A map showing the relationship between and among the Company**  
**and its ultimate Parent Company, subsidiaries and associates**  
**Pursuant to Rule 68 as Amended**  
**December 31, 2018**





**Transpacific Broadband Group International, Inc.**  
**Schedule A - Marketable Securities**  
**December 31, 2018**

<b>Name of Issuing entity and association of each issue</b>	<b>Number of share or principal amount of bonds and notes</b>	<b>Amount shown in the balance sheet</b>	<b>Valued based on market quotation at balance sheet date</b>	<b>Income received and accrued</b>
	None to report			

**Transpacific Broadband Group International, Inc.**  
**Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and**  
**Principal Stockholders (other than related parties)**  
**December 31, 2018**

Name and designation of Debtor	Balance at beginning of period	Additions	Amounts collected/ liquidated	Amounts written off	Current	Non current	Balance at end of period
HRH Prince Abdul Aziz - Director *	657,699	47,954	705,653	-	-	-	-
ATN Philippines Solar Energy Group, Inc. - Related party	312,693	2,948,782	-	-	-	3,261,475	3,261,475
Palladian Land Development Inc. - Related Party	-	1,176,051	-	-	-	1,176,051	1,176,051
Managed Care Philippines, Inc. - Related Party	-	-	-	-	-	-	-
	P 970,392	P 4,172,787	P 705,653	P -	P -	P 4,437,526	P 4,437,526

\* - additions represent unrealized foreign exchange gain

**Transpacific Broadband Group International, Inc.**  
**Schedule C: Amounts Receivable from Related Parties which are eliminated during**  
**the consolidation of financial statements**  
**December 31, 2018**

Name and Designation of Debtor	Balance at the beginning of the period	Additions	Amount collected	Amounts written off	Current	Non-Current	Balance at end of period
			None to report				

**Transpacific Broadband Group International, Inc.**  
**Schedule D: Intangible Assets**  
**December 31, 2018**

Description	Beginning Balance	Additions at Cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending Balance
Franchise	P 3,742,405	P -	P 600,000	P -	P -	P 3,142,405

**Transpacific Broadband Group International, Inc.**  
**Schedule E: Long Term Debt**  
**December 31, 2018**

Title issue and type of obligation	Amount authorized by indenture	Amount shown under current portion of long term debt in related balance sheet	Amount shown under caption "Long term Debt" in the balance sheet
		None to report	

**Transpacific Broadband Group International, Inc.**  
**Schedule F: Indebtedness to related parties**  
**(Long-Term Loans from Related Parties)**  
**December 31, 2018**

Name of related party	Balance at beginning of period	Balance at end of period
Arsenio T. Ng	P 45,000,000	P 1,987,143
Palladian Land Development Corp	219,832	-
	P 45,219,832	P 1,987,143

**Transpacific Broadband Group International, Inc.**  
**Schedule G: Guarantee securities of other issuers**  
**December 31, 2018**

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
		None to report		

**Transpacific Broadband Group International, Inc.**  
**Schedule H: Share Capital**  
**December 31, 2018**

Title of issue	Number of Shares Authorized	Number of shares Issued and Outstanding as Shown Under Related Balance Sheet Caption	Number of Shares Reserved for Options Warrants, Conversion and Other Rights	Number of shares held by affiliates	Directors, Officers and Employees	Others
Share capital	3,800,000,000	2,620,193,300	400,000,000	630,000,000	574,572,330	1,411,242,970





108162019001907



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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SEC Registration No. AS95006755

Company Name TRANSPACIFIC BROADBAND GROUP INTL. INC.

Industry Classification

Company Type Stock Corporation

### Document Information

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Document ID 108162019001907

Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)

Document Code 17-Q

Period Covered June 30, 2019

No. of Days Late 0

Department CFD

Remarks

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**TRANSPACIFIC BROADBAND GROUP  
INTERNATIONAL, INC.**

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(Company)

9th Floor Summit One Tower  
530 Shaw Boulevard, Mandaluyong City

---

(Address)

**717-0523**

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(Telephone Number)

**DECEMBER 31**

---

(Fiscal Year Ending)  
(month & day)

**SEC Form 17Q**

---

(Form Type)

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Amendment Designation (if applicable)

**June 30, 2019**

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(Period Ended Date)

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(Secondary License Type and File Number)

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

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

1. For the quarterly period ended June 30, 2019
2. Commission identification no. AS095-006755                      3.BIR Tax Identification No. 004-513-153
4. TRANSPACIFIC BROADBAND GROUP INT'L., INC.
5. Philippines
6. Industry Classification Code:
7. Bldg. 1751 Chico St. Clark Special Economic Zone, Angeles, Pampanga  
(Satellite Center)
8. Telephone No. (0632) 717-0523
9. The Company did not change its name, address or fiscal year during the period covered by this report.
10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	P380,000,000

11. These securities are listed on the Philippine Stock Exchange.
  - (a) The company has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA 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)
  - (b) The company has been subject to such filing requirements for the past ninety (90) days.

I. Financial Statements.

**TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.**

**STATEMENT OF FINANCIAL POSITION**

		(Unaudited) 30-Jun	(Audited) 31-Dec
	Notes	2019	2018
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	P3,882,958	P7,858,193
Receivables - net	9	14,389,349	3,882,099
Other current assets	10	832,359	984,056
<b>Total Current Assets</b>		<b>19,104,666</b>	<b>12,724,348</b>
<b>Noncurrent Assets</b>			
Investment in an associate	11	408,584,882	408,993,627
Franchise - net	12	2,842,405	3,142,405
Property and equipment - net	14	62,671,383	70,908,215
Investment properties	15	61,568,800	61,568,800
Other non-current assets	13	6,055,853	6,022,032
		<b>541,723,323</b>	<b>550,635,079</b>
		<b>P560,827,989</b>	<b>P563,359,427</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	16	P7,631,430	P8,082,242
Short-term loans	17	5,500,000	5,500,000
Income tax payable		28,947	126,760
<b>Total Current Liabilities</b>		<b>13,160,377</b>	<b>13,709,002</b>
<b>Noncurrent Liabilities</b>			
Deposits	18	403,000	192,903,000
Pension liability	19	761,550	761,550
Advances from related parties	25	1,787,143	1,987,143
Deferred tax liabilities-net		754,670	754,670
		<b>3,706,363</b>	<b>196,406,363</b>
<b>Total Liabilities</b>		<b>16,866,740</b>	<b>210,115,365</b>
<b>Equity</b>			
Share capital	20	380,000,000	262,019,330
Share premium		103,947,352	29,428,022
Share option outstanding	20	8,921,814	8,921,814
Retained earnings		51,529,883	53,312,696
Treasury shares	20	(437,800)	(437,800)
<b>Total Stockholders' Equity</b>		<b>543,961,249</b>	<b>353,244,062</b>
		<b>P560,827,989</b>	<b>P563,359,427</b>

See Notes to Financial Statements

**TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.**

**STATEMENTS OF COMPREHENSIVE INCOME**

	Quarter ending		Six (6) month ending	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
<b>REVENUES</b>				
Service income	<b>P8,860,300</b>	P9,358,852	<b>P17,510,850</b>	P17,927,927
Other Income	<b>687,590</b>	664,718	<b>1,366,296</b>	1,317,175
	<b>9,547,890</b>	10,023,570	<b>18,877,146</b>	19,245,102
<b>COST AND EXPENSES</b>				
Direct cost	<b>8,964,769</b>	9,408,935	<b>17,987,859</b>	18,084,338
Administrative expenses	<b>1,443,556</b>	216,612	<b>1,970,820</b>	693,072
Finance costs - net	<b>168,875</b>	155,119	<b>248,319</b>	222,313
	<b>10,577,200</b>	9,780,666	<b>20,206,998</b>	18,999,723
INCOME (LOSS) FROM OPERATION	<b>(1,029,310)</b>	242,904	<b>(1,329,852)</b>	245,379
EQUITY IN NET LOSS OF AN ASSOCIATE	<b>218,048</b>	319,905	<b>408,745</b>	473,100
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>	<b>(1,247,358)</b>	(77,001)	<b>(1,738,597)</b>	(227,721)
<b>INCOME TAX EXPENSE</b>	<b>28,947</b>	30,340	<b>44,216</b>	57,605
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(1,276,305)</b>	(107,341)	<b>(1,782,813)</b>	(285,326)
<b>OTHER COMPREHENSIVE INCOME</b>	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(1,276,305)</b>	(107,341) P	<b>(1,782,813) P</b>	(285,326)
<b>EARNINGS PER SHARE</b>			<b>(0.0080)</b>	(0.0013)

See Notes to Financial Statements

**TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC**  
**STATEMENT OF CHANGES IN EQUITY**

	<b>Six (6) month ending</b>	
	<b>30-Jun-19</b>	<b>30-Jun-18</b>
<b>SHARE CAPITAL</b>	<b>P 380,000,000</b>	P 222,019,330
<b>SHARE PREMIUMS</b>	<b>103,947,352</b>	29,428,022
<b>SHARE OPTIONS OUTSTANDING</b>	<b>8,921,814</b>	8,921,814
<b>RETAINED EARNINGS (DEFICIT)</b>		
Balance, January 1	<b>53,312,696</b>	37,954,552
Profit (loss)	<b>(1,782,813)</b>	(285,326)
	<b>51,529,883</b>	37,669,226
<b>TREASURY SHARES</b>	<b>(437,800)</b>	(437,800)
	<b>P543,961,249</b>	P297,600,592

See Notes to Financial Statements

**TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC**

**STATEMENT OF CASH FLOWS**

	Quarter ending		Six (6) month ending	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Loss) profit before income tax	P (1,247,358)	P (77,001)	P (1,738,597)	P (227,721)
Adjustments for:				
Depreciation and amortization	4,118,416	4,118,416	8,236,832	8,236,832
Amortization of franchise	150,000	150,000	300,000	300,000
Equity in net loss of an associate	218,048	319,905	408,745	473,100
Interest income	(4,181)	(7,487)	(4,975)	(8,667)
Operating income before working capital changes	3,234,925	4,503,833	7,202,005	8,773,544
Decrease (increase) in Operating Assets:				
Receivables	(5,224,203)	(5,266,707)	(10,507,250)	(10,499,660)
Other current assets	-	1,210,011	151,697	371,529
Decrease (increase) in Other non-current assets	644,091	-	(33,821)	-
Increase/(decrease) in Operating liabilities				
Accounts payable and accrued expenses	(338,717)	(309,611)	(592,841)	(430,973)
Interest received	4,181	7,487	4,975	8,667
Net Cash Provided by/(Used in) Operating Activities	(1,679,723)	145,013	(3,775,235)	(1,776,893)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Advances of related parties	36,250	(3,272,438)	(200,000)	(3,635,867)
Deposits	(192,500,000)	-	(192,500,000)	-
Net Cash Used in Investing Activities	(192,463,750)	(3,272,438)	(192,700,000)	(3,635,867)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of loans	-	-	-	(400,000)
Proceeds from stock subscription	192,500,000	-	192,500,000	-
Net Cash Provided by(used in) Financing Activities	192,500,000	-	192,500,000	(400,000)
<b>NET INCREASE (DECREASE) IN CASH EQUIVALE</b>	<b>(1,643,473)</b>	<b>(3,127,425)</b>	<b>(3,975,235)</b>	<b>(5,812,760)</b>
<b>CASH AT THE BEGINNING OF THE YEAR</b>			<b>7,858,193</b>	<b>12,200,177</b>
<b>CASH AT END OF YEAR</b>			<b>P3,882,959</b>	<b>P6,387,417</b>

See Notes to Financial Statements

**TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 and DECEMBER 31, 2018**

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**1. Corporate Information**

Transpacific Broadband Group International, Inc. (TBGI or the Company), a corporation duly organized and existing under the laws of Republic of the Philippines, was incorporated and registered with Securities and Exchange Commission (“SEC”) on July 14, 1995, primarily to engage in the business of public commercial radio, terrestrial, cable, and satellite broadcast. The Company is 9.57% owned by Unipage Management Inc.

The Company holds a 25-year Congressional Franchise to construct, establish, install, maintain, and operate communications systems for the reception and transmission of messages within the Philippines. It also has an approved Provisional Authority to transmit radio signals to satellites granted by the National Telecommunications Commission (NTC) on April 7, 1999.

In 2007, the Company received from NTC its Certificate of Registration as a value added services provider and offer Voice Over Internet Protocol (VOIP) service. In the same year, NTC granted Frequency Supportability to the Company.

The Company is a duly registered Clark Special Economic Zone (CSEZ) enterprise and has committed to operate, manage, and maintain a satellite earth station with broadcast production and postproduction facilities and other related activities, located at Clark Field, Pampanga. Pursuant to its registration with CSEZ, the Company is subject to a special tax rate of 5% of gross income on registered activities.

The Company’s registered office is located at the 9th Floor of Summit One Tower, 530 Shaw Boulevard, Mandaluyong City. Its satellite center is located at Bldg. 1751, Chico St., Clark Special Economic Zone, Angeles City, Pampanga.

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**2. Basis of Preparation and Presentation**

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and interpretations thereof. PFRS are adopted standards by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board.

Basis of Financial Statement Preparation and Presentation

The accompanying financial statements have been prepared on a historical cost basis except for certain property and equipment and investment properties that are carried at fair value or revalued amounts.

The financial statements are presented in Philippine Peso, the Company’s functional currency and all values represent absolute amount except when otherwise indicated.

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**3. Summary of Significant Accounting Policies**

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

Current Versus Non-Current Classification

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



- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading; ·
- Expected to be realized within twelve months after the end of the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the end of the reporting period.

The Company classifies all other assets 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 end of the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the end of the reporting period.

The Company classifies all other liabilities as non-current.

#### Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

#### Financial Instruments

##### *Date of Recognition*

Financial assets and financial liabilities are recognized in the statements of financial position of the Company when it becomes a party to the contractual provisions of the instrument.

##### *Initial Recognition*

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of these financial instruments includes transaction costs.

##### *Determination of Fair Value*

The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Company recognizes the difference between the transaction price and fair value in the statement of comprehensive income unless it qualifies for recognition as some other type of asset.

##### *Offsetting of Financial Instruments*

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

*Classification and Measurement effective January 1, 2018*

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

- Financial Assets at Amortized Cost

The Company measures financial assets at amortised cost if both of the following condition are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

The Company's financial assets at amortised cost includes cash and cash equivalents, receivables, advances and deposits.

- Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

Equity instruments

Upon initial recognition, the company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under *PAS 32 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Subsequent to initial recognition, financial assets at FVOCI are carried at fair value. Gains and losses on these financial assets are never recycled to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

As of June 30, 2019, the Company has no financial instrument under this category.

Debt instruments

A debt financial asset is measured at FVOCI if both of the following condition are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and;

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at a amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

As of June 30, 2019, the Company does not have debt instruments at FVOCI.

- Financial Assets at Fair Value through Profit or Loss (FVPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss. Dividends are also recognized as other income in the statement of profit or loss when the right of payment has been established.

#### *Classification and Measurement of Financial Liabilities effective January 1, 2018*

Financial liabilities are measured at amortized cost, except for the following:

- (i) Financial liabilities measured at fair value through profit or loss;
- (ii) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement;
- (iii) Financial guarantee contracts;
- (iv) Commitments to provide a loan at a below-market interest rate; and
- (v) Contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- (i) If a host contract contains one or more embedded derivatives; or
- (ii) If a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

As of June 30, 2019, included in this category are the Company's accounts payable and accrued expenses.

*Reclassification of Financial Assets – effective January 1, 2018*

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company is required to reclassify financial assets:

- (i) from amortized cost to FVPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
- (ii) from FVPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will be effected only at the beginning of the next reporting period following the change in the business model.

*Impairment of Financial Assets effective January 1, 2018*

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established probability of default rates for third party trade receivables based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company applies the historical credit loss method in case undue cost or effort is involved in calculating the ECL by considering the forward-looking factors. For inter-group trade receivables, the Company has established probability of default rates based on internal credit rating of the customers. Internal credit ratings are based on methodologies adopted by independent credit rating agencies. Therefore, the internal ratings already consider forward looking information.

The Company consider a financial asset to be in default when contractual payments are 180 days past due. However, Company considers internal or external information when there are indicators that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Financial Liabilities*

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

*Prepaid Expenses*

Prepaid expenses are measured at amounts paid and subsequently recognized as expense over which the prepayments apply.

Spare Parts Inventory

Spare parts inventory is stated at the lower of cost and net realizable value (NRV). Cost is determined using the first-in first-out method. NRV is the selling price less the estimated cost to sell.

Property and Equipment

Transportation equipment, furniture, and fixtures are initially and subsequently carried at cost less accumulated depreciation and impairment in value, if any. Buildings and improvements, uplink/data equipment and leasehold improvements are carried at revalued amounts less accumulated depreciation and impairment losses, if any. Subsequent acquisitions are stated at cost less accumulated depreciation and impairment losses, if any.

The initial cost of property and equipment consist of its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the properties have been put into operation, such as repairs and maintenance, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the property and equipment.

Depreciation is computed on a straight-line method over the estimated useful lives of the depreciable assets as follows:

Building and improvements	20 years
Uplink/data equipment	10-20 years
Furniture and fixtures	10 years
Transportation equipment	5 years
Lease improvements	6 years or lease term whichever is shorter.

An asset's residual value, useful life, and depreciation method are reviewed periodically to ensure that the period, residual value, and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are sold, retired, or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the period.

When the carrying amount of an asset is greater than its estimated recoverable amount, the cost is written down immediately to its recoverable amount. Fully depreciated assets are retained in the accounts until they are no longer in use.

Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both and that is not occupied by the company. Investment properties are initially measured at cost, including transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The Company reviews these valuations annually.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Investment property is derecognized when either it has been disposed of, or when the investment property is permanently withdrawn or sold and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

#### Investment in Associate

An associate is an entity over which the Company is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investment in an associate is initially recognized at cost and subsequently accounted for using the equity method. The equity method of accounting for investment in associate recognizes the changes in the Company's share of net assets of the associate. The share in the net results of the operations of the associate is reported as *Equity in Net Loss/Earnings of an Associate* reported in the Statement of Comprehensive Income. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized. Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Company, as applicable.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

If significant influence is lost over the associate, the Company measures the carrying value of investment at its fair value. The difference, if any, upon the loss of significant influence over its associate is reported in the Statement of Comprehensive Income.

#### Franchise

The Company holds a congressional franchise for the operation of telecommunication service. All cost and expenses directly related to its initial acquisition that meets the definition of an intangible asset is capitalized as Franchise. After the initial recognition, Franchise is carried at cost less accumulated depreciation and any impairment losses. Franchise is amortized using the straight line method over its congressional term of 25 years. The amortization period and amortization method is reviewed at each financial year-end. If the expected useful life of the asset is different from previous estimate, the amortization period is changed accordingly. When the carrying amount of Franchise is greater than its estimated recoverable amount, the cost is written down to its recoverable amount. Franchise is derecognized either upon disposal or the right to use expired.

#### Other Non-current Assets

Other non-current assets of the Company include advances to affiliates, security deposit, other receivable, rent receivable and other asset.

#### Equity

Share capital is determined using the par value of shares that have been issued.

Share premium represents the excess of the par value over the subscription price.

Retained earnings include all current and prior period results as disclosed in the Statements of Income.

Share options is measured based on the fair value of the stock option on the date of grant. If the fair value of the stock option cannot be estimated reliably, the intrinsic value method is used. The intrinsic value is the excess of the market value of the share over the option price.

Treasury shares are recorded at cost, which is equal to the cash payment or for noncash consideration. It is shown in the statements of financial position as a deduction from the equity.

#### Revenue and Costs Recognition

Revenue comprises revenue from rendering of services measured by reference to the fair value of consideration received or receivable by the Company for services rendered, excluding VAT and discounts. Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time. A performance

obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

In addition, the following specific recognition criteria must also be met before revenue is recognized:

*Service income*

Revenues from uplink services and bandwidth subscriptions are recognized when services are rendered and billed.

*Rent income*

Rent income is recognized on a straight-line basis over the lease term.

*Interest income*

Interest income from bank deposits is recognized as interest accrues taking into account the effective yield on the related asset.

*Dividend income*

Dividend income is recognized when the right to receive dividends is established.

Cost is recognized in the Statement of Comprehensive Income when the related revenue is earned (e.g. when goods are sold or services have been performed). Expenses are recognized upon utilization of the service or when they are incurred.

*Income Taxes*

Current tax liabilities are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted as at the end of reporting period.

Deferred tax asset is recognized for all temporary differences that are expected to reduce taxable profit in the future, and for the carry forward of unused tax losses and unused tax credits. Deferred tax liability is recognized for all temporary differences that are expected to increase the taxable profit in the future. Deferred tax assets and liabilities are measured using the tax rates and laws substantively enacted at the end of the reporting period.

The carrying amount of deferred tax asset is reviewed at each end of reporting period 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 income tax assets to be utilized.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statements of income. Only changes in deferred tax assets or liabilities that relate to a change in value of asset or liabilities are charged or credited directly to equity.

*Employee Benefits*

(i) Retirement benefit cost

The Company provides for estimated retirement benefits costs required to be paid under RA 7641 to qualifying employees. The cost of defined retirement benefits, including those mandated under RA 7641 is determined using the accrued benefits valuation method or

projected benefit valuation method. Both methods require an actuarial valuation which the Company has not undertaken. Management believes, however, that the effect on the financial statements of the difference between the retirement cost determined under the current method used by the Company and an acceptable actuarial valuation method is not significant.

(ii) **Compensated absences**

Compensated absences are recognized for the number of paid leaves days (including holiday entitlement) remaining at reporting date. They are included as part of Accounts payable and accrued expenses account at the undiscounted amount the Company expects to pay as a result of the unused entitlement.

Leases

**Company as a lessee**

Leases where the lessor retains substantially all the risk and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as expense on a straight line basis over the lease term.

**Company as a lessor**

Leases where the Company does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the statement of comprehensive income on a straight line basis over the lease term.

Foreign Currency Transactions and Translations

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (*the functional currency*). The financial statements are presented in Philippine Peso, the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency at exchange rates prevailing at the time of transaction. Foreign currency gains and losses resulting from settlement of such transaction and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Impairment of Non-Financial Assets

Property and equipment, Franchise, and Investment in an associate are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable or the recoverable amount is less than its carrying amount. Recoverable amount is the higher of the assets' fair value less cost of disposal or value in use. Fair value less costs of disposal 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 less costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or from its disposal at the end of its useful life. The following impairment assessment approach are used for each non-financial assets.

*Spare parts inventory*

The impairment is measured if NRV is less than the acquisition cost. Assessment is made at each reporting period whether there is an indication that previously recognized impairment may no longer exists or may have decreased.

*Property and equipment*

When carrying amount of the asset is greater than its estimated recoverable amount, the cost of the asset is written down immediately to its recoverable amount.

*Franchise*

Franchise is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the franchise relates.



When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized.

#### *Investment in an associate*

The Company determines at each Statement of Financial Position date whether there is any objective evidence that investment in an associate is impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the recoverable amount of the investment in an associate and the carrying amount of the investment, and recognizes the amount in the Statement of Comprehensive Income.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

#### *Deposits for Future Stock Subscriptions*

Deposits for future stock subscription refer to the amount of money received by the Company with the purpose of applying the same as payment for future issuance of stocks. The Company does not consider a deposit for stock subscription as an equity instrument unless all of the following elements are present:

- There is a lack or insufficient authorized unissued shares of stock to cover the deposit;
- The Company's BOD and stockholders have approved an increase in capital stock to cover the shares corresponding to the amount of the deposit; and,
- An application for the approval of the increase in capital stock has been presented for filing or filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability. The amount of deposits for future stock subscription will be reclassified to equity accounts when the Company meets the foregoing criteria.

#### Related Party Transactions

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The related party transactions are recognized based on transfer of resources or obligations between related parties, regardless of whether a price is charged.

#### Provisions

Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example legal disputes for onerous contract.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at end of reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. In addition, long-term provisions are discounted at their present values, where time value of money is material.

Provisions are reviewed at each end of reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent asset, hence, are not recognized in the financial statements.

#### Operating Segment

Operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the chief operating decision maker to make decisions about how resources are to be allocated and for which discrete financial information is available.

Management has determined that the Company has only one segment which is the provision of uplink and broadband system to its clientele.

#### Contingencies

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

#### Events After End of Reporting Period

Post year-end events that provide additional information about the Company's financial position at the end of reporting period (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.

#### Earnings (Loss) Per Share

Basic earnings per share is computed by dividing profit or loss for the period by the weighted average number of shares issued and outstanding during the year.

#### Diluted Earnings (Loss) Per Share

Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares.

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## **4. Changes in Accounting Standards**

### New Accounting Standards and Amendments to Existing Standards Effective as of January 1, 2018

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to PFRS effective beginning January 1, 2018.

#### *PFRS 9, Financial Instruments*

PFRS 9 *Financial Instruments*, which replaces PAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9, brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company chose not to restate comparative figures permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

- Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 will be retained for the comparative periods. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.

- The Company will disclose the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as of December 31, 2017.

The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified approach (or general approach, as applicable), has no significant impact on the carrying amounts of the Company's financial assets. Financial assets previously classified as loans and receivable will be classified as Financial assets at amortized cost.

Further, there is no significant impact on the basic and diluted earnings per share as a result of the Company's adoption of PFRS 9.

The impact of adoption of PFRS 9 is as follows:

- Trade and non-trade receivables, including advances to Related parties as of December 31, 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest and will be classified and measured as Financial asset at amortized cost beginning January 1, 2018.
- The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss. There are no impairment losses incurred at the adoption of PFRS 9.

PFRS 15, *Revenue from Contract with Customers*. This standard replaces PAS 18, Revenue, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company's revenues mainly pertain to the providing internet services which are recognized as the Company renders and completes the performance obligation agreed with the customer, who, in turn, receives and consumes the benefits provided by the Company as it performs the agreed service. Upon adoption, the Company has concluded that it is acting as principal in its revenue arrangements since the Company is the primary responsible for providing the services to customers which also bear the credit risk.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Amendments to PFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*

The amendments are intended to clarify following:

- Accounting for cash-settled share-based payment transactions that include a performance condition;
- Classification of share-based payment transactions with net settlement features; and

- Accounting for modifications of share-based payment transactions from cash-settled to equity settled

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

The adoption of this amendment did not result in any impact on the financial statements since the Company has no share-based payment transactions.

*Amendments to PFRS 4, Insurance Contracts – Applying PFRS 9 ‘Financial Instrument’ with PFRS 4 ‘Insurance Contracts’*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard, before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Company since there are no activities that are predominantly connected with insurance or issue insurance contracts.

*Amendments to PAS 40, Investment Property – Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development, into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. The amendments are effective for annual periods beginning on or after July 1, 2018. Retrospective application is only permitted if that is possible without the use of hindsight. The amendments did not result in any impact on the Company's financial statements.

*Annual Improvements to PFRSs (2014-2016 cycle)*

The Annual Improvements to PFRSs (2014-2016 cycle) are effective for annual periods beginning on or after January 1, 2018 and did not result in any material impact to the Company's financial statements. They include:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*  
The amendment deleted the short-term exemptions in paragraphs E3-E7 of PFRS 1, because they have now served their intended purpose.
- PFRS 12, *Disclosure of Interests in Other Entities*  
The amendment clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.
- PAS 28, *Investments in Associates and Joint Ventures*  
The amendment clarified that the election to measure at fair value through profit or loss an investment in associate or a joint venture that is held by an entity that

is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

*Philippine IFRIC Interpretation 22, Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the interpretation on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The adoption of this interpretation did not result in any significant impact on the financial statements.

*New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2018*

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2018 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on its financial position or performance.

*Effective in 2019*

*PFRS 16, Leases*

On January 13, 2016, the IASB issued its new standard, PFRS 16, Leases, which replaces PAS 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating lease or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statement of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRC has adopted the new revenue recognition standard. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective application, with options to use certain transition reliefs.

*Annual Improvements to PFRSs (2015-2017 cycle)*

The Annual Improvements to PFRSs (2015-2017 cycle) are effective for annual periods beginning on or after January 1, 2019 and will not have any material impact to the Company's financial statements. They include:

- PFRS 3, Business Combinations and PFRS 11, Joint Arrangements  
The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- PAS 12, Income Taxes  
The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- PAS 23, Borrowing Costs  
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalization rate on general borrowings.

#### Amendments to PFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*

The amendments cover two issues:

- What financial assets may be measured at amortized cost. The amendment permits more assets to be measured at amortized cost than under the previous version of PFRS 9, in particular some pre-payable financial assets.
- How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under PAS 39.

The amendments are effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The amendments will not have significant impact on the Parent Company's financial statements.

#### *Deferred*

#### PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are originally effective from annual periods beginning on or after January 1, 2016. This mandatory adoption date was later on deferred indefinitely pending the final outcome of the IASB's research project on International Accounting Standards 28. Adoption of these amendments when they become effective will not have any impact on the financial statements.

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## 5. Summary of Significant Accounting Judgments and Estimates

The Company makes estimates and assumptions that affect the reported amounts of the assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### *(i) Judgments*

The following judgments were applied which have the most significant effect on the amounts recognized in the financial statements.

*Determination of functional currency*

The Company has determined that its functional currency is the Philippine peso which is the currency of the primary economic environment in which the Company operates.

*Determination of control*

Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

As of June 30, 2019 and December 31, 2018, the Company has 30% equity interest in an associate where the Company has significant influence over the associate's financial and operating policies.

*Classification of leases*

The Company has entered into various leases to third parties. Judgment is exercised in determining whether substantially all the significant risk and rewards of ownership of the leased asset is transferred to the Company. Leases where the lessor transfer all the risk and rewards incidental to the ownership of the leased asset are taken up as finance leases. Leases where the lessor retains all the risk and rewards to assets are taken up as operating leases.

Operating lease payment is reported in the Statement of Comprehensive Income.

*Determination of fair value of assets and liabilities*

The Company measures fair value of assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1

Included in the Level 1 category are assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. Assets and liabilities are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Fair value measurement is disclosed in Note 6.

*(ii) Estimates*

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

*Estimating allowance for probable losses on trade receivables*

The Company estimates the allowance for probable losses related to its trade receivable based on assessment of specific accounts when the Company has information that certain customers are unable to meet their financial obligation. In these cases, management uses the best available facts and circumstances including but not limited to third party credit reports and known market factors.

As of June 30, 2019, management believes that no provision for impairment is necessary. In 2017, a reversal of allowance for probable loss on trade receivable in the amount of

P3,159,565 was made due to collection of previous set-up of a allowance for probable losses.

*Estimating NRV of spare parts inventories*

The carrying value of inventories is carried at lower of cost and NRV. The estimates used in determining NRV is dependent on the recoverability of its cost with reference to existing market prices, location or the recent market transactions. The amount and timing of recorded cost for any period would differ if different estimates were used.

The carrying value of spare part inventory amounted to P832,359 in June 30, 2019 and December 31, 2018. (See Note 10)

*Estimating useful lives of property and equipment*

The Company reviews annually the estimated useful lives of property and equipment, based on the period on which the assets are expected to be available for use. It is possible that future results of operation could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and decrease the related asset account.

The carrying value of property and equipment as at June 30, 2019 and December 31, 2018 amounted to P62,671,383 and P70,908,215, respectively. (See Note 15)

*Recoverability of deferred tax assets*

The Company reviews the carrying amounts of deferred tax asset at each end of reporting period and reduces the deferred tax asset 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 assets to be utilized.

The carrying value of deferred tax liabilities (net of deferred tax assets of P306,208 in 2018) as at June 30, 2019 and December 31, 2018 amounted to P754,670 (See Note 28)

*Estimating retirement benefits*

The determination of the Company's obligation and cost for retirement and other retirement benefits which is based on RA 7641 is dependent on the length of stay of the qualifying employees and reaching the age of 60 upon retirement. Annually, retirement benefits are computed based on existing employees as there is no assurance that the employee will still be with the Company at the age of retirement.

*Impairment of non-financial asset*

The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Several factors are considered which could trigger that impairment has occurred. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have material adverse effect on the results of operations.

As at June 30, 2019 and December 31, 2018, management believes that no provision for impairment losses is necessary.

*Measurement of stock options*

The compensation resulting from stock options is measured based on the fair market value of the stock option on the date of grant. If the fair value of the stock option cannot be estimated reliably, the intrinsic value method is used. The intrinsic value is the excess of the market value of the share over the option price.

During 2010, the TBGI Remuneration Committee met to discuss the request of the Chief Financial Officer to indefinitely defer the Stock Option plan for the CEO. The Stock Options Plan for the CEO may be restored only upon the recommendation of the Remuneration Committee and subject to the approval of the Board of Directors.



As at June 30, 2019 and December 31, 2018, share options outstanding amounted to P8,921,814. (See Note 21)

## 6. Fair Value Measurement

The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable price exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Company recognizes the difference between the transaction price and the fair value in the statements of income unless it qualifies for recognition as some other type of asset.

The table below analyzes assets and liabilities measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

<b>30-Jun-19</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	P -	P 3,882,958	P -	P 3,882,958
Receivables - net	-	14,389,349	-	14,389,349
Property and equipment	-	62,671,383	-	62,671,383
Investment properties	-	55,421,800	6,147,000	61,568,800
Other non-current assets	-	6,055,853	-	6,055,853
Accounts payable and accrued expenses	-	(7,631,430)	-	(7,631,430)
Short-term loans	-	(5,500,000)	-	(5,500,000)
Deposits	-	(403,000)	-	(403,000)
<b>2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	P -	P 7,858,193	P -	P 7,858,193
Receivables - net	-	3,882,099	-	3,882,099
Advances for projects	-	-	-	-
Property and equipment	-	70,908,215	-	70,908,215
Investment property	-	55,394,800	6,174,000	61,568,800
Other non-current assets	-	6,022,032	-	6,022,032
Accounts payable and accrued expenses	-	(8,082,242)	-	(8,082,242)
Loans payable	-	(5,474,582)	-	(5,474,582)
Deposits	-	(192,903,000)	-	(192,903,000)

Fair values were determined as follows:

- *Cash and cash equivalents, receivables and other financial liabilities* – the fair values are approximately the carrying amounts at initial recognition due to their short-term nature.
- *Property and equipment* – fair value was based on appraiser's report. It is estimated using Market Data Approach, which is based on sales and listings of comparable property registered within the vicinity that considered factors such as locations, size and shape of the properties.
- *Investment properties* – the valuation approach used in the independent appraiser's report was Market Approach, which estimates the value of asset by comparing similar or substitute properties and related market data.

## 7. Financial Risk Management Objectives and Policies

### Financial Risk

The Company's activities expose it to a variety of financial risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below:

- *Credit Risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The table below shows the gross maximum exposure to credit risk of the Company as at June 30, 2019 and December 31, 2018.

	Gross Maximum Exposure	
	June 30, 2018	2018
Cash and cash equivalents *	P 3,882,958	P 7,858,193
Receivables	14,389,349	8,318,326
Other non current assets	6,055,853	6,022,032
	P 24,328,159	P 22,198,551

The credit risk on cash and cash equivalents are limited since funds are invested in financial institutions with high credit ratings.

Trade receivables are accounts with its customer where appropriate trade relations have been established including billings and collections processes.

The credit quality of the Company's assets as at June 30, 2019 and December 31, 2018 is as follows:

	June 30, 2019						
	Neither past due nor impaired		Past due but not impaired	Past due and impaired	Total		
	High grade	Standard grade				P	P
Cash and cash equivalents	P 3,882,958	P -	P -	P -	P 3,882,958		
Trade receivables	-	9,953,122	-	4,436,227	14,389,349		
Other non-current assets	-	6,055,853	-	-	6,055,853		
	P 3,882,958	P 16,008,974	P -	P 4,436,227	P 24,328,159		

	December 31, 2018						
	Neither past due nor impaired		Past due but not impaired	Past due and impaired	Total		
	High grade	Standard grade				P	P
Cash and cash equivalents	P 7,858,193	P -	P -	P -	P 7,858,193		
Trade receivables	-	3,882,099	-	4,436,227	8,318,326		
Other non-current assets	-	6,022,032	-	-	6,022,032		
	P 7,858,193	P 9,904,131	P -	P 4,436,227	P 22,198,551		

High-grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in banks belonging to the top banks in the Philippines in terms of resources and profitability.

Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

*Liquidity Risk*

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Either liquidity risk may result from the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Company manages its liquidity profile to (i) ensure that adequate funding is available at all times; (ii) meet commitments as they arise without incurring unnecessary costs; (iii) to be able to access funding when needed at the least possible cost, and (iv) maintain an adequate time spread of financing maturities.

The table below summarizes the maturity profile of the Company's financial liabilities at June 30, 2019 and December 31, 2018.

	June 30, 2019									
	< 1 month		> 1 month & < 3 months		> 3 months & < 1 year		> 1 year & < 3 years		Total	
Accounts payable and accrued expenses	P	7,631,430	P	-	P	-	P	-	P	7,631,430
Interest-bearing liabilities										
Loans payable		-		-		5,500,000		-		5,500,000
	P	7,631,430	P	-	P	5,500,000	P	-	P	13,131,430

	December 31, 2018									
	< 1 month		> 1 month & < 3 months		> 3 months & < 1 year		> 1 year & < 3 years		Total	
Accounts payable and accrued expenses	P	8,082,242	P	-	P	-	P	-	P	8,082,242
Interest-bearing liabilities										
Loans payable		-		-		5,500,000		-		5,500,000
	P	8,082,242	P	-	P	5,500,000	P	-	P	13,582,242

*Market Risk*

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risk is the risk to an institution's financial condition from volatility in the price movements of the assets contained in a portfolio. Market risk represents what the Company would lose from price volatilities. Market risk can be measured as the potential gain or loss in a position or portfolio that is associated with a price movement of a given probability over a specified time horizon.

i. Currency risk

The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US Dollar. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the company's functional currency. Significant fluctuations in the exchange rates could significantly affect the Company's financial position.

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities at reporting date are as follows:

	June 30, 2019		2018	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Cash and cash equivalents	\$ 65,306	P 3,353,991	\$ 64,101	P 3,379,670

The following table demonstrates the sensitivity to a reasonable change in the US\$ exchange rate, with all other variables held constant, the Company's income before tax for the period ended June 30, 2019 and year ended December 31, 2018:

Increase/decrease in Peso to US Dollar Rate	Taxes	
	Jun-19	2018
+P5.00	P 326,531	P 320,505
-P5.00	(326,531) P	(320,505)

There is no other impact on the Company's equity other than those affecting profit and loss.

ii. Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating interest rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

Exposure to interest rate risk arises from bank loans with interest dependent on the prevailing market rate. As of December 31, 2018 and 2017, the Company is not exposed to any interest rate risk from fluctuation of market interest. Thus, no sensitivity analyses are provided for 2018 and 2017 since its financial liability is not subject to a floating interest rate.

*Operational risk*

Operational risk is the risk of loss from system failure, human error, fraud, or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risk but initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education, and assessment processes. Business risk such as changes in environment, technology, and industry are monitored through the Company's strategic planning and budgeting processes.

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The capital structure of the Company consists of issued capital, share premium and retained earnings.

The financial ratio at the year-end, which is within the acceptable range of the Company, is as follows:

	June 30, 2019		2018	
Equity	P	543,961,249	P	353,244,062
Total Assets		560,827,989		563,359,427
Ratio		0.970		0.627

## 8. Cash and Cash Equivalents

As of June 30, 2019 and December 31, 2018, cash and cash equivalents represent cash on hand and cash in banks of P3,882,968 and P7,858,193, respectively.

Cash in bank represents current accounts and US dollar account that earn interests at prevailing bank interest rates.

Interest income on these deposits amounted to P4,975 in June 30, 2019 P15,287 in 2018.

## 9. Receivables

The composition of this account is as follows:

	30-Jun-19		2018	
Trade				
In local currency	P	4,436,227	P	4,436,227
In foreign currency		14,389,349		3,882,099
		18,825,576		8,318,326
Less: Allowance for probable losses		4,436,227		4,436,227
	P	14,389,349	P	3,882,099

The aging of this account is as follows:

	Current	Over 31-60 days	More than One Year	Total
Trade				
In local currency			P 4,436,227	P 4,436,227
In foreign currency	7,786,050	6,603,299	-	14,389,349
	P 7,786,050	P 6,603,299	P 4,436,227	P 18,825,576

## 10. Other current assets

The breakdown of this account is as follows:

	30-Jun-19		2018	
Spare parts inventory - net of allowance for impairment of P146,887 in 2018	P	832,359	P	832,359
Prepaid taxes		-		151,687
	P	832,359	P	984,046

- Spare parts inventory consists of communication supplies and materials that are normally provided to customers in the delivery of services. Spare part inventory as of December 31, 2018 is measured at NRV. The allowance for impairment in value is reported in the statement of comprehensive income. Spare part inventory as of December 31, 2017 is measured at cost which approximates the NRV.
- Prepaid expenses represents advance payment of real property taxes that will be applicable and expensed in the subsequent period. Payments are made in advance so as to take advantage of the discounts granted by the local government. Expired portion is charged to taxes and licenses reported as part of administrative expenses in the statement of comprehensive income.

## 11. Investment in an Associate

Investment in an Associate represents the 30% equity interest in ATN Solar Energy Group, Inc (ATN Solar). Management believes that it exercises significant influence over the financial and operating policies of ATN Solar.

The composition of this account is as follows:

	<b>30-Jun-19</b>	2018
Cost		
Beginning balance	<b>P 209,500,000</b>	P 209,500,000
Equity in net loss		
Beginning	<b>7,306,373</b>	5,064,808
Share in net loss for the year	<b>408,745</b>	2,241,565
	<b>7,715,118</b>	7,306,373
Deposit for stock subscription	<b>206,800,000</b>	206,800,000
	<b>P 408,584,882</b>	P 408,993,627

ATN Solar is a grantee of Solar Energy Service Contract with the Philippine Government through the Department of Energy to develop, own and operate a 30M W solar power plant in Rodriguez, Rizal. The following events transpired during 2018 involving the solar project of ATN Solar.

- Significant completion of pre-construction activities;
- Interconnection and negotiation for power supply agreement with Manila Electric Company;
- Registration of ATN Solar's project site as Special Economic Zone with the Philippine Economic Zone Authority

In the of process setting up the foundation, PV mounting frames and modules and other land developments, the Company have identified the quality of rocks and boulders at the project site to be of commercial use. Hence, a Rock Crusher Project was introduced. This involves the construction of rock crushing plant which will process armor rocks and crushed basalt aggregates. As of December 31, 2018, the rock crusher processing plant have been completed and the trial-run of production of aggregates has commenced with production cost of ₱68.5 million at year-end.

On various dates during 2018, the Company infused an additional ₱206.8 million unto ATN Solar in response to the latter's capital call. The funds will be used to subscribe additional shares of ATN Solar pending for application for increase of share capital of the latter.

## 12. Franchise - net

The Company holds a 25-year Congressional Franchise to construct, establish, install, maintain, and operate communication systems for the reception and transmission of messages within the Philippines with a cost of P15M.

The movement in this account is as follows:

	<b>30-Jun-19</b>	2018
Balance, January 1	<b>P 3,142,405</b>	P 3,742,405
Amortization	<b>(300,000)</b>	(600,000)
Balance, December 31	<b>P 2,842,405</b>	P 3,142,405

The amortization of franchise is shown as part of direct costs in the Statement of Comprehensive Income. Management believes that the carrying amount of franchise is recoverable in full and no impairment loss is necessary.

### 13. Other Non-current Assets

This account consists of:

	30-Jun-19	2018
Advances to:		
Palladian Land Development Inc. (PLDI)	P 1,037,372	P 1,176,051
ATN Phils. Solar Energy Group Inc. (Solar)	3,433,975	3,261,475
Security deposits	1,584,506	1,584,506
	<b>P 6,055,853</b>	<b>P 6,022,032</b>

Security deposits are made to secure leasing arrangement on transponders. These deposits are refundable at the expiration of lease term.

### 14. Property and Equipment – net

The movement in this account is as follows:

6/30/2019	Building and Improvements	Uplink/Data Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	TOTAL
Carrying Amount:						
At January 1, 2019	P 23,893,402	P 254,121,190	P 5,180,726	P 19,145,709	P 14,675,284	P 317,016,311
At March 31, 2019	23,893,402	254,121,190	5,180,726	19,145,709	14,675,284	317,016,311
Accumulated depreciation and amortization						
At January 1, 2019	21,893,413	186,965,727	4,863,560	18,292,076	14,093,320	246,108,096
Provisions	597,334	6,018,812	346,690	1,073,996	200,000	8,236,832
At March 31, 2019	22,490,747	192,984,539	5,210,250	19,366,072	14,293,320	254,344,928
Net Carrying Value						
At March 31, 2019	P 1,402,655	P 61,136,651	\$ (29,524)	\$ (220,363)	P 381,964	P 62,671,383

12/31/2018	Building and Improvements	Uplink/Data Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	TOTAL
Carrying Amount:						
At January 1, 2018	P 23,893,402	P 254,121,190	P 5,180,726	P 19,145,709	P 14,675,284	P 317,016,311
At December 31, 2018	23,893,402	254,121,190	5,180,726	19,145,709	14,675,284	317,016,311
Accumulated depreciation and amortization						
At January 1, 2018	20,698,746	174,928,109	4,487,346	16,144,086	13,355,293	229,613,580
Provisions	1,194,667	12,037,618	376,214	2,147,990	738,027	16,494,516
At December 31, 2018	21,893,413	186,965,727	4,863,560	18,292,076	14,093,320	246,108,096
Net Carrying Value						
At December 31, 2018	P 1,999,989	P 67,155,463	P 317,166	P 853,633	P 581,964	P 70,908,215

### 15. Investment Properties

As of June 30, 2019 and December 31, 2018, investment property consists of the following:

	30-Jun-19	2018
Condominium units	P 55,421,800	P 55,421,800
Land and improvements	6,147,000	6,147,000
	<b>P 61,568,800</b>	<b>P 61,568,800</b>

Condominium units represent the beneficial ownership of four (4) commercial units held at Summit One Office Tower in Mandaluyong City with a total floor area of 852.64 square meters. Land and improvements represents a parcel of residential lot with house thereon

and covers an area of 432 square meters. This is situated in Paliparan 1, Dasmariñas, Cavite.

On April 2, 2018, these properties were subject of an appraisal conducted by Asian Appraisal Company, Inc. Accordingly, the aggregate fair market value of the Mandaluyong property amounted to P55.4 million or an increment of P17 million as of the date of appraisal. Such increment was reported under *Fair value gains* in the Statement of income. Fair value is determined using the Market approach under the level 2 of the fair value hierarchy. The highest and best use of these properties is commercial, its current use.

Meanwhile, the Cavite property with fair market value of P 6.1 million incurred an impairment loss of P 772,000 as of April 2, 2018 and is reported in the Statement of Comprehensive Income under impairment loss. The highest and best use of this property is for residential use. For strategic reason, the property is not used in that manner. Fair value of the land was determined under the Market approach. Fair value of improvements is determined using the Cost Approach. These are estimated under the level 3 of the fair value hierarchy.

The movements in investment properties as of June 30, 2019 and December 31, 2018 are as follows:

		<b>30-Jun-19</b>	2018
Balance, January 1	<b>P</b>	<b>61,568,800</b>	<b>P 45,287,800</b>
Fair value gains		-	<b>P 17,053,000</b>
Impairment loss		-	<b>(772,000)</b>
	<b>P</b>	<b>61,568,800</b>	<b>P 61,568,800</b>

As of June 30, 2019, the lot remains idle and no immediate plan to develop or sell the property. There is no contractual obligation to develop the property or for repairs, maintenance and enhancements.

Rental income and direct operating expenses from investment properties included in the statement of income are as follows:

		<b>30-Jun-19</b>	<b>30-Jun-19</b>
Rental income	<b>P</b>	<b>1,361,321</b>	<b>P 1,308,508</b>
Direct operating expenses that:			
Generated rental income		<b>151,697</b>	<b>151,697</b>
Did not generate rental income		<b>829</b>	<b>829</b>

## 16. Accounts Payable and Accrued Expenses

This account is broken down as follows:

		<b>30-Jun-19</b>	2018
Accounts payable	<b>P</b>	<b>7,631,430</b>	<b>P 7,629,583</b>
Accrued expenses		-	452,659
	<b>P</b>	<b>7,631,430</b>	<b>P 8,082,242</b>

The description of this account is as follows:

- Accounts payable represents the unpaid balance of Supervision and Regulatory Fee (SRF) due to National Telecommunication Commission, now Department of Information and Communication Technology (DICT). SRF are assessed to public telecommunication companies based on paid up capital. SRF is payable on demand.

As of June 18, 2018, an appeal was lodged to NTC for the settlement of unpaid SRF. Management believes that a favorable decision from NTC will be laid during 2019.



- Accrued expenses are accruals for various expenses and are usually settled for a maximum period of 6 months.

Management believes that the carrying values of *Accounts payable and accrued expenses* approximate their fair values.

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## 17. Short-term loans

Short-term loans are availed for working capital requirements. The loan carries a floating interest rate initially peg at 5.5% per annum, payable monthly in arrears. The principal is payable after 12 months renewable at the option of the both parties. The maximum credit line with the bank is up to P6 million. As of June 30, 2019 and December 31, 2018, the balance of the loan amounted to P5.5 million.

The loan is collateralized by the following:

- Real estate mortgages over properties owned by a related party; and
- Suretyship agreement by the Company as borrower and a stockholder as a surety.

Total interest paid and accrued reported in the Statement of Comprehensive Income amounted to P299,619 in 2019 and P236,211 in 2018. The fair value of short-term loans amounted to P5.47 million and P5.88 million discounted using the borrowing rate of 6.5% in 2019 and 5.0% as of December 31, 2018.

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## 18. Deposits

This account is broken down as follows:

		30-Jun-19		2018
Deposit on lease contracts	P	403,000	P	403,000
Deposit on stock subscription		-		192,500,000
	<b>P</b>	<b>403,000</b>	<b>P</b>	<b>192,903,000</b>

- On December 27, 2018, the Company received from a stockholder a total amount of P 192.5 million intended for an additional subscription to the Company's share capital. In accordance with SEC Financial Reporting Bulletin No. 6, the same was presented in the liability section pending for filing with the SEC of documentary requirements on the increase in share capital.
- Deposits on lease contracts are amounts paid by various lessee as guarantee for the faithful compliance to the terms and conditions of the lease contract. The amount is expected to be settled at the termination of the contract.

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## 19. Pension Liability

The movements of pension liability as of June 30, 2019 and December 31, 2018 are as follows:

		30-Jun-19		2018
Balance at the beginning of the year	P	761,550	P	809,729
Current service cost		-		40,582
Benefits paid		-		(88,761)
Balance, End	<b>P</b>	<b>761,550</b>	<b>P</b>	<b>761,550</b>

The Company provides retirement benefits in accordance with the provisions of Republic Act No. 7641 ( RA 7641 ), prescribing the minimum retirement benefits to be paid by a company to its qualified retiring employees. No actuarial valuations are made since the Company employs a minimal number of employees.

Among others, RA 7641 provides for retirement benefits to retiring employees who have reached sixty (60) years old or more, but not beyond 65 years and have served at least five (5) years in the Company. Such retiring employee is entitled to a retirement pay of one half (1/2) month salary for every year of service computed based on the following components:

- 15 days salary;
- 5 days of service incentive leave; and
- One half (1/2) of the 13<sup>th</sup> month pay

Management believes that any disparity of retirement benefit cost computed internally against independent actuarial valuations will not significantly affect the Company's financial statements.

## 20. Equity

### *Share capital*

The Company's capital movements is as follows:

	Authorized		Issued	
	Shares	Amount	Shares	Amount
Balance, Jan 1, 2019	3,800,000,000	P 380,000,000	2,620,193,300	P 262,019,330
Issuance during the year	-	-	1,179,806,700	117,980,670
	3,800,000,000	P 380,000,000	3,800,000,000	P 380,000,000

Share capital transaction during 2018 is as follows:

- On October 4, 2017, the BOD approved the amendment of Section 7 of the Company's Articles of Incorporation changing the par value from P1.00 per share to P0.10 per share with the corresponding increase in Authorized and Issued shares. The same was ratified by the stockholders on October 4, 2017 and was approved by the SEC on January 18, 2018.
- On September 17, 2018, the Company issued 400 million shares to Mr. Arsenio Ng, President, at a par value of P0.10 per share from the unissued share capital. This was made in response to a capital call from ATN Solar in pursuing its business objectives.
- On June 4, 2019, the company issued 1,179,806,700 shares to Mr. Arsenio Ng at P0.1632 per share.

From the total issued shares of 2,620,193,300, 2,090,193,300 shares are listed in the Philippine Stock Exchange (PSE) and 4,378,000 shares are held in treasury. Such listing started on December 12, 2003.

### *Share options*

On May 28, 2008, the Company's BOD approved the grant of share option to its Chief Executive Officer (CEO). The CEO has been largely responsible for bringing the Company to its present financial condition. Furthermore, the CEO has not been compensated since his assumption of management in 2000. Hence, the grant of share option to the CEO will be in order.

The share option comprises the following:

- (i) 350 million shares of TBGI at par value of P0.10 per share as compensation for services rendered as CEO of the Company during the period 2001 to 2007, and;
- (ii) 50 million shares of TBGI at par value of P0.10 per share as compensation for services rendered as CEO of the Company during 2008 and onwards, provided, that the subject shares will not be sold in quantities exceeding 20% of the trading volume of Philippine Stock Exchange in any single business day.

The stock options were measured using the intrinsic value method since the fair value of the options cannot be measured reliably.

On April 23, 2009 in a special meeting of the BOD, additional terms of conditions was agreed defining the vesting schedule of the options as management believes that a one-time recognition of the options cannot be afforded in 2008 alone. The vesting period was stretched up to 2023 of which 5,000,000 shares may be exercised starting 2013 up to 2022. Another 55 million shares in 2022 and finally, 300 million shares in 2023

During 2010, the Company's BOD through the Remuneration Committee approved the indefinite deferment of the aforementioned stock options of the CEO. No options were exercised prior to the said deferment.

As of June 30, 2019 and December 31, 2018, the stock options has a carrying value of P8,921,814.

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## 21. Service Income

As discussed in Note 1, the Company is duly enfranchised to provide telecommunication services to various clients. Services include provision for uplink services, VSAT-based internet service, wireless networking, hosting and content conversion.

The geographic distribution of the Company's revenues as reported in the Statement of Comprehensive Income is as follows:

	<b>30-Jun-19</b>	<b>30-Jun-18</b>
VSAT uplink services		
In local currency	<b>P 1,867,800</b>	P 2,312,727
In foreign currency	<b>15,643,050</b>	15,615,200
	<b>P 17,510,850</b>	P 17,927,927

VSAT uplink services have terms of 2 to 3 years, billable monthly with one month advance payment and one month security deposit.

The revenues derived from overseas represents the account of a single customer.

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## 22. Direct Costs

This account consists of:

	<b>30-Jun-19</b>	<b>30-Jun-18</b>
Depreciation	<b>P 8,236,832</b>	P 8,236,832
Transponder lease	<b>5,682,788</b>	5,733,590
Rental	<b>1,851,345</b>	1,685,936
Salaries, wages & other benefits	<b>799,331</b>	774,241
Amortization of franchise	<b>300,000</b>	300,000
Utilities and communication	<b>556,237</b>	488,554
Transportation and travel	<b>214,786</b>	354,809
Security services	<b>248,466</b>	249,851
Taxes and licenses	<b>17,060</b>	168,742
Miscellaneous	<b>81,014</b>	91,784
	<b>P 17,987,859</b>	P 18,084,339

## 23. Other Income

The composition of this account is as follows:

		<b>30-Jun-19</b>		<b>30-Jun-18</b>
Rent income	<b>P</b>	<b>1,361,321</b>	<b>P</b>	1,308,508
Interest income		<b>4,975</b>		8,667
	<b>P</b>	<b>1,366,296</b>	<b>P</b>	1,317,175

## 24. Administrative expenses

This account consists of:

		<b>30-Jun-19</b>		<b>30-Jun-18</b>
Permits, taxes and licenses	<b>P</b>	<b>1,629,871</b>	<b>P</b>	575,763
Management services		<b>171,000</b>		60,000
Miscellaneous		<b>169,949</b>		57,309
	<b>P</b>	<b>1,970,820</b>	<b>P</b>	693,072

Pursuant to a *Teaming Agreement* executed in January 2013 and 2015, a 75%-25% cost sharing of cost/expenses related to technical operations was implemented. All other cost including, but not limited to salaries, utilities and associate dues shall be borne solely by PLDI.

## 25. Related party transactions

The following related party transactions occurred during June 30, 2019 and December 31, 2018:

Related party	Nature of transaction	Amount of Transaction		Year-end balances		Terms and condition
		<b>30-Jun-19</b>	2018	<b>30-Jun-19</b>	2018	
<b>Associate</b>						
ATN Solar	Advances	<b>P 172,500</b>	2,948,782	<b>P -</b>	-	
	Collection of advances	-	-	<b>3,433,975</b>	3,261,475	Unsecured, unimpaired and no payment terms
<b>Affiliated companies</b>						
Palladian Land						
Devt. Inc (PLDI)	(i) Rent income	<b>1,361,321</b>	2,684,723	-	-	
	(ii) Advances	-	-	-	-	
	Collection of advances	<b>(1,500,000)</b>	(219,832)	<b>1,037,372</b>	1,176,051	Unsecured, unimpaired and no payment terms
Stockholder	(ii) Advances	<b>200,000</b>	(43,012,857)	<b>(1,787,143)</b>	(1,987,143)	Unsecured, unimpaired and no payment terms
	(iii) Deposit for future subscription	192,500,000	-	-	(192,500,000)	
Total advances to repated parties				<b>4,471,347</b>	4,437,526	
Total advances from reated paries				<b>(1,787,143)</b>	(194,487,143)	
Total				<b>2,684,204</b>	(190,049,617)	

Details of significant related party transactions are as follows:

- (i) As discussed in Note 16, the Company is a beneficial owner of certain condominium units registered under the name of PLDI. Title to the properties has not been released to the Company as the Company intends to sell the properties through the sales network of PLDI. These properties are leased out to third parties also through PLDI. Proceeds of the rent are remitted to the Company by the latter.

Rent income collected by PLDI on these properties amounted to P1.367 million in June 2019 and P1.317 million in 2018.

- (ii) Pursuant to *Teaming Agreements* executed in January 2013 and 2015 between the Company and certain related parties operating within Summit One Condominium Tower, a cost and expense sharing scheme related to technical operations was implemented. All other cost including, but not limited to salaries, utilities, and dues shall be borne by PLDI. Accordingly, certain cost and expenses maybe advanced by a party and to be reimbursed from another party on the proportionate share or usage between the related parties involved.

For the period ended June 30, 2019 and years ended December 31, 2018, the Company did not provide compensation to its key management personnel.

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## 26. Registration with Clark Special Economic Zone

The Company is a duly registered Clark Special Economic Zone (“CSEZ”) enterprise with Registration Certificate No. C2013-683 issued last January 10, 2014. This certificate supersedes Certificate of Registration No. 2002-065 dated July 25, 2002 and 95-53 dated November 29, 1995, issued by Clark Development Corporation (“CDC”) to the Company, and shall be valid until December 15, 2016 unless earlier revoked by CDC. As of December 31, 2018, the Company has renewed its tax exemption with CDC.

Pursuant to Section 15 of Republic Act No. 7227, Section 5 of Executive Order No. 80 and Proclamation 163, and as further confirmed by BIR Ruling No. 046-95 dated March 3, 1995, the Company is entitled to all incentives available to a CSEZ-registered enterprise, including but not limited to exemption from customs and import duties and national and internal revenues taxes on importation of capital of goods, equipment, raw materials, supplies and other articles including household and personal items.

Subject to compliance with BIR Revenue Regulations and such other laws on export requirements, exemption from all local and national taxes, including but not limited to corporate withholding taxes and value added taxes (“VAT”). In lieu of said taxes, the enterprise shall pay 3% of gross income earned to the national government, 1% to the local government units affected by the declaration of the CSEZ and 1% to the development fund to be utilized for the development of the municipalities contiguous to the base area.

Exemption from inspection of all importations at the port of origin by the Societe Generale de Surveillance (“SGS”), if still applicable, pursuant to Chapter II, C.1 of Customs Administrative Order No. 6-94.

However, in cases where the Company generated income from its sale of services to customs territory customers exceeding 30% of its total income, the entire income from all sources is subjected to the regular corporate income tax of 30% based on net income (e.i. gross income less allowable deductions) rather than the 5% preferential tax based on gross income.

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## 27. Earnings (loss) per share

Earnings (loss) per share is computed by dividing the profit (loss) for the year by the weighted average number of common shares outstanding during the year as follows:

	<b>30-Jun-19</b>	<b>30-Jun-18</b>
Profit (loss) for the year (a)	<b>P (1,782,813)</b>	<b>P (285,326)</b>
Weighted average number of shares outstanding during the year (b)	<b>380,000,000</b>	<b>222,019,330</b>
Earnings (loss) per share (a/b)	<b>(0.0047)</b>	<b>(0.0013)</b>

## Management Discussion and Analysis of Operation

The earnings per share (EPS) are computed based on the following number of outstanding shares:

	June 30, 2019	June 30, 2018
Profit (Loss) for the period	(P1,782,813)	(P285,326)
Number of Outstanding Shares	380,000,000	222,019,330
Earnings per Share	(P0.0080)	(P0.0013)

Disclosures on the issuer's interim financial report, in compliance with Philippine Financial Reporting Standards:

1. The same accounting policies and methods of computation are followed in the interim financial statements as compared to the most recent and previous financial statements.
2. There is no seasonality or cyclicity of interim operations.
3. There is no item that has unusual effect on asset, liabilities, equity, net income and cash flows.
4. There is no change in the nature and amounts reported in prior interim periods of the current financial year or prior financial year.
5. There is no issuance, repurchase nor repayment of debt and equity securities during the interim period.
6. There is no dividend paid for ordinary or other shares.
7. Disclosure on segment revenue is not required.
8. There is no material event subsequent to the end of the interim period that has not been reflected in the financial statements.
9. There is no change in the composition of the issuer such as business combination, acquisition, disposal of subsidiary and long-term investment, and restructuring during the interim period.
10. There is no change in contingent assets or contingent liabilities since the last annual balance sheet date.
11. There is no seasonal effect that had material effect on financial condition or result of operation.

Disclosure on material events and uncertainties

1. There is no known trend, demands, commitments, events or uncertainties that will have material impact on the issuer's liquidity
2. There is no event that will trigger direct or contingent financial obligation that is material to the company.
3. There is no material off-balance sheet transaction, arrangement, obligations and other relationships of the company.
4. There is no material commitment for capital expenditures.
5. There is no known unfavorable trend, events, or uncertainties that have material impact on net sales.
6. There is no significant element of income that did not arise from the issuer's operations.

### Vertical and Horizontal Analysis

Total corporate assets almost remained the same from Php563 million in December 31, 2018 compared to Php560 million in June 30, 2019. The net decrease of Php2.531 million (0%) in total assets arose from the following items:

1. Decrease in cash by Php3.675 million (-51%).
2. Increase in receivables by Php10.5 million (271%).
3. Decrease in other current assets by Php0.151 million (-15.4%)
4. Decrease in property and equipment by Php4.118 million (-5.81%).

Total liabilities decreased by Php193 million (-92%) from Php210 million in December 2018 to Php16.866 million in June 30, 2019. The net decrease in liabilities resulted from the following significant items:

1. Decrease in accounts payable and accrued expenses by Php0.450 million (-6%).
2. Decrease in income payable by Php0.97 million (-77%) due to payment.
3. Decrease in deposits by Php192.5 million (100%) due to conversion of payables to paid up capital.
4. Decrease in advances from related parties by Php0.2 million (-10%).

Stockholders' equity increased from Php353 million as of December 31, 2018 to Php544 million in June 30, 2019. The net increase resulted from the following:

1. Increase in share capital of Php117.980 million (45%).
2. Increase in share premium of Php74.519 million(253%)

Total revenue almost the same from Php17.927 million as of June 30, 2018 to Php17.510 million as of June 30, 2019.

Direct costs almost the same from Php18 million in the 2nd quarter ending June 30, 2018 to Php17.987 million (-1%) in the 2nd quarter ending June 30, 2019. The net decrease arose from the following accounts:

1. Rent expense increased by Php165 thousand (8.93%) from Php1.685 million to Php1.851 million due to increase in monthly rent.
2. Utilities and communication increased by Php67 thousand (12%) from Php488 thousand to Php556 thousand.
3. Transportation and travel decreased by Php140 thousand (-65%) from Php354 thousand to Php214 thousand.
4. Taxes and licenses decreased by Php151 thousand (-889%) from Php168 thousand to Php17 thousand.

Administrative expenses increased from Php693 thousand for the 2nd quarter ending June 30, 2018 to Php1.970 million (64.8%) in the 2nd quarter ending June 30, 2019 The net increase arose from the following account:

1. Permits, taxes and licenses increased by Php1.054 million (64.7%) due to payment of documentary stamp taxes on capital increase.
2. Increase in management services by Php111 thousand (65%)

The following are 7 (seven) key performance and financial soundness indicators of the company:

Current Ratio	Calculated ratio of current assets into current liabilities. Indicates the ability of the company to finance current operations without need for long term capital
Debt-to Equity Ratio	Calculated ratio of total debt into total equity. Indicates the level of indebtedness of the company in relation to buffer funds provided by equity against any operating losses. Also indicates the capacity of the company to absorb or take in more debt.
Asset-to-Equity Ratio	Calculated ratio of total asset into total equity. Indicates the long-term or future solvency position or general financial strength of the company.
Interest Rate Coverage Ratio	Calculated ratio of earnings before interest and taxes into interest expenses. Indicates the ability to meet its interest payments.
Gross profit Margin	Calculated ratio expressed in percentage of the gross margin into total revenues. Indicates the ability of the company to generate margin sufficient to cover administrative charges, financing charges and provide income for the stockholders.
EBITDA	Calculated earnings before income tax, and non-cash charges. Indicates the efficiency of the company in generating revenues in excess of cash operating expenses.
Net Income to Sales Ratio, and Earnings per Share	Calculated ratio of net income into total revenues. Indicates the efficiency of the company in generating revenues in excess of cash operating expenses and non-cash charges, and the ability of the company to declare dividends for stockholders.

Computed performance indicators are as follows:

	June 30, 2019	June 30, 2018
Current Ratio	1.45	1.43
Debt-to-Equity Ratio	0.31	0.19
Asset-to-Equity Ratio	1.03	1.20
Interest Rate Coverage Ratio	5.18	2.10
Gross Profit Margin	-4.36%	6.03%
EBITDA	P6,798,235	P8,309,110
Net Income to Sales Ratio	-9.44%	-1.48%
Earnings per share	-0.0080	-0.0013


### SIGNATURES

Pursuant to the requirements of the Regulation Code, the company has duly caused this report to be signed on its behalf by the undersigned thereunto to duly authorized.

COMPANY : TRANSPACIFIC BROADBAND GROUP INTERNATIONAL INC.

Signature and Title:

  
PAUL B. SARIA  
Principal Operating Officer  
August 8, 2019

  
CELINIA FAELMOCA  
Principal Accounting Officer  
August 8, 2019



## CERTIFICATION OF INDEPENDENT DIRECTORS

I, **Kenneth Chua Co**, Filipino, of legal age and a resident of Don Benito Building, Mayombo District, Dagupan City, after having been duly sworn to in accordance with law do hereby declare that:


1. I am an independent director of **Transpacific Broadband Group Int'l., Inc.** and have been its independent director since November 2012.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Dagupan Commercial	Proprietor	2010 to Present
Pharmanex & Nu Skin	Distributor	2007 to Present
Road on Call	Managing Director	2005 to 2007
Chamco Food Ventures Inc.	Managing Director	1999 to 2005

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Transpacific Broadband Group Int'l., Inc. as provided for in Section 38 of the Securities Regulation Code and its implemented Rules and Regulations and other SEC issuances.
4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceedings.
5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
6. I shall inform the corporate secretary of Transpacific Broadband Group Int'l., Inc. of any changes in the abovementioned information within five days from its occurrence.

**18 SEP 2019**

Done, this \_\_\_\_ day of \_\_\_\_\_, at QUEZON CITY.

  
**Kenneth Chua Co**  
 Affiant

**18 SEP 2019**

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of \_\_\_\_\_ at QUEZON CITY,  
QUEZON CITY, affiant personally appeared before me and exhibited to me his  
 Driver's License No. \_\_\_\_\_ issued at \_\_\_\_\_ and expires on  
 \_\_\_\_\_.

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 Page No. 16  
 Book No. XXIX  
 Series No. 2019

  
**ATTY. ROGELIO J. BOLIVAR**  
 NOTARY PUBLIC IN QUEZON CITY

AM Adm. Not. Com. No. NP-124 1-12-19 until 12-31-2020  
 IBP O.R. No. 055255 Jan. 2019 & IBP O.R. No. 055256 Jan. 2020  
 PTR O.R. No. 7378155 C 1-7-19 / Roll No. 33832 / TIN# 129-671-009  
 MCLE VI IBP DATED 8-10 TO 31 / 19 Valid Until 8-31/22 Quezon City  
 Address: 31-F Harvard St. Cuban, Q.C.

## CERTIFICATION OF INDEPENDENT DIRECTORS

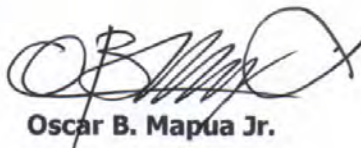
I, **Oscar B. Mapua, Jr.**, Filipino, of legal age and a resident of 1705 Summit One Tower, 530 Shaw Blvd., Mandaluyong City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of **Transpacific Broadband Group Int'l., Inc.** since November 2012.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Mapua Institute of Technology	Exec. Vice President	1973 to 2000
Design Center of the Phils.	Director for Promotion	1973 to 1976

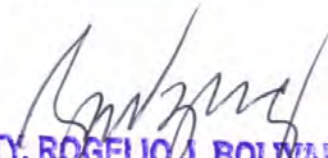
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Transpacific Broadband Group Int'l., Inc.** as provided for in Section 38 of the Securities Regulation Code and its implemented Rules and Regulations and other SEC issuances.
4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceedings.
5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implemented Rules and Regulations, Code of Corporate Governance and other SEC issuances.
6. I shall inform the corporate secretary of **Transpacific Broadband Group Int'l., Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done, this 18 SEP 2019 day of QUEZON CITY, at \_\_\_\_\_.

  
**Oscar B. Mapua Jr.**  
 Affiant

18 SEP 2019      QUEZON CITY  
 SUBSCRIBED AND SWORN to before me this \_\_\_ day of \_\_\_ at \_\_\_\_\_  
QUEZON CITY, affiant personally appeared before me and exhibited to me his  
 Philippine Passport EB4814737 issued at Manila and expires on \_\_\_\_\_.

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 Page No. 16  
 Book No. XXX  
 Series No. 2018

  
**ATTY. ROGELIO J. BOLIVAR**  
 NOTARY PUBLIC IN QUEZON CITY  
 AM Adm. Not. Com. No. NP-124 1-12-19 until 12-31-2020  
 IBP O.R. No. 055255 Jan. 2019 & IBP O.R. No. 055256 Jan. 2019  
 PTR O.R. No. 7378155 C 1-7-19 / Roll No. 33832 / TIN# 129-571-008  
 MCLE VI IBP DATED 8-10 TO 31 / 19 Valid Until 8-31/22 Quezon City  
 Address: 31-F Harvard St. Cubao, Q.C.



**CERTIFICATION**

I, PAUL B. SARIA, of legal age, Filipino, married and with office address at 9th Floor Summit One Tower, 530 Shaw Blvd., Mandaluyong City, being the Corporate Information Officer and Corporate Secretary of Transpacific Broadband Group International, Inc. hereby certify that following Executive Officers and Directors of the Corporation, for the year 2018-2019, are not employed as employee in any government agency.

Name	Designation	Name	Designation
Arsenio T. Ng	President & CEO	Kenneth C. Co	Independent Director
HRH Prince Abdul Aziz Bin Talal Al Saud	Director	Oscar B. Mapua, Jr.	Independent Director
Hilario T. Ng	Director, CFO	Paul B. Saria	Director, Corp. Secretary
Simoun Ung	Director	Santos Cejoco	Chief Corp. Planner

Certified by:

Paul B. Saria  
Corporate Secretary

**ACKNOWLEDGEMENT**

**SUBSCRIBED AND SWORN** to before me this 19 SEP 2019, affiant Paul B. Saria exhibited to me his Driver's License No. NO4-93-264992, expires on December 16, 2021

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Page No. 12  
Book No. XIX  
Series of 2019 XIX

**ATTY. ROGELIO J. SOLVAR**  
NOTARY PUBLIC IN QUEZON CITY

AM Adm. Not. Com. No. MP-124 1-12-19 until 12-31-2020  
IBP O.R. No. 055255 Jan. 2019 & IBP O.R. No. 055256 Jan. 2020  
PTR O.R. No. 7376155 C 1-7-19 / Roll No. 33832 / TIN# 129-871-009  
MCLE VI IBP DATED 8-10 TO 31 / 19 Valid Until 8-31/22 Quezon City  
Address: 31-F Harvard St. Cubao, Q.C.