



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

April 23, 2013

JANET A. ENCARNACION
HEAD, DISCLOSURE DEPARTMENT
THE PHILIPPINE STOCK EXCHANGE
PSE Center, Exchange Road
Ortigas Complex, Pasig City

Dear Ms. Encarnacion,

In compliance with PSE's requirement, we are sending you herewith SEC Form 17A
(Annual Report) for year ending December 31, 2012.

Thank you.

Very truly yours,

CELINIA FAELMOCA

SEC Number AS095-006755
File Number _____

TRANSPACIFIC BROADBAND GROUP
INTERNATIONAL, INC.

(Company)

9th Floor, Summit One Tower,
530 Shaw Blvd., Mandaluyong City

(Address)

717-0523

(Telephone Number)

December 31

(Fiscal Year Ending)
(month & day)

SEC Form 17-A

(Form Type)

Amendment Designation (if applicable)

December 31, 2012

(Period Ended Date)

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the year ended **December 31, 2012**
2. SEC Identification Number: **AS095-006755**
3. BIR Tax Identification No. **004-513-153**
4. Exact name of registrant as specified in its charter:
TRANSPACIFIC BROADBAND GROUP INT'L. INC.
5. **Pampanga, Philippines**
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **9/F Summit One Tower, 530 Shaw Blvd., Mandaluyong City 1550**
Address of corporate office Postal Code
Bldg. 1751 Chico St. Clark Special Economic Zone, Angeles City, Pampanga
Satellite Center
8. **(632) 717-0523**
Registrant's telephone number, including area code
9. **n/a**
Former name, former address, and former fiscal year, if changed since last 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 A | 222,019,330 |
11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes [] No [x]
12. Check whether the registrant:
 - (a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);
Yes [X] No []
 - (b) has been subject to such filing requirements for the past 90 days.
Yes [X] No []
13. Aggregate market value of the voting stock held by non-affiliate of the registrant.
P469,838,415

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

Transpacific Broadband Group International (TBGI or Transpacific) is a domestic corporation duly registered with the SEC on 14 July 1995. It started commercial operation in the first half of 1996, with authorized capital stock of Twenty-Five Million Pesos (Php 25,000,000.00), divided into Two Hundred Fifty Thousand shares (250,000) with a par value of One Hundred Pesos (Php 100.00) 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.

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) on 07 April 1999.

The Company is a PEZA-registered enterprise at Clark Special Economic Zone (CSEZ) under Registration Certificate No. 95-53 dated 29 November 1995. The Company has a 25-year Lease Agreement to build, maintain, and manage a satellite earth station within the CSEZ.

TBGI defines its corporate mission to contribute to national development by providing services in (1) information and communication technology and (2) Internet connectivity to rural communities for the enhancement of delivery of education, health care and livelihood programs of government agencies and other institutions.

TBGI generates revenues 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 for Internet connectivity and virtual private network connectivity, and (2) video uplink services to local and foreign TV channels. Data and video services are delivered from TBGI earth station in Clark, Pampanga transmitted via Apstar-6 satellite to receiving customer premises equipment units (CPE) of clients. The Company has service experience with local Channels 4, 9, and 13, and international cable television program providers including an Egyptian channel and a Korea-based TV shopping network. The service contracts of these clients for video services expired as of end 2002, while the Egyptian channel was terminated in 2010.

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 Apstar-6 Satellite which covers the continent of Asia and Australia. As back-up connectivity, a fiber optic line is terminated at TBGI data hub in Clark, Pampanga.

The Company does not conduct research and development, in accordance with its strategy 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. TBGI ensures that all equipment suppliers comply with standards set by the International Radio Consultative Committee (IRCC) of the International Telecommunications Union (ITU).

On 07 November 2002, the SEC approved the increase in authorized capital stock of TBGI from Twenty-Five Million Pesos (Php 25,000,000.00) divided into Two Hundred Fifty Thousand shares with par value of One Hundred Pesos (Php 100.00) each, to One Hundred Fifty Million Pesos (Php 150,000,000.00) divided into One Hundred Fifty Million (150,000,000) shares with par value of One Peso (Php 1.00) each.

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

The conversion of additional paid-in capital amounting to Php 58,341,330.00 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 (Php 150,000,000.00) to Three Hundred Eighty Million Pesos (Php 380,000,000.00);

The increase in authorized capital stock from One Hundred Fifty Million Pesos (Php 150,000,000.00) divided into One Hundred Fifty Million (150,000,000) shares with par value of One Peso (Php 1.00) per share to Three Hundred Eighty Million Pesos (Php 380,000,000.00) divided into Three Hundred Eighty Million (380,000,000) shares with par value of One Peso (Php 1.00) 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 Php 139,341,330.00.

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

(2) Business of Company

(a) Description of Company

- (i) TBGI generates revenues 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 for Internet connectivity and virtual private network connectivity, and (2) video uplink services to local and foreign TV channels. At present the Company only provides services to schools. Data and video services are delivered from TBGI earth station in Clark, Pampanga transmitted via Apstar-6 satellite to receiving equipment units of clients. The Company has service experience with local Channels 4, 9, and 13, and international cable television program providers including an Egyptian channel and a Korea-based TV shopping network.
- (ii) The company business activities serve customers in Asian countries covered by Apstar 6 satellite footprint.
- (iii) As part of its subscription services, TBGI provides equipment to be installed on subscriber's site. The equipment is not owned or purchased by the subscriber. Substantially all its current sales of Internet connectivity to subscriber schools are being undertaken through a sole marketing agent under a non-exclusive arrangement, pursuant to which a commission is paid to the marketing agent based on revenues collected by Transpacific from such schools.
- (iv) TBGI is a participant of the information and communications industry. New entrants to this industry are benefiting from declining prices of equipment and declining prices of bandwidth, which result from development of new wireless technologies. TBGI, Domsat, and Philcomsat are the only existing commercial operators of satellite earth stations with broadcasting franchise granted by the government.

On data transmission services, Transpacific is in a niche of its own providing high capacity C-band satellite ICT services to the educational institutions market. As of December 2011, TBGI was servicing 185 institutions. TBGI has the competitive edge from its use of the C-band of satellite signal that is not affected by weather conditions compared to the cheaper but less reliable Ku-band used by the competitors. While competitors are able to connect less than 10 computers in one CPE powered by Ku-band in a computer laboratory, the superior CPE unit of TBGI powered by the more reliable C-band can connect up to 200 computers, depending on the supply of bandwidth subscribed to by clients. The Company is particularly competitive in remote areas where landlines are not available or are too costly to serve an uneconomic number of customers.

On video uplink services, TBGI is one of very few active industry participants of the video broadcasting market, each serving one or two clients at a time. The clients move around the same industry participants—TBGI has served eight video clients during a span of five years before its major shift to data services in 2001. Television channel operators are potential competitors but their respective broadcast franchise frequencies are limited to "own-use" video broadcasting. Cable TV operators currently bundle Internet and cable TV services but their areas of coverage and broadband capabilities are geographically limited.

The TBGI business model is expected to be competitive overseas via country-specific partners or landing rights to other Asian countries, particularly China, Cambodia, and India. TBGI can serve these markets competitively using its education and health care software, and access nodes hardware linked to its Network Operations Center in Clark, Pampanga.

- (v) The company has no major customer that account for more than 10% of revenues.

- (vi) TBGI enjoys privileges granted by the government for the conduct of its business operations through franchise, authority to operate, and incentives:

I. Congressional Franchise RA 8657

RA 8657 enacted by Congress on June 22, 1998 grants for a term of 25 years (22 June 1998 to 2023) for TBGI to construct, establish, install, maintain and operate communications systems for the reception and transmission of messages within the Philippines, to include but not limited to voice, audio, data, facsimile, video, and such other intelligence by radio, wire, satellite and other means now known to sciences or which may be developed in the future.

Transpacific commercial operations depend on this franchise. The law allows TBGI to render communications uplink and downlink services between any points within the Philippines through (up to) 12 satellites in orbit. It allows TBGI to provide basic or enhanced telephone service in any municipality where it has approved certificate of public convenience and necessity. It authorizes TBGI to connect or demand connections of its telecommunications systems to any other existing telecommunications system. It mandates Transpacific to undertake an IPO by offering at least thirty percent (30%) of its outstanding capital stock within five (5) years from the commencement of the Company's operations.

II. Provisional Authority 2002-064 (International Internet Exchange Service Nodes)

Provisional Authority issued by NTC for an 18-month period from October 2002 to April 2004 grants TBGI the authority to procure, install, operate and maintain International Internet Exchange Service Nodes in Metro Manila, CSEZ and Angeles City, and to offer Value Added Services and charges rates thereof. The Provisional Authority granted to TBGI ends in April 2004. Compliance with the regulation thereby enables Transpacific to provide clients with International Internet service connection. The Company renewed such Provisional Authority and expects such renewal in due course.

III. Clark Development Corporation Certificate 2002-065 (Registration for Tax Exemption)

Certificate of Registration and Tax Exemption issued by Clark Development Corporation for a 25-year term from July 1995 and valid until July 2020, grants TBGI incentives available to CSEZ enterprise exemptions from customs and import duties, and national and internal revenue taxes on importation of capital goods supplies and other articles. TBGI pays 5% of gross income earned within the Clark Special Economic Zone (CSEZ) to the national government, to the local government units affected by the declaration of the economic zone, and the development fund of neighboring communities. The 5% preferential tax may be availed of by TBGI if its income from the sale of services outside of the CSEZ does not exceed 30% of its total income from all sources. Should TBGI's income from the sale of services outside of the CSEZ exceed 30%, TBGI's entire income from all sources shall be subject to the regular corporate income tax rate of 30% based on its net income.

IV. CCAD-0040-2000/VAS (Registration for Value Added Services)

Certificate of Registration as Value Added Service Provider issued by NTC that allows TBGI to offer services for web page hosting, electronic mail, file transfer protocol, remote log-in, Internet fax, and electronic commerce.

V. Provisional authority 98-131 (Extension of Provisional Authority)

This was first granted on April 1999 and subsequently renewed on April 2002 for a period of 18 months to expire on October 2004. Extension of Provisional Authority issued by NTC allowing TBGI to construct, install, establish, operate, and maintain for commercial purposes an uplink service only in Clark Special Economic Zone. The Company renewed such Provisional Authority and expects such renewal in due course.

- (vii) The principal products or services of TBGI are not subject to government approval for as long as these comply with the rules stipulated in the franchise granted by Congress and the permits issued by the NTC. There is no probable government regulation that will affect the business of the company. Existing franchises, licenses, and regulations allow TBGI to execute its business plan to a wide extent. Deregulation of the Voice-Over-Internet Protocol (VOIP) will allow Transpacific to

expand scope of its services to include Internet telephony. The company is not subject to environmental laws since it does not generate hazardous waste.

(viii) Existing government regulations have no significant effect on the business of TBGI.

(ix) The company presently undertakes minor research and development. Any development is centered in testing of new communications equipment for possible integration into its network.

(x) The company does not generate hazardous waste or emission; hence it has no foreseen costs of compliance to environmental laws. The company has no patent, trademarks, licenses, franchise, concessions, royalty agreements or labor contracts.

(xi) As of December 31, 2012, the company maintained 10 employees in its offices in Clark Field and Mandaluyong City and has no plan to hire additional employees for the next twelve months. The 10 employees consist of 4 Engineers, 1 Accountant, and 5 Administrative staff.

The employees have no union and Collective Bargaining Agreement.

While there are many suppliers of satellite bandwidth, TBGI is contracted to only one supplier because TBGI bandwidth requirement is not significant vis-à-vis total available bandwidth supply. As such, TBGI dependence on one supplier at any time is not considered a risk.

TBGI is likewise not subject to single customer risk given that TBGI is serving more than a hundred customers comprising mostly schools that are financially independent.

TBGI can be considered as a technology company, a participant of an industry vulnerable to the major risk of obsolescence. However, TBGI retains its financial resiliency in the face of fast obsolescence by focusing its corporate business development in applications or software rather than irreversible capital investments. TBGI acquisition of license to distribute the WebEOC middleware for emergency/crisis management in the Philippines is in line with the applications focus.

Item 2 - Properties

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

TBGI owns satellite facilities in separate buildings for transmitter and power generators at the 1.1-hectare industrial area in Clark Special Economic Zone in Pampanga. The Company's satellite facility has available 20 studios for media production, post-production, and playback services inside 277 square meters area of industrial-grade raised flooring, and an enclosed soundproof broadcast studio.

The video and data uplink equipment located in Clark, Pampanga are state-of the-art and in excellent condition. These earlier equipment for video uplink were installed in 1996 while the latest equipment for data (VSAT) were installed in 2006 and 2012 to keep up with technology developments.

Complementing the facilities in Clark, Pampanga is the TBGI Network Monitoring and Operations Center at the 9th floor of Summit One Building in Mandaluyong City, Metro Manila. TBGI bought the remaining ATN financial interest in the 9th Floor of Summit One Tower Building with a total area of 853 square meters. Portion of the 9th floor is rented out on a monthly basis without incurring additional expenses on the part of the company. Rent income earned on investment properties amounted to Php1.55 million in 2012 and Php239 thousand in 2011.

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.

Item 3 - Legal Proceedings

On June 1, 2011, the Company received from the International Chamber of Commerce a notice that GEM Global Yield Fund Limited filed a Request for Arbitration, under reference number 17966/CYK, pertaining to the Equity Line of Credit Agreement signed by both parties. As of to date, the Company has not executed any Terms of Reference on the abovementioned arbitration proceedings.

Other than the above-mentioned, 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.

Item 4 - Submission of Matters to a Vote of Security Holders

There was no meeting held during the 4th quarter of fiscal year ending December 31, 2012.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5 - Market Price for Registrant's Common Equity and Related Stockholder Matters

(1) Market Information

TBGI shares are traded in the Philippine Stock Exchange only. TBGI high and low sales prices for the last two years:

| | Jan 1 to Dec 31, 2012 | | Jan 1 to Dec 31, 2011 | |
|--------|-----------------------|------|-----------------------|------|
| | High | Low | High | Low |
| Qtr. 1 | 3.10 | 2.68 | 4.30 | 3.15 |
| Qtr. 2 | 2.94 | 2.50 | 3.20 | 2.90 |
| Qtr. 3 | 2.50 | 2.42 | 3.03 | 2.40 |
| Qtr. 4 | 2.60 | 2.08 | 3.28 | 2.42 |

(2) Holders

As of March 31, 2013, the company had 391 holders of common shares. The high and low market price as of April 12, 2013 is P2.50 and P2.28 respectively.

The top 20 stockholders as of March 31, 2013 are as follows:

| Stockholder | No. of Common Shares Held | % of Total Shares Outstanding |
|--------------------------------|---------------------------|-------------------------------|
| 1. PCD Nominee Corp. (F) | 83,658,806 | 37.76% |
| 2. PCD Nominee Corp. (NF) | 80,577,209 | 36.36% |
| 3. Unipage Management Inc. | 20,000,000 | 9.03% |
| 4. Arsenio T. Ng | 13,256,429 | 5.98% |
| 5. Limqueco, Abraham | 2,368,000 | 1.07% |
| 6. Liu, Jessilyn | 1,500,000 | 0.68% |
| 7. Escueta, Ramon | 1,409,473 | 0.64% |
| 8. Eng Chin Kho Ng | 800,000 | 0.36% |
| 9. Ng, Hilario Tiu Ng | 400,804 | 0.18% |
| 10. Ng, Mark T. | 375,000 | 0.17% |
| 11. Ng, Tiffany Anne | 375,000 | 0.17% |
| 12. Ng, Matthew H | 375,000 | 0.17% |
| 13. Ng, Annie Cham | 375,000 | 0.17% |
| 14. Ng, Bun Kui | 360,000 | 0.16% |
| 15. Ng, Irene | 360,000 | 0.16% |
| 16. Oliva, Dulce Maria | 360,000 | 0.16% |
| 17. Limqueco, Margie Villaflor | 350,000 | 0.16% |
| 18. Reyes-Lao, Honorio O. | 300,000 | 0.14% |
| 19. Limqueco, Margie V. | 218,000 | 0.10% |
| 20. Choa, Bonifacio | 100,000 | 0.05% |

(3) Dividends

There was no cash dividend declared for the last three fiscal years and there are no present or future restrictions that limit the ability to pay dividends on common equity.

(4) Recent Sales of Unregistered Securities

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

Item 6 - 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. The main hub is linked to remote units in site locations of clients, TBGI was servicing 185 institutions and other clients located in Luzon, Visayas and Mindanao have been connected as of end 2011. Management expects

growth in revenues to come increasingly from data services and Internet growth as the satellite data broadcast network expands with market demand.

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.

TBGI market development and business expansion are focused on the following:

1. ESI Acquisition Inc. of Georgia, USA has appointed TBGI as exclusive distributor of WebEOC in the Philippines. Web EOC is a software/middleware used in the USA for counter-terrorism and disaster management applications. The US government is anchor client of WebEOC, mainly for military, transportation, health, disaster management, etc. applications. In the Philippines, the MetroManila Development Authority has been using WebEOC in their daily operations under a Proof-of Concept agreement, which may progress into a subscription agreement. Other prospective customers of the WebEOC system are the Department of Justice, Department of Budget and Management, MERALCO, Department of National Defense, Philippine Coast Guard, and the Manila International Airport.
2. 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 Certificate of Registration and Solar Energy Service Contract from the Department of Energy for a 30 Megawatt Solar PV Power Plant near Metro Manila. The project is awaiting issuance of DOE Certificate of Commerciality and is undertaking simultaneous financial and technical closing with suppliers and banks.

There is no known trend or uncertainties that will significantly reduce TBGI's liquidity. The demand of schools subscribing for Internet connectivity will require equipment that will be taken out of inventory. Subscriber financing can meet any shortfall in funds for equipment acquisition, which is the ultimate source of funds for subscriber equipment purchases.

There is no liquidity problem foreseen in the next 12 months as current assets of Php 55 Million as of 31 December 2012 covers more than ten times the Php 5.6 Million of current liabilities.

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.

FY 2012

Total assets decreased from Php 329.58 million to Php 313.87 million as of December 31, 2012. The net decrease of Php 15.7 million in the total assets resulted from movements in the following:

Decrease in current assets of P8.4 million arising from the following changes:

- a. Increase of PHP 7.4 million in cash primarily due to collection of loans and interest receivables.
- b. Decrease of PHP 0.713 million in accounts receivables due to more collections.
- c. Decrease of PHP 13.5 million in loans receivable due to collection.
- d. Decrease in other short term investments of PHP 1.4 million due to forex rate adjustment.
- e. Decrease of PHP 0.24 million in spares inventory due to transfer to property and equipment.

Decrease in non-current assets of PHP 7.3 million due to the following:

- a. Decrease in advances for projects of PHP 3.1 million due to forex rate adjustment.
- b. Increase of PHP 8.2 million in property and equipment due to acquisition and transfer from spares inventory.
- c. Increase in investment in associates of PHP 4.125 million.
- d. Amortization of franchise by PHP 0.6 million.
- e. Decrease of PHP 0.213 million in other non-current assets.

Total liabilities decreased from PHP 14.668 million as of December 31, 2011 to PHP 6.894 million as of December 31, 2012. The net decrease of PHP 7.774 million was due to the following:

Decrease in current liabilities of PHP 1.782 million arising from the following changes:

- a. Decrease of PHP 1.89 million in accounts payable due to payment.
- b. Decrease of PHP 0.68 million in current portion of interest-bearing liabilities.

- c. Decrease of PHP 7 thousand in income tax payable.

Decrease of non-current liabilities by PHP 6.0 million arising from the following changes:

- Decrease of PHP 0.304 million in interest-bearing liabilities.
- Subscription payable of PHP 5.62 million in 2011.
- Increase of PHP 0.056 million in pension liability.
- Decrease of PHP 0.12 in deferred tax liability.

On the equity side, total equity decreased to PHP 307 million as of December 31, 2012 from PHP 315 million of December 31, 2011. The net decrease of PHP 7.8 million is due to the following:

- Decrease of PHP 5.72 million in retained earnings due to loss in operation.
- Decrease of PHP 2.22 million in revaluation increment on property and equipment.

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

| | December 31, 2012 | December 31, 2011 |
|----------------------------|-------------------|-------------------|
| Current Ratio | 9.794 | 8.60 |
| Debt-to-Equity Ratio | 0.022 | 0.047 |
| Gross Profit Margin | -7.75% | -2.55% |
| Net Income to Sales Ratio | -25.21% | -13.30% |
| Net Income (loss) in pesos | (P8,059,145) | (P4,624,387) |

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.

FY 2011

Total assets decreased from Php 336.37 million to Php 329.58 million as of December 31, 2011. The net decrease of Php 6.78 million in the total assets resulted from movements in the following:

Decrease in current assets of P19.49 million arising from the following changes:

- Decrease of PHP 2.59 million in cash primarily due to payment of trade payables and interest bearing liabilities.
- Decrease of PHP 2.56 million in accounts receivables due to more collections.
- Decrease of PHP 2.30 million in loans receivable due to partial collection.
- Other short term investments of PHP 12.77 million made in 2011.
- Decrease of PHP 11.56 million in spares inventory due to transfer to property and equipment.

Increase in non-current assets of PHP 12.71 million due to the following:

- Advances for projects of PHP 26.90 for 2011.
- Increase of PHP 30.74 million in property and equipment due to acquisition and transfer from spares inventory.
- Investment property of PHP 50.29 million.
- Investment in associates of PHP 7.5 million.
- Amortization of franchise by PHP 0.6 million.
- Decrease of PHP 1 million in other non-current assets.

Total liabilities decreased from PHP 16.94 million as of December 31, 2010 to PHP 14.65 million as of December 31, 2011. The net decrease of PHP 2.29 million was due to the following:

Decrease in current liabilities of PHP 1.33 million arising from the following changes:

- d. Decrease of PHP 0.89 million in accounts payable due to payment.
- e. Decrease of PHP 0.33 million in current portion of interest-bearing liabilities.
- f. Decrease of PHP 0.09 million in income tax payable.

Decrease of non-current liabilities by PHP 0.96 million arising from the following changes:

- e. Decrease of PHP 0.64 million in interest-bearing liabilities.
- f. Subscription payable of PHP 5.62 million incurred in 2011.
- g. Decrease of PHP 0.27 million in provision for retirement benefits.
- h. Decrease of PHP 0.52 in deferred tax liability.

On the equity side, total equity decreased to PHP 315 million as of December 31, 2011 from PHP 319 million of December 31, 2010. The net decrease of PHP 4.49 million is due to the following:

- a. Decrease of PHP 2.26 million in retained earnings due to loss in operation.
- b. Decrease of PHP 2.22 million in revaluation increment on property and equipment.

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

| | December 31, 2011 | December 31, 2010 |
|----------------------------|-------------------|-------------------|
| Current Ratio | 8.60 | 9.51 |
| Debt-to-Equity Ratio | 0.047 | 0.053 |
| Gross Profit Margin | -2.55% | 5.8% |
| Net Income to Sales Ratio | -13.30% | 0.4% |
| Net Income (loss) in pesos | (P4,624,387) | P141,131 |

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.

FY 2010

Total assets increased from PHP 332.37 million to PHP 336.37 million as of December 31, 2010. The net increase of PHP 3.65 million in the total assets resulted from movements in the following:

Decrease in current assets of P3.84 million arising from the following changes:

- a. Decrease of PHP 7.98 million in cash primarily due to advances to projects.
- b. Decrease of PHP 1.46 million in accounts receivables due to more collections.
- c. Decrease of PHP 8.69 million in loans receivable due to partial collection.
- i. Short term investments of PHP 13.15 million made in 2010.
- j. Increase of PHP 1.02 million in spares inventory due to equipment purchases.

Increase in non-current assets of PHP 7.50 million

- a. Increase of PHP 1.0 million in advances to projects.
- b. Decrease of PHP 0.50 million in property and equipment due to depreciation.
- c. Increase of PHP 7.50 million in investment to associates.
- d. Amortization of franchise by PHP 0.6 million for 2010.
- e. Decrease of PHP 0.1 million in other non-current assets.

Total liabilities increased from PHP 13.55 million as of December 31, 2009 to PHP 16.94 million as of December 31, 2010. The net decrease of PHP 3.39 million was due to the following:

Decrease in current liabilities of PHP 1.60 million arising from the following changes:

- a. Decrease of PHP 1.07 million in current portion of interest-bearing liabilities.
- b. Decrease of PHP 0.17 million in accounts payable and accrued expenses.
- c. Decrease of PHP 0.36 million in income tax payable.

Increase of non-current liabilities by PHP 4.99 million

- a. Decrease of PHP 0.64 million in interest-bearing liabilities.
- b. Subscription payable of PHP 5.62 million incurred in 2010.
- c. Increase of PHP 0.19 million in provision for retirement benefits.
- g. Decrease of PHP 0.18 in deferred tax liability.

On the equity side, total equity increased to PHP 319.42 million as of December 31, 2010 from PHP 312.16 million of December 31, 2009. The net increase of PHP 0.26 million is due to the following:

- a. Increase of PHP 2.48 million in retained earnings due to realized net income.
- b. Decrease of PHP 2.22 million in revaluation increment on property and equipment.

The following selected liquidity and profitability ratios indicate the financial condition and a stable performance of the company:

| | December 31, 2010 | December 31, 2009 |
|---------------------------|-------------------|-------------------|
| Current Ratio | 9.51 | 8.42 |
| Debt-to-Equity Ratio | 0.053 | 0.043 |
| Gross Profit Margin | 5.8% | 19.8% |
| Net Income to Sales Ratio | 0.4% | 2.9% |

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.

Expansion Plans

The initial batch of 34 VSAT installations of remote units in 2002 provided access to the Internet by at least 150,000 students. The VSAT connections increased to 80 VSAT units in as many number of subscriber schools at the end of 2003 reached over a hundred schools nationwide in 2004. Transpacific also installed its web site 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.

With the company's sound financial condition and market niche in client schools that will eventually become last mile network nodes, TBGI will become a major wireless data services provider for schools in the Philippines. Hence, 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 and international banks.

TBGI market development and business expansion are focused on the following:

3. ESI Acquisition Inc. of Georgia, USA has appointed TBGI as exclusive distributor of WebEOC in the Philippines. Web EOC is a software/middleware used in the USA for counter-terrorism and disaster management applications. The US government is anchor client of WebEOC, mainly for military, transportation, health, disaster management, etc. applications. In the Philippines, the MetroManila Development Authority has been using WebEOC in their daily operations under a Proof-of Concept agreement, which may progress into a subscription agreement. Other prospective customers of the WebEOC system are the Department of Justice, Department of Budget and Management, MERALCO, Department of National Defense, Philippine Coast Guard, and the Manila International Airport.
1. 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 Certificate of Registration and Solar Energy Service Contract from the Department of Energy for a 30 Megawatt Solar PV Power Plant near Metro Manila. The project is awaiting issuance of DOE Certificate of Commerciality and is undertaking simultaneous financial and technical closing with suppliers and banks.

Item 7 - Financial Information

Audited financial statements are attached.

Item 8 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The audited financial position of the Company as of December 31, 2012 and 2011 is audited by R. R. TAN & ASSOCIATES, CPAs

There were no events in the past where in 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 procedures.

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, 2012 and 2011 with a contract amount of P260,000 for both year inclusive of out of pocket expenses.

R. R. TAN & ASSOCIATES, CPAs audited the Company's balance sheet and the related statements of income, changes in stockholders' equity and cash flows for the year then ending and 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 assisted 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 has no policies and procedures of the above services.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9 - Directors, Executive Officers, Promoters and Control Persons

The Directors of the Company for fiscal year 2012 – 2013 who were elected at the meeting of the stockholders on 14 November 2012 are as follows:

| Name | Position |
|---|-------------------------------|
| Arsenio T. Ng | Chairman, President and CEO |
| HRH Prince Abdul Aziz Bin Talal Al Saud | Director |
| Hilario T. Ng | Managing Director / Treasurer |
| Kenneth C. Co | Director (independent) |
| Oscar Mapua, Jr. | Director (independent) |
| Simoun Ung | Director |
| Paul B. Saria | Director, Corp. Sec. |

Arsenio T. Ng

Age 54

Period Served September 2000 to Present

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 Prince Abdul Aziz Bin Talal Bin Abdul Aziz Al Saud

Age 31

Period Served – June 2009 to present

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 Prince Aziz bin Talal is the Honorary President of the Website Services and Internet Technology (WSITGC) of the Gulf Cooperation Council (GCC) and Chairman of the Arab Open University.

Hilario T. Ng

Age 52

Period Served September 2000 to Present

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.

Age 69

Period Served May 2003 to Present

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

Age 45

Period Served May 2007 to Present

Mr. Ung took Master of Business Administration in the University of Western Ontario in London, in 1991-1993. He is also a graduate in Bachelor of Arts, Psychology and Economics in the University of British Columbia in Vancouver, BC. in 1989. In 1994 he finished Property Management Course, Real Estate Division, Faculty of Extension in Edmonton, AB.

Mr. Ung is the Director and President of Four Star Consulting from 1998 to present. He is also the service provider of Coutts Bank Von Ernst Ltd. in Hongkong from 2001 to present. In 2004 he was elected as Chief Executive Officer and Director of CNP Worldwide Inc., a company that processed over US\$500 million in credit card transactions as agent of Bankard, Inc., the credit card subsidiary of Rizal Commercial Banking Corporation and licensee of Visa, MasterCard and JCB International. Mr. Ung also holds the following positions such as Director of Bastion Payment Systems Corp. from 2005 to present; Business Introducer of EFG Private Bank, SA in Hong Kong, from 2005-present and a Member of Board of Advisors of Essential Innovations Technology Corp. in Bellingham, WA. From 2006 to present; President and Director of TwinCard Merchant Solutions, Inc. from 2006-present and Chairman of Century Peak Corporation from 2007 to present.

Kenneth Chua Co

Age 40, Filipino Citizen

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

Age 43

Period Served September 2000 to Present

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.

The aforementioned directors and officers have served the fiscal year ended December 31, 2009, and shall continue to serve until their successors have been duly elected at the Company's next annual stockholders' meeting.

There are no other significant employees.

Family Relationships

The Chairman, Arsenio T. Ng, and Director Hilario T. Ng are brothers.

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.

Item 10 - Executive Compensation

The aggregate compensation paid to the Company's six (6) most highly compensated executive officers and all other officers and directors as a group in 2012 and 2011 as follows:

| | Year | Salary | Bonus | Other Compensation |
|---|------|-----------|-------|--------------------|
| CEO and Four Most Highly Compensated Executives | 2012 | 1,572,000 | None | None |
| All Other Officers and Directors | 2012 | 600,000 | None | None |
| Total | | 2,172,000 | None | None |
| | Year | Salary | Bonus | Other Compensation |
| CEO and Four Most Highly Compensated Executives | 2011 | 1,572,000 | None | None |
| All Other Officers and Directors | 2011 | 600,000 | None | None |
| Total | | 2,172,000 | None | None |

As per the By-Laws of Transpacific, each Director shall receive 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.

On May 28, 2008, the Board of Directors approved to grant of stock options to the CEO 35 Million shares for services rendered as CEO for the company covering periods 2001 to 2007 and 5 Million shares for period 2008, both at a par value of P1.00. The same stock option plan has been deferred indefinitely effective in year 2010.

Item 11 - Security Ownership of Certain Record and Beneficial Owners and Management

Owners of more than 5% of voting securities as of March 31, 2013:

| Class | Name of Record Owner and Relationship with Record Owner | Name of Beneficial Owner | Citizenship | Shares Owned | % |
|--------|--|--------------------------|-------------|-------------------------|--------|
| Common | 1. PCD Nominee Corp. (F) 37 th floor Tower 1, the Enterprise Ctr., 6766 Ayala Ave, Makati City, Phil. | Various | Filipino | 83,658,806 ^r | 37.76% |
| Common | 1. PCD Nominee Corp. (NF) 37 th floor Tower 1, the Enterprise Ctr., 6766 Ayala Ave, Makati City, Phil. | Various | NonFilipino | 80,577,209 ^r | 36.36% |
| Common | 2. Unipage Management, Inc. 9 th Floor Summit One Tower, 530 Shaw Boulevard Mandaluyong City (Investor) | Stockholders | Filipino | 20,000,000 ^r | 9.03% |
| Common | 3. Arsenio T. Ng 9F Summit One Tower, 530 Shaw Blvd. Mandaluyong City (CEO) | None | Filipino | 13,256,429 ^r | 5.98% |

The Board of Directors of Unipage appoints its authorized representative and has the right to vote and direct or dispose of the shares held by Unipage.

The clients of PCD Corporation are the beneficial owners and have the power to decide how their shares are to be voted based on the Rules on proxy under the Corporation's Articles of Incorporation and By-laws and the Corporation Code.

Security ownership of management as of March 31, 2013:

| Class | Name of Stockholders | Address | No. of Shares | % | Position |
|--------|---|--|-------------------------|-------|-------------------------------|
| | Directors: | | | | |
| Common | Arsenio T. Ng | 9F Summit One Tower 530 Shaw Blvd. Mand. City | 13,256,429 ^r | 5.98% | Chairman, President and CEO |
| Common | HRH Prince Abdul Aziz Bin Talal Al Saud | Saudi Arabia | 100,000 ^r | 0.05% | Director |
| Common | Hilario T. Ng | 455 Jaboneros St., Manila | 400,804 ^r | 0.18% | Director |
| Common | Simoun Ung | 27F Chatham House, 116 Valero St. Makati City | 1,000 ^r | 0.00% | Director |
| Common | Oscar B. Mapua | 502 B. Valerio Hills, San Juan | 4,000 ^r | 0.00% | Independent Director |
| Common | Kenneth C. Co | Don Benito Bldg, Mayambo Dagupan City | 7,259,000 ^r | 3.28% | Independent Director |
| Common | Paul Saria | 9F Summit One Tower 530 Shaw Blvd. Mand. City | 25,804 ^r | 0.01% | Director, Corporate Secretary |
| | All directors and executive officers as a group | | 21,048,037 ^r | 9.50% | |

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

Voting Trust Holders of 5% or More

The company has no voting trust agreement with any person or entity.

Changes in Control

There is no change in control or ownership of the company.

Voting Trust Holders of 5% or More

The company has no voting trust agreement with any person or entity.

Item 12 - Certain Relationship and Related Transaction

(a) The following are transactions with related parties:

| | 2012 | 2011 |
|---|--------------|-------------|
| (Collection) of loans and interest receivable from: | | |
| Arsenio T. Ng, President and CEO | (P7,010,257) | (2,620,834) |
| Unipage Management Inc., affiliated company | (6,469,307) | 314,872 |
| Advances for projects | (3,157,640) | (300,000) |
| Advances (collections) from related parties | | |
| ATN Holdings, Inc. | 65,000 | - |
| Palladian Land Development, Inc. | (278,274) | 331,977 |

The movement in advances for projects represents loss on foreign exchange.

The year-end balances of receivables and advances to related parties after considering related party transactions for the year are as follows:

| | 2012 | 2011 |
|----------------------------------|------------|-------------|
| Loans and interest receivable | P62,638 | P13,542,203 |
| Advances for projects | 23,742,360 | 26,900,000 |
| Other receivables | | |
| ATN Holdings, Inc. | 1,062,074 | 997,074 |
| Palladian Land Development, Inc. | 2,041,084 | 2,319,358 |

(b) Key management compensation

The compensation paid or payable to key management personnel for the year ended December 31, 2012 and 2011 are P714,4766 and P770,145 respectively.

Key management personnel have not been provided with retirement benefits.

Compliance with leading practice on Corporate Governance

On June 16, 2010, the Company submitted to the Securities and Exchange Commission the Revised Manual of Corporate Governance in accordance with SEC Memorandum Circular No. 6, Series of 2009. Thereafter, a Compliance Officer was appointed to undertake quarterly feedback sessions with the Chairman of the Board to discuss governance-related issues. The level of compliance of the Board is measured by their attendance in scheduled meetings for Corporate Governance in which possible violations are discussed and all attendees are reminded of their responsibilities. In all of the meetings the members attended, there was no violation identified.

The Company adopted additional leading practices on good governance in its Manual of Corporate Governance, although some of them were already practiced in the Company beforehand. On the overall, the Company has substantially complied with the rules and principles of corporate governance set out in the Company's Manual of Corporate Governance as of December 31, 2012.

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. There is no additional plan to improve corporate governance of the company from the existing manual.


Reports on SEC Form 11-C

No reports on SEC Form 11-C were filed during the year.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on April 18, 2013.

By:


ARSENIO T. NG
Chairman and CEO

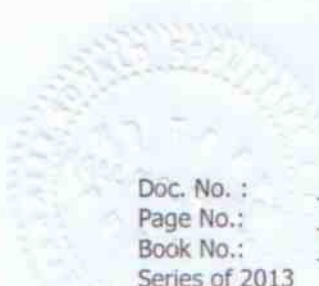

ARCH. HILARIO T. NG
Principal Financial Officer


PAUL B. SARIA
Chief Operating Officer

APR 23 2013

SUBSCRIBED AND SWORN to before me this 18 day of April 2013, affiant(s) exhibiting to me his/their driver's license, as follows:

| NAMES | RES. CERT. NO. | DATE EXPIRES | PLACE OF ISSUE |
|---------------|------------------|--------------|------------------|
| ARSENIO T. NG | DL NO1-86-031588 | 03-13-2015 | San Juan City |
| HILARIO T. NG | DL F03-89-049506 | 08-23-2015 | Manila |
| PAUL SARIA | DL NO4-93-264992 | 12-15-2013 | Mandaluyong City |


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Page No.: 11
Book No.: 81
Series of 2013


ATTY. RONALD SEGUNDINO C. CHING
Notary Public
NOTARY PUBLIC
ADMIN. NO. 2011-009-UNTIL DEC. 31, 2013
ROLL NO. 54899
NO. 945 BENAVIDEZ ST. BINONDO
PTR NO. MLA 1313278/11-9-2012
IBP NO. MLA 676386/11-15-2012
MCLE COMPLIANCE NO. 111-00016300



Transpacific Broadband Group
INTERNATIONAL, INC.

CORPORATE OFFICE: 9/F SUMMIT ONE TOWER
530 SHAW BOULEVARD, MANDALUYONG CITY
PHILIPPINES, 1550
TEL: (632) 718-0720, 718-0721, FAX (632) 530-4052
EMAIL: tbgl@tbgi.net.ph

SATELLITE CENTER: BLOC 1751 CHICO ST.
CLARK SPECIAL ECONOMIC ZONE
ANGELES CITY, PAMPANGA, PHILIPPINES
TEL: (6345) 599-3042, FAX (6345) 599-0041


STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS


April 11, 2013

The management of **TRANSPACIFIC BROADBAND GROUP INT'L, INC.** is responsible for the preparation and fair presentation of the financial statements for the years **December 31, 2012 and 2011**, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and the implementing internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to stockholders.

R. R. TAN & ASSOCIATES, CPAs, the independent auditors and appointed by the stockholders has examined 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 examination.


ARSENIO T. NG
President and CEO


PAUL B. SARIA
Chief Operating Officer


HILARIO T. NG
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this 11th day of April 2012, 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 | 03/13/2015 | Manila |
| Paul B. Saria | DL N04-93-264992 | 12/15/2013 | Mandaluyong |
| Hilario T. Ng | DL F03-89-049-506 | 08/23/2015 | Manila |

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Page No. :
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Series of 2013

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X
2013


NOTARY PUBLIC
ATTY. RONALD SEGUNDINO C. CHING
NOTARY PUBLIC
ADMIN. NO. 2011-009-UNTIL DEC. 31, 2013
ROLL NO. 54898
NO. 945 BENAVIDEZ ST. BINONDO
PTR NO. MLA. 1313279/11-9-2012
IBP NO. MLA. 878386/11-15-2012
MCLE COMPLIANCE NO. 111-00016300

Report of Independent Public Accountants

The Board of Directors and Stockholders
TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
9th Floor, Summit Tower 1 Bldg.,
530 Shaw Blvd., Mandaluyong City

Report on the Financial Statements

We have audited the accompanying financial statements of Transpacific Broadband Group International, Inc. which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Transpacific Broadband Group International, Inc. as of December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required under Revenue Regulations (RR) 15-2010 and 19-2011 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 29 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.

R. R. TAN AND ASSOCIATES, CPAs

By: **DOMINGO A. DAZA, JR.**

Partner

CPA Certificate No. 0109993

Tax Identification No. 203-917-449

PTR No. 8535570, January 18, 2013, Pasig City

SEC Accreditation No. 1088-A, valid until February 23, 2014

BIR Accreditation No. 07-001024-10-2010, valid until

October 27, 2013

April 12, 2013
Pasig City



TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

| ASSETS | <i>Notes</i> | 2012 | 2011 |
|---|--------------|----------------------|----------------------|
| Current Assets | | | |
| Cash and cash equivalents | 5 | P 9,500,468 | P 2,051,769 |
| Trade receivables - net | 6 | 30,379,650 | 31,092,958 |
| Loans and interests receivable | 7 | 62,638 | 13,542,203 |
| Other short term investments | 8 | 11,333,590 | 12,775,600 |
| Spare parts inventory | 9 | 3,859,237 | 4,101,220 |
| | | 55,135,583 | 63,563,749 |
| Non-current Assets | | | |
| Advances for projects | 10 | 23,742,360 | 26,900,000 |
| Property and equipment | 14 | 162,777,020 | 170,219,413 |
| Investment property | 15 | 50,287,400 | 50,287,400 |
| Advances to and investment in an associate | 11 | 11,625,000 | 7,500,000 |
| Franchise - net | 12 | 6,742,405 | 7,342,405 |
| Other non-current assets | 13 | 3,558,663 | 3,771,937 |
| | | 258,732,848 | 266,021,155 |
| TOTAL ASSETS | | P 313,868,431 | P 329,584,904 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Accounts payable and accrued expenses | 16 | P 446,836 | P 1,536,468 |
| Current portion of interest-bearing liabilities | 17 | 5,164,653 | 5,849,729 |
| Income tax payable | | 18,045 | 25,230 |
| Total Current Liabilities | | 5,629,534 | 7,411,427 |
| Non-current Liabilities | | | |
| Interest-bearing liabilities - net of current portion | 17 | 108,873 | 412,872 |
| Subscription payable | 11 | - | 5,625,000 |
| Pension liability | 18 | 1,018,765 | 962,383 |
| Deferred tax liability- net | 25 | 136,754 | 256,669 |
| Total Non-current Liabilities | | 1,264,392 | 7,256,923 |
| Total Liabilities | | 6,893,926 | 14,668,349 |
| Equity | | | |
| | 19 | | |
| Share capital | | 222,019,330 | 222,019,330 |
| Share premium | | 29,428,022 | 29,428,022 |
| Share options outstanding | | 8,921,814 | 8,921,814 |
| Revaluation increment on property and equipment | | 5,525,312 | 7,750,126 |
| Retained earnings | | 41,517,827 | 47,235,063 |
| Treasury shares | | (437,800) | (437,800) |
| Total Equity | | 306,974,505 | 314,916,555 |
| TOTAL LIABILITIES AND EQUITY | | P 313,868,431 | P 329,584,904 |

See accompanying notes to financial statements



TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

| | Notes | 2012 | 2011 | 2010 |
|--|-------|--------------|--------------|--------------|
| REVENUES FROM UPLINK AND OTHER DATA-RELATED SERVICES | | P 31,960,293 | P 34,636,059 | P 40,156,316 |
| DIRECT COSTS | 20 | 34,436,838 | 35,519,402 | 37,808,839 |
| GROSS PROFIT | | (2,476,544) | (883,342) | 2,347,477 |
| OTHER INCOME | 21 | 2,566,714 | 1,523,647 | 2,661,959 |
| TOTAL INCOME | | 90,169 | 640,305 | 5,009,437 |
| ADMINISTRATIVE EXPENSES | 22 | 7,797,468 | 4,766,012 | 3,966,730 |
| FINANCE COSTS - NET | | 232,285 | 371,034 | 645,339 |
| PROFIT (LOSS) BEFORE INCOME TAX | | (7,939,584) | (4,496,741) | 397,368 |
| INCOME TAX EXPENSE | 25 | 119,561 | 127,646 | 256,236 |
| PROFIT (LOSS) FOR THE YEAR | | (8,059,145) | (4,624,387) | 141,131 |
| OTHER COMPREHENSIVE INCOME | | | | |
| Revaluation increment of property and equipment absorbed through depreciation | | 2,341,909 | 2,341,909 | 2,341,909 |
| Effect of deferred income tax | | (117,095) | (117,095) | (117,095) |
| TOTAL COMPREHENSIVE INCOME (LOSS) | | (5,834,331) | (2,399,573) | 2,365,945 |
| EARNINGS (LOSS) PER SHARE | 26 | (0.0363) | (0.0208) P | 0.0006 |

See accompanying notes to financial statements



TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

| | Notes | 2012 | 2011 | 2010 |
|---|-------|---------------|---------------|---------------|
| SHARE CAPITAL | 19 | P 222,019,330 | P 222,019,330 | P 222,019,330 |
| SHARE PREMIUM | | 29,428,022 | 29,428,022 | 29,428,022 |
| SHARE OPTIONS OUTSTANDING | 19 | | | |
| Balance, January 1 | | 8,921,814 | 8,921,814 | 8,921,814 |
| Options granted | | - | - | - |
| Balance, December 31 | | 8,921,814 | 8,921,814 | 8,921,814 |
| REVALUATION INCREMENT ON PROPERTY AND EQUIPMENT- NET OF TAX | | | | |
| Balance, January 1 | 19 | 7,750,126 | 9,974,940 | 12,199,754 |
| Revaluation increment absorbed through depreciation | | (2,224,814) | (2,224,814) | (2,224,814) |
| Balance, December 31 | | 5,525,312 | 7,750,126 | 9,974,940 |
| RETAINED EARNINGS | | | | |
| Balance, January 1 | | 47,235,063 | 49,517,540 | 47,034,500 |
| Revaluation increment absorbed through depreciation | 19 | 2,341,909 | 2,341,909 | 2,341,909 |
| Profit (loss) for the year | | (8,059,145) | (4,624,387) | 141,131 |
| Balance, December 31 | | 41,517,827 | 47,235,063 | 49,517,540 |
| TREASURY SHARES | | (437,800) | (437,800) | (437,800) |
| | | P 306,974,505 | P 314,916,555 | P 319,423,846 |

See accompanying notes to financial statements



TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

| | Notes | 2012 | 2011 | 2010 |
|---|-------|-------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| (Loss) profit before income tax expense | P | (7,939,584) P | (4,496,741) P | 397,368 |
| Adjustments for: | | | | |
| Depreciation and amortization | 14 | 15,712,064 | 16,167,314 | 15,599,396 |
| Provision for retirement benefits | 18 | 56,382 | - | 186,502 |
| Unrealized foreign exchange loss (gain) | 21,22 | 5,199,978 | 334,667 | (1,029,306) |
| Amortization of franchise | 12 | 600,000 | 600,000 | 600,000 |
| Interest expense | 17 | - | (215,187) | 645,339 |
| Interest income | 21 | (1,016,258) | 1,284,583 | (1,088,138) |
| Operating income before Working Capital Changes | | 12,612,583 | 13,674,636 | 15,311,161 |
| (Increase) Decrease in Operating Assets: | | | | |
| Trade receivables-net | | 1,207,612 | 2,562,576 | 1,462,306 |
| Spare parts inventory | | - | - | (1,023,400) |
| Other current asset | | - | 151,193 | (169,471) |
| Other non-current assets | | (18,829) | 983,084 | 98,739 |
| Increase (decrease) in Operating Liabilities: | | | | |
| Accounts payable and accrued expenses | | (1,089,632) | (894,228) | (172,557) |
| Cash generated by operations | | 12,711,734 | 16,477,261 | 15,506,778 |
| Income taxes paid | | (18,045) | (99,939) | (613,355) |
| Retirement benefits paid | 18 | - | (270,403) | - |
| Interest received | | 521,954 | 522,213 | 832,739 |
| Net Cash Provided by Operating Activities | | 13,215,643 | 16,629,132 | 15,726,162 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Advances for projects | | 3,157,640 | 300,000 | (1,200,000) |
| Investment in associate | | (4,125,000) | - | (1,875,000) |
| Loans receivable | | 13,479,564 | 1,293,402 | 8,941,342 |
| Change in other short term investments | | 1,442,010 | - | (13,152,470) |
| Acquisition of property and equipment | 14 | (8,027,688) | (19,537,424) | (14,393,079) |
| Payment of subscription | | (5,625,000) | - | - |
| Net Cash Provided (Used) in Investing Activities | | 301,526 | (17,944,022) | (21,679,207) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds of bank loans | | - | - | 5,540,293 |
| Debt Servicing: | | | | |
| Principal | | (636,207) | (781,941) | (6,920,505) |
| Interest | | (232,285) | (155,847) | (645,339) |
| Net Cash Used in Financing Activities | | (868,493) | (937,788) | (2,025,551) |
| EFFECTS OF EXCHANGE RATE CHANGES | | | | |
| IN CASH AND CASH EQUIVALENTS | 21.22 | (5,199,978) | (334,667) | (148) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 7,448,699 | (2,587,345) | (7,978,744) |
| CASH AND CASH EQUIVALENTS, January 1 | | 2,051,769 | 4,639,114 | 12,617,858 |
| CASH AND CASH EQUIVALENTS, December 31 | P | 9,500,468 P | 2,051,769 P | 4,639,114 |
| <i>See accompanying notes to financial statements</i> | | | | |



TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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 9.03% 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, it was granted Frequency Supportability, also by NTC.

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, Philippines. Pursuant to its registration with CSEZ, the Company is subject to a special tax rate of 5% on gross income.

The Company's registered office address is 9th Floor, 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, 2012 (including the comparative figures as of December 31, 2011 and 2010) were authorized for issue by the President on April 11, 2013.

2. Summary of Significant Accounting Policies

Basis of Financial Statement Preparation and Presentation

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

The financial statements are presented in Philippine Peso, the Company's functional currency.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council.

Changes in Accounting Standards

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, 2012.



Standards Effective in 2012

Amendments to PFRS 7, "Financial Instruments: Disclosures - Transfers of Financial Assets"

The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

Amendment to Philippine Accounting Standard (PAS) 12, "Income Taxes - Deferred Tax: Recovery of Underlying Assets"

This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, "Investment Property", will be recovered through sale and, accordingly, requires that any related deferred income tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, "Property and Equipment", always be measured on a sale basis of the asset. The adoption of the amendment did not have any significant impact on the financial position or performance of the Company.

PFRS 10, "Consolidated Financial Statements"

This standard replaces a portion of PAS 27, "Consolidated and Separate Financial Statements" that addresses accounting for consolidated financial statements. It also addresses issues raised in SIC-12, "Consolidation - Special Purpose Entities".

PFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The Company assessed whether or not it has control over its subsidiaries in accordance with the new definition of control and the related guidance set out in PFRS 10 and has determined that it has control on all its current subsidiaries and that all its controlled entities have been included in consolidation. The adoption of the standard did not affect the financial position and performance of the Company.

PFRS 11, "Joint Arrangements"

PFRS 11 replaces PAS 31, "Interests in Joint Ventures", and SIC 13, "Jointly Controlled Entities - Non-Monetary Contributions by Venturers". PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. This standard did not affect the Company's financial statements.

PFRS 12, "Disclosure of Interest in Other Entities"

PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, "Investments in Associates". These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The adoption of the standard did not affect the financial position and performance of the Company.

Amendment to PAS 27, "Separate Financial Statements"

As a consequence of the issuance of PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in the



separate financial statements. The adoption of the amended standard did not affect the financial position and performance of the Company.

Amendment to PAS 28, "Investments in Associates and Joint Ventures"

As a consequence of the issuance of PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, "Investments in Associates and Joint Ventures", and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of the amended standard did not affect the financial position and performance of the Company.

Effective in 2013

Annual Improvements to PFRS (2009 to 2011 cycle)

The Annual Improvements to PFRS (2009 to 2011 cycle) contain non-urgent but necessary amendments to PFRS. These amendments are effective for annual periods beginning January 1, 2013 and are applied retrospectively. Earlier application is permitted.

PFRS 1, "First-time Adoption of PFRS - Borrowing Costs"

The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, "Borrowing Costs". The amendment does not apply to the Company as it is not a first time adopter of PFRS.

PAS 1, "Presentation of Financial Statements - Clarification of the Requirements for Comparative Presentation"

The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements.

An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (which are mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments will affect disclosures only and will have no impact on the Company's financial position or performance.

PAS 16, "Property, Plant and Equipment - Classification of Servicing Equipment"

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Company's financial position or performance.

PAS 19, Employee Benefits (Amendment)

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording.

PAS 32, "Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments"

The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, "Income Taxes". The Company expects that this amendment will not have any impact on its financial position or performance.



PAS 34, "Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities"

The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment will affect disclosures only and will have no impact on the Company's financial position or performance.

PFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

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

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

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

PFRS 13, Fair Value Measurement

PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013.

Effective in 2014

PAS 32, "Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities"

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments will affect presentation only and will have no impact on the Company's financial position or performance.

Effective in 2015

PFRS 9, "Financial Instruments: Classification and Measurement"

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39,

"Financial Instruments: Recognition and Measurement". Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its



entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition.

A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI.

The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets but will potentially have no impact on classification and measurement of financial liabilities. The Company, however, has yet to conduct a quantification of the full impact of this standard. The Company will quantify the effect of this standard in conjunction with the other phases, when issued, to present a more comprehensive picture.

Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

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

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

Initial Recognition

Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of financial assets, except financial assets at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized (regular way trades) on the trade date, i.e., the date that the Company commits to purchase or sell the asset.



The fair value for instruments traded in active market at the end of reporting period is based in 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 profit or loss for the period unless it qualifies for recognition as some other type of asset.

Classification of financial instruments

The Company classifies financial assets into the following categories, (i) At fair value through profit or loss (FVTPL), (ii) Available-for-sale, (iii) Held-to-maturity and (iv) Loans and receivable. The classification is dependent on the purpose for which the instrument is acquired at the time of acquisition and re-evaluates such recognition on a regular basis. As of December 31, 2012 and 2011, the Company's financial instrument consist only of loans and interest receivable and other financial liabilities.

(i) 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. Loans and receivables are carried at cost or amortized cost in the statement of financial position. Amortization is determined using the effective interest method less any impairment losses.

(ii) Other financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as expense in the profit or loss for the period.

Reclassification of financial assets

A financial asset is reclassified out of the FVTPL category when the following conditions are met (i) the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and (ii) there is a rare situation.

A financial asset that is reclassified out of the FVTPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the statement of comprehensive 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.

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

Impairment of financial assets

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments has occurred, 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.

Derecognition of financial instruments

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 for the period.

Spare Parts Inventory

Spare parts inventory is stated at lower of cost or net realizable value.

Property and Equipment

Transportation equipment, furniture, and fixtures are 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. Appraisal was made by an independent firm appraiser with sufficient regularity to ensure that the carrying amounts of these assets do not differ materially from their fair values. Subsequent acquisitions are stated at cost less accumulated depreciation and impairment losses, if any.

Any increase in revaluation is credited to the "Revaluation Increment" account shown under equity unless it offsets a previous decrease in value of the same asset recognized in the statement of comprehensive income. A decrease in value is recognized in profit or loss where it exceeds the increase previously recognized in the "Revaluation Increment" account. The amount of revaluation increment absorbed through depreciation is transferred from revaluation increment to retained earnings. Upon disposal of the asset, the related revaluation increment is transferred to retained earnings and is taken into account in arriving at the gain or loss on disposal.

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 |
| Transportation equipment | 10 years |
| Furniture and fixtures | 10 years |
| Lease improvements | 10 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.

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 in which the investor has a significant influence and which is neither a subsidiary nor a joint venture.

Investment in associate is accounted for using the equity method of accounting and initially recognized at cost, and is subsequently adjusted to reflect the investor's share of the net profit or loss of the associate.

Franchise

Franchise, which consists of directly attributable expenses, is carried at cost less accumulated amortization.

Franchise is amortized over its term of 25 years. When the carrying amount of the franchise is greater than its estimated recoverable amount, the cost is written down immediately to its recoverable amount.



Franchise is derecognized either upon disposal or the right to use expired.

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 Statement of Comprehensive Income.

Revaluation increment represents appraisal increase on revaluation of certain property and equipment.

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 statement of financial position as a deduction from the equity.

Revenue and Costs Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Uplink services and subscription fees

Revenues from uplink services and bandwidth subscriptions are recognized when services are rendered and billed. Related costs and expenses are recorded as incurred.

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.

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 loss 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 comprehensive 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.



Impairment of Non-financial Assets

The Company's property and equipment and investment property are subject to impairment testing. All other individual assets' or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its carrying amount. The recoverable amount is the higher of fair value, reflecting market conditions less cost to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

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

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

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.

Finance lease, which transfer to the company substantially all the risks and benefits incidental to the ownership of the leased asset, are capitalized at the lower of fair value of the leased asset or the present value of the minimum lease payments at the inception of the lease. Lease payments are apportioned between the finance charges and reduction of the lease liability. Finance charges are recognized in the statement of comprehensive income.

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.

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 statement.

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.

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 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.

3. 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.

Classification of leases

Judgment is exercise 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.

Impairment of financial assets

The company follows the guidance of PAS 39 on determining when the investment is other than temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(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:

Determination of fair value of investment property

The Company has adopted the fair value model in determining the carrying value of its investment properties. The Company has obtained the services of an independent appraiser to determine the fair value of its investment properties, such fair value was determined based on recent prices of similar properties with adjustment to reflect any changes in economic conditions since the date of the transaction that occurred on those prices.

Estimating Allowance for probable losses on 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.

Estimated 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, 2012 and 2011 amounted to P162,777,020 and P170,219,413, respectively.

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.



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 and there is no assurance that the employee will still be with the Company at the age of retirement.

Benefits paid amounted to P270,403 in 2011. Retirement benefit cost recognized in the financial statements amounted to P56,382 in 2012, P-0- in 2011 and P186,501 in 2010.

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, 2012 and 2011, 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, 2012 and 2011, share options outstanding amounted P8,921,814.

4. 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, 2012 and 2011.

| | | Gross Maximum Exposure | |
|-------------------------------|---|------------------------|--------------|
| | | 2012 | 2011 |
| Cash and cash equivalents * | P | 9,487,468 | P 2,038,769 |
| Trade receivables | | 36,733,816 | 37,447,124 |
| Advances for projects | | 23,742,360 | 26,900,000 |
| Loans and interest receivable | | 62,638 | 13,542,203 |
| Other receivables | | 3,103,158 | 3,316,432 |
| | P | 73,129,441 | P 83,244,528 |

*excludes cash on hand

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 CBCP World Corporation and Peachtree Investment Ltd. where appropriate trade relations have been established including billings and collections processes.

Loans and interest receivable in 2011 are collateralized by time deposit in the amount of P6,326,374.

Advances for projects amounting to P23.7 million in 2012 and P26.9 million in 2011 are secured by a pledge of shares of certain officer covering 10,756,429 shares of the Company's common shares with a fair value of P27,966,715.

Credit quality of the Company's assets as at December 31, 2012 and 2011 is as follows:

| | | December 31, 2012 | | | |
|---------------------------|---|-------------------------------|----------------|---------------------------|-----------------------|
| | | Neither past due nor impaired | | Past due but not impaired | Past due and impaired |
| | | High grade | Standard grade | | Total |
| Cash and cash equivalents | P | 9,487,468 | - | - | P 9,487,468 |
| Receivables | | | | | |
| Trade | | - | 7,346,763 | 23,032,887 | 6,354,166 |
| Loans and interest | | - | - | 62,638 | - |
| Advances for projects | | - | - | 23,742,360 | - |
| Other receivables | | - | - | 3,103,158 | - |
| | P | 9,487,468 | P 7,346,763 | P 49,941,043 | P 6,354,166 |
| | | | | | P 73,129,441 |

| | | December 31, 2011 | | | |
|---------------------------|---|-------------------------------|----------------|---------------------------|-----------------------|
| | | Neither past due nor impaired | | Past due but not impaired | Past due and impaired |
| | | High grade | Standard grade | | Total |
| Cash and cash equivalents | P | 2,038,769 | - | - | P 2,038,769 |
| Receivables | | | | | |
| Trade | | - | P 6,218,500 | P 24,874,458 | 6,354,166 |
| Loans and interest | | - | - | 13,542,203 | - |
| Advances for projects | | - | - | 26,900,000 | - |
| Other receivables | | - | - | 3,316,432 | - |
| | P | 2,038,769 | P 6,218,500 | P 68,633,093 | 6,354,166 |
| | | | | | P 83,244,528 |



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.

The aging analysis of past due but not impaired receivables is as follows:

| December 31, 2012 | | | | | | |
|---------------------|--------------|--------------------------------|-----------------------|-------------------|-------|------------|
| | Trade | Loans and interests receivable | Advances for projects | Other Receivables | Total | |
| 30-60 days past due | P 2,921,760 | P - | P - | P - | P | 2,921,760 |
| 61-90 days past due | 9,564,302 | - | - | - | | 9,564,302 |
| over 90 days | 10,546,825 | 62,638 | 23,742,360 | 3,103,158 | | 37,454,981 |
| | P 23,032,887 | P 62,638 | P 23,742,360 | P 3,103,158 | P | 49,941,043 |

| December 31, 2011 | | | | | | |
|---------------------|--------------|--------------------------------|-----------------------|-------------------|-------|------------|
| | Trade | Loans and interests receivable | Advances for projects | Other Receivables | Total | |
| 30-60 days past due | P 3,155,366 | P - | P - | P - | P | 3,155,366 |
| 61-90 days past due | 10,329,006 | - | - | - | | 10,329,006 |
| over 90 days | 11,390,086 | 13,542,203 | 26,900,000 | 3,316,432 | | 55,148,721 |
| | P 24,874,458 | P 13,542,203 | P 26,900,000 | P 3,316,432 | P | 68,633,093 |

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 insurance liability falling due for payment earlier than expected; 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, 2012 and 2011.

| December 31, 2012 | | | | | | |
|---------------------------------------|-----------|------------------------|-----------------------|----------------------|-------|-----------|
| | < 1 month | > 1 month & < 3 months | > 3 months & < 1 year | > 1 year & < 5 years | Total | |
| Accounts payable and accrued expenses | P - | P 446,836 | P - | P - | P | 446,836 |
| Interest-bearing liabilities | | | | | | |
| Loans payable | - | - | 4,860,656 | - | | 4,860,656 |
| Obligations under finance lease | - | - | 303,997 | 108,873 | | 412,870 |
| | P - | P 446,836 | P 5,164,653 | P 108,873 | P | 5,720,362 |



| | December 31, 2011 | | | | | Total |
|---------------------------------------|-------------------|---------------------------|--------------------------|-------------------------|---|-----------|
| | < 1 month | > 1 month & < 3 months | > 3 months & < 1 year | > 1 year & < 5 years | | |
| Accounts payable and accrued expenses | P 467,222 | - | P 1,069,246 | - | P | 1,536,468 |
| Interest-bearing liabilities | | | | | | |
| Loans payable | - | - | 5,213,522 | - | | 5,213,522 |
| Obligations under finance lease | - | - | 636,207 | 412,872 | | 1,049,079 |
| | P 467,222 | - | P 6,918,975 | P 412,872 | P | 7,799,069 |

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 position.

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

| | 2012 | | 2011 | |
|---------------------------|------|-----------|------|-----------|
| Cash and cash equivalents | US\$ | 506 | US\$ | 8,147 |
| Advances for projects | | 455,000 | | 455,000 |
| Bank loans | | (118,000) | | (118,000) |
| | US\$ | 337,506 | US\$ | 345,147 |

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, 2012 and 2011:

| Increase/decrease in Peso to US Dollar Rate | Effect on Income Before Taxes | |
|---|-------------------------------|------------------|
| | 2012 | 2011 |
| +P5.00 | US\$ 1,687,530 | US\$ 1,725,735 |
| -P5.00 | US\$ (1,687,530) | US\$ (1,725,735) |

There is no other impact on the Company's equity other than those affecting the 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 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 is as follows:

| | 2012 | | 2011 | |
|--------------------------------|-------------|---|-------------|---|
| | Principal | Interest rates | Principal | Interest rates |
| Foreign currency loans | P 4,860,656 | 1M LIBOR plus 2.75% 1M LIBOR plus 3% | P 5,213,522 | 1M LIBOR plus 2.75% 1M LIBOR plus 3% |
| Obligation under finance lease | 412,870 | 11%-19% | 1,049,079 | 11%-19% |
| | P 5,273,526 | | P 6,262,601 | |

The sensitivity analyses have been determined based on the exposure to interest rates for foreign currency loans that are subject to repricing. If interest rates had been 200 basis points higher/lower and all other variables were held constant, the Company's:

- Profit before taxes would decrease/increase by P464,571 in 2012 and P742,068 in 2011. This is mainly attributable to the Company's exposure to interest rates on its variable rate financial assets; and
- Equity would decrease/increase by P441,342 in 2012 and P704,964 in 2011.

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.

Fair values

Comparative carrying amounts and fair values of financial instruments as at December 31, 2012 and 2011 are as follows:

| | 2012 | | 2011 | |
|---------------------------------------|------------------|--------------|------------------|--------------|
| | Carrying amounts | Fair value | Carrying amounts | Fair value |
| Cash and cash equivalents | P 9,500,468 | P 9,500,468 | P 2,051,769 | P 2,051,769 |
| Trade receivables | 30,379,650 | 30,379,650 | 31,092,958 | 31,092,958 |
| Loans and interest receivable | 62,638 | 62,638 | 13,542,203 | 13,542,203 |
| Other short term investment | 11,333,590 | 11,333,590 | 12,775,600 | 12,775,600 |
| Other receivables | 3,103,158 | 3,103,158 | 3,316,432 | 3,316,432 |
| Advances for projects | 23,742,360 | 23,742,360 | 26,900,000 | 26,900,000 |
| Accounts payable and accrued expenses | (446,836) | (446,836) | (1,536,468) | (1,536,468) |
| Interest bearing liabilities | (5,273,526) | (5,273,526) | (6,262,601) | (6,262,601) |
| Net financial asset | P 72,401,502 | P 72,401,502 | P 81,879,893 | P 81,879,893 |



Due to short-term nature of transactions, cash on hand and in banks, trade and other receivables, other short term investments fair values approximates the carrying amounts at initial recognition.

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, additional paid-in capital, revaluation increment and retained earnings.

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

| | 2012 | 2011 |
|--------------|-------------|-------------|
| Equity | 306,974,505 | 314,916,555 |
| Total Assets | 313,868,431 | 329,584,904 |
| Ratio | 0.98 | 0.95 |

5. Cash and cash equivalents

As at December 31, 2012 and 2011 cash and cash equivalents represent cash on hand and cash in banks of P 9,500,468 and P2,051,769, respectively.

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

6. Trade receivables - net

The composition of this account is as follows:

| | 2012 | 2011 |
|-------------------------------------|--------------|--------------|
| Trade | P 36,733,816 | P 37,447,124 |
| Less: Allowance for probable losses | (6,354,166) | (6,354,166) |
| | P 30,379,650 | P 31,092,958 |

Trade accounts have credit terms of 30-90 days.

During 2012 and 2011 there were no changes affecting the allowance for probable losses.



7. Loans and interest receivable

This account consists of:

| | 2012 | 2011 |
|--------------------------|----------|--------------|
| Loans receivable | | |
| Mr. Arsenio T. Ng | P - | P 6,624,864 |
| Unipage Management, Inc. | - | 6,154,435 |
| | | - 12,779,299 |
| Interest receivable | | |
| Mr. Arsenio T. Ng | 62,638 | 448,031 |
| Unipage Management, Inc. | - | 314,873 |
| | 62,638 | 762,904 |
| | P 62,638 | P 13,542,203 |

Loan to Mr. Arsenio T. Ng

The original loan to Mr. Arsenio T. Ng is covered by a Contract of Loan executed on July 11, 2008. The loan agreement binds Mr. Ng to pay the loan on or before November 30, 2009 inclusive of interest at 5% per annum. On November 30, 2009, the same Contract of Loan was renewed extending its due date to November 30, 2010. And on November 30, 2010, both parties has agreed for another renewal of the Contract of Loan on the remaining amount of P8,985,095 payable on or before November 30, 2011. On November 26, 2011, the contract of loan was renewed for the remaining amount of P7,072,895 payable on or before November 30, 2012. The agreement provides that in the event of default, the debtor shall be liable for monthly interests at the same rate in addition to compounded penalties equivalent to legal interests on total amounts due, without prejudice to the right of the Company to enforce any of its rights under the Contract of Loan. The loan is secured with a collateral guarantee under Time Deposit of P6,326,374.

Loan to Unipage Management Group Inc.

The original loan to Unipage Management Inc. (UMI) is covered by a contract of loan executed on December 15, 2008. The loan agreement binds UMI to pay the loan on or before December 15, 2009 inclusive of interest at 5% per annum. On December 15, 2009, the loan was extended up to December 15, 2010 with principal amount of P 6,331,856 (inclusive of unpaid interest as of December 15, 2009). In addition, on December 15, 2010, both parties have agreed for another renewal of the Contract of Loan on the remaining amount of P 5,831,856 payable on or before December 15, 2011. On December 15, 2011, the contract of loan was renewed for the remaining amount of P6,469,307 payable on or before December 15, 2012.

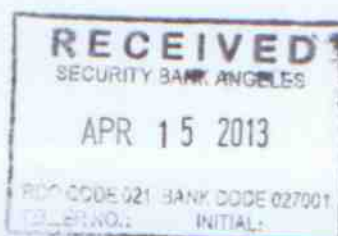
The loan is secured by (i) Time Deposit under China Banking Corporation for P 5,146,294 under the beneficial ownership of the debtor.

The loan was granted to facilitate the production, publication, and marketing of a book "A Nation's Guide to Financial Prosperity which is aimed to promote the public relations efforts of the company on a sustainable basis.

The loan and interest was paid in full during 2012.

Mr. Arsenio T. Ng, UMI, and the Company are related parties.

As of December 31, 2012, the loan to Mr. Arsenio T. Ng was paid in full except for P62,638 interest receivable which was paid subsequently in 2013.



8. Other Short Term Investments

Other short term investments are foreign currency deposits earmarked for the acquisition of capital equipment to augment the Company's expansion plans.

These investments with carrying value of P11,333,590 in 2012 and P12,775,600 in 2011 earn interest of 8% annually.

9. Spare parts inventory

Spare parts inventory consists of communication supplies and materials that are normally provided to the customers in the delivery of services. Spare parts inventory costing P241,983 and P11,199,592 was transferred to property and equipment in 2012 and 2011, respectively. Spare parts inventory amounting to P3,859,237 in 2012 and P4,101,220 in 2011 are carried at cost.

10. Advances for projects

In accordance with memorandum agreement (MOA) entered into between His Royal Highness Prince Abdul Aziz Bin Talal (HRH) and the Company dated November 5, 2008, the latter made an investment in E-commerce including media, telecoms, internet and education technology services which will promote global understanding, mutual respect and openness to humanity and to further gain a foothold in Asia providing bridge in Saudi Culture and friendship in the Philippines and other Asian nations.

As at December 31, 2012 and 2011, funds amounting to P23.7 million and P26.9 million, respectively have been released to HRH to cover projects in the pipeline that HRH and the Company is pursuing.

The funds cannot be expended and considered "in-trust" until such time the investment of HRH in TBGI is effected. In the event that such investment would not push through, the entire funds will be returned to TBGI.

To ensure the completion of the investment or the return of the deposit in the event the investment is not completed, a share pledge agreement was executed on December 15, 2009 by the Company and Mr. Arsenio T. Ng, a proponent of the investment project, whereby the latter pledges his 10,756,429 shares of TBGI as security with a fair value of P27,966,715. The said agreement was renewed for another year starting on December 15, 2012.

The amount of P 23.7 million is unspent as at December 31, 2012.

HRH is the Company's Chairman and Mr. Arsenio T. Ng is the Company's President.

11. Advances to and Investment in an Associate

During 2010, the Company subscribed to 7.5 million shares in ATN Philippines Solar Energy Group Inc. (ATN Solar). From the 7.5 million shares subscribed P1.875 million have been paid and the balance of P5.625 million is presented in the liability section as "Subscription Payable". In 2012, the balance of subscription was paid in full.

The Company holds a 20.69% and 30% interest in ATN Philippines Solar Energy Group Inc. in 2012 and 2011, respectively.



The Company's advances to and investment in associate are as follows:

| | | 2012 | | 2011 |
|-------------------------|---|------------|---|-----------|
| Investment in associate | P | 7,500,000 | P | 7,500,000 |
| Advances to associate | | 4,125,000 | | - |
| | P | 11,625,000 | P | 7,500,000 |

In 2011, ATN Solar was awarded by Department of Energy for the 30-MW Rodriguez Solar Power Project.

As at December 31, 2012, certain conditions are yet to be finalized including supply of material, project financing and government permits. ATN Solar has not started commercial operation.

12. Franchise-net

The movement in this account is as follows:

| | | 2012 | | 2011 |
|--------------|---|-----------|---|-----------|
| Franchise | P | 7,342,405 | P | 7,942,405 |
| Amortization | | (600,000) | | (600,000) |
| | P | 6,742,405 | P | 7,342,405 |

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.

13. Other non-current assets

This account consists of:

| | | 2012 | | 2011 |
|--|---|-----------|---|-----------|
| Advances to: | | | | |
| Palladian Land Development Inc. (PLDI) (see note 23) | P | 2,041,084 | P | 2,319,358 |
| ATN Holdings, Inc. (ATN) (see note 23) | | 1,062,074 | | 997,074 |
| Security deposit | | 455,505 | | 455,505 |
| | P | 3,558,663 | P | 3,771,937 |

The company, PLDI and ATN are all affiliated companies.

The aforementioned receivables are not subject to interest and have no fixed repayment period.



14. Property and equipment - net

The movement in this account is as follows:

| 2012 | Building & improvements | Uplink/data Equipment | Furniture & Fixtures | Leasehold improvements | Transportation equipment | Total |
|---|-------------------------|-----------------------|----------------------|------------------------|--------------------------|---------------|
| Carrying Amount | | | | | | |
| At January 1, 2012 | P 21,393,402 | P 247,158,409 | P 4,795,726 | P 18,280,657 | P 10,785,148 | P 302,413,342 |
| Reclassification from spare parts inventory | - | 241,983 | - | - | - | 241,983 |
| Additions | - | 2,887,500 | 385,000 | 865,052 | 3,890,136 | 8,027,688 |
| At December 31, 2012 | 21,393,402 | 250,287,892 | 5,180,726 | 19,145,709 | 14,675,284 | 310,683,013 |
| Accumulated depreciation | | | | | | |
| At January 1, 2012 | 13,905,724 | 101,670,739 | 1,358,501 | 7,003,572 | 8,255,392 | 132,193,929 |
| Provisions | 1,069,672 | 12,509,086 | 213,069 | 898,846 | 1,021,390 | 15,712,064 |
| At December 31, 2012 | 14,975,396 | 114,179,825 | 1,571,570 | 7,902,418 | 9,276,782 | 147,905,993 |
| Net Book Value | | | | | | |
| At December 31, 2012 | P 6,418,006 | P 136,108,067 | P 3,609,156 | P 11,243,291 | P 5,398,502 | P 162,777,020 |

| 2011 | Building & improvements | Uplink/data Equipment | Furniture & Fixtures | Leasehold improvements | Transportation equipment | Total |
|---|-------------------------|-----------------------|----------------------|------------------------|--------------------------|---------------|
| Carrying Amount | | | | | | |
| At January 1, 2011 | P 21,393,402 | P 216,421,393 | P 4,795,726 | P 18,280,657 | P 10,785,148 | P 271,676,326 |
| Reclassification from spare parts inventory | - | 11,199,592 | - | - | - | 11,199,592 |
| Additions | - | 19,537,424 | - | - | - | 19,537,424 |
| At December 31, 2011 | 21,393,402 | 247,158,409 | 4,795,726 | 18,280,657 | 10,785,148 | 302,413,342 |
| Accumulated depreciation | | | | | | |
| At January 1, 2011 | 12,836,052 | 89,193,920 | 1,155,057 | 6,162,396 | 6,679,190 | 116,026,615 |
| Provisions | 1,069,672 | 12,476,819 | 203,444 | 841,176 | 1,576,202 | 16,167,314 |
| Disposal | - | - | - | - | - | - |
| At December 31, 2011 | 13,905,724 | 101,670,739 | 1,358,501 | 7,003,572 | 8,255,392 | 132,193,929 |
| Net Book Value | | | | | | |
| At December 31, 2011 | P 7,487,678 | P 145,487,670 | P 3,437,225 | P 11,277,085 | P 2,529,756 | P 170,219,413 |

Building and improvements, uplink equipment, leasehold improvements and data equipment were revalued on October 28, 2002 by a firm of independent appraisers at market prices. The net appraisal increment resulting from the revaluation is credited to the "Revaluation Increment" account shown under equity. The amount of revaluation increment absorbed through depreciation is transferred from the revaluation increment to retained earnings. Management believes that fair value has not significantly changed since date of initial valuation.

Had the building and improvements, uplink equipment, leasehold improvements and data equipment been carried at cost less accumulated depreciation, amortization and impairment losses, if any, their carrying amounts would have been as follows:

| | 2012 | 2011 |
|---------------------------|-------------|-------------|
| Building and improvements | P 2,331,914 | P 3,401,586 |
| Uplink/data equipment | 32,003,948 | 33,098,959 |

The transportation equipment subject of the finance lease has a carrying value of P1,508,365 in 2012 and P2,280,890 in 2011.



15. Investment properties

As of December 31, 2012 and 2011, the breakdown of the Company's investment properties is shown below:

| | |
|-----------------------|--------------|
| Condominium units | P 43,368,400 |
| Land and improvements | 6,919,000 |
| | P 50,287,400 |

The fair market value of the condominium units is based on the appraisal made by a firm of independent appraisers on November 22, 2007.

The fair market value of the land and improvement is based on the latest available appraisal made by a firm of independent appraisers on January 23, 2003. The assigned value was estimated using the Market Data Approach, which is based on sales and listing of comparable property registered within the vicinity that considered factors such as locations, size and shape of the properties.

Portion of the condominium unit is rented out without incurring additional expense on the part of the Company. Rent income earned on investment properties amounted to P1,550,456 in 2012, P239,064 in 2011 and P544,516 in 2010.

16. Accounts payable and accrued expenses

This account consists of:

| | | 2012 | | 2011 |
|---------------------|---|---------|---|-----------|
| Trade payables | P | 171,943 | P | 1,069,246 |
| Accrued liabilities | | 273,590 | | 446,521 |
| Other liabilities | | 1,302 | | 20,701 |
| | P | 446,836 | P | 1,536,468 |

Trade payables which include transponder lease and internet services are settled on a 1-3 months term. Accrued expenses are settled on a 30-day term. Other liabilities include statutory liabilities payable in subsequent month.

17. Interest-bearing liabilities

Details of this account as at December 31 are as follows:

| | | 2012 | | 2011 |
|--------------------------------|---|-----------|---|-----------|
| Foreign currency loans | P | 4,860,656 | P | 5,213,522 |
| Obligation under finance lease | | 412,870 | | 1,049,079 |
| | | 5,273,526 | | 6,262,601 |
| Less: current portion | | 5,164,653 | | 5,849,729 |
| | P | 108,873 | P | 412,872 |

Foreign currency loans

Foreign currency loans were obtained from China Banking Corporation ("CBC") payable up to 2013. Annual interest rate is 2.7485% and is payable monthly in arrears. The loan is secured by real estate mortgages executed by related parties, namely, Palladian Land Development, Inc. and ATN Holdings, Inc.



Obligation under finance lease

On various dates, the Company acquired transportation equipment availed under financing terms of the banks, which requires monthly amortization of principal plus interest ranging from 10% to 20%.

Future minimum lease commitments for obligation under the finance leases are as follows:

| | | 2012 | | 2011 |
|---------------------------------|---|---------|---|-----------|
| Due within 1 year | P | 303,997 | P | 636,207 |
| Due after 1st year up 5th year | | 108,873 | | 412,872 |
| Total | | 412,870 | | 1,049,079 |
| Amount representing interest | | 84,641 | | 215,187 |
| Present value of lease payments | P | 497,511 | P | 1,264,266 |

Interest expense related to obligation under finance lease amounted to P84,641 in 2012, P215,187 in 2011 and P332,602 in 2010.

18. Retirement benefits

Retirement benefit paid computed under RA 7641 amounted to P270,403 in 2011. Retirement benefit cost recognized in the financial statements amounted to P56,382 in 2012, P-0- in 2011 and P186,501 in 2010. The movement in Liability for Retirement benefits for the year ended December 31, 2012 and 2011 is as follows:

| | | 2012 | | 2011 |
|----------------------------------|---|-----------|---|-----------|
| Balance, January 1 | P | 962,383 | P | 1,232,786 |
| Benefits paid/expense recognized | | 56,382 | | (270,403) |
| | P | 1,018,765 | P | 962,383 |

Management believes that retirement benefits computed under RA 7641 does not materially differ from that of PAS 19.

19. Equity

Share capital

The Company's capital structure is as follows:

| | Shares | Amount |
|-------------------------------------|-------------|---------------|
| Authorized - P1 par value per share | 380,000,000 | P 380,000,000 |
| Issued and outstanding | 222,019,330 | 222,019,330 |
| Shares held in treasury | 437,800 | 437,800 |

Issued capital held in treasury totaled 437,800 shares.

The Company's shares are listed and traded at the Second Board of the Philippine Stock exchange ("PSE"). The listing of the offer shares was approved by the Board of Directors of the PSE on October 22, 2003. The listing date is on December 12, 2003.

The Company has committed to issue to ATN Holdings Inc., a related party, 13,000,000 common shares in consideration for the acquisition of investment property and the payment of loan to ATN amounting to P2.5 million in 2007. These shares were to become available after the listing of 170,980,670 unissued common shares. Subject shares were to be issued not later than October 22, 2008 as the Company has undertaken on best efforts basis, to make new shares available on June 22, 2008. The additional listing was not carried out as of December 31, 2012.



Documentary requirements are still being collated for the Company's application for exemption from the registration of new shares with the Securities and Exchange Commission.

Share options

On March 28, 2008, the Board of directors approved the grant of stock options to the Chairman and CEO as follows:

- (1) 35 million shares at par value of P1.00 per share as a compensation for services rendered as CEO of the Company during the period 2001 to 2007; and
- (2) 5 million shares at par value of P1.00 per share as compensation for services to be rendered as CEO of the Company during the period 2008 and onwards, on the condition that he will not sell the shares acquired by him under the said stock options in quantities exceeding 20% of the trading volume of the Philippine Stock Exchange in any single business day.

The stock option is measured using the intrinsic value method as the fair value of the option cannot be estimated reliably.

As the aforementioned approved grant had no vesting period, the financial impact is the recognition of an expense amounting to P104 million. Management believes that the Company cannot afford this expense in 2008. Consequently, additional terms and conditions of the stock option of the CEO was considered by the Remunerations Committee specifically on vesting dates which extends to 2023 and approved by the Board of Directors in a special meeting on April 23, 2009. Details of the vesting schedule are as follows:

| Vesting Schedule | Share Options | No. of years from 2008 |
|------------------|-------------------|---------------------------|
| May 23, 2008 | | |
| May 23, 2009 | - | 1 |
| May 23, 2010 | - | 2 |
| May 23, 2011 | - | 3 |
| May 23, 2012 | - | 4 |
| May 23, 2013 | 500,000 | 5 |
| May 23, 2014 | 500,000 | 6 |
| May 23, 2015 | 500,000 | 7 |
| May 23, 2016 | 500,000 | 8 |
| May 23, 2017 | 500,000 | 9 |
| May 23, 2018 | 500,000 | 10 |
| May 23, 2019 | 500,000 | 11 |
| May 23, 2020 | 500,000 | 12 |
| May 23, 2021 | 500,000 | 13 |
| May 23, 2022 | 5,500,000 | 14 |
| May 23, 2023 | 30,000,000 | 15 |
| | <u>40,000,000</u> | |

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. After deliberation on the request, the Remuneration Committee unanimously resolved and the following were approved by the Board of Directors:

1. The Stock Options Plan for the CEO of Forty Million (40,000,000) TBGI shares for the period 2001 to 2008 shall be indefinitely deferred.
2. The (40) million TBGI shares Stock Option Plan for the CEO with a vesting schedule of 20 years shall be indefinitely deferred.



Revaluation increment

The movement of this account as at December 31 is as follows:

| | | 2012 | | 2011 |
|--|---|-------------|---|-------------|
| Revaluation increment | P | 7,750,126 | P | 9,974,940 |
| Cumulative amount of revaluation absorbed through depreciation | | (2,224,814) | | (2,224,814) |
| | P | 5,525,312 | P | 7,750,126 |

Retained earnings

As of December 31, dividend declaration out of retained earnings is restricted to the following:

| | | 2012 | | 2011 |
|---|---|-----------|---|-----------|
| Fair value gains on investment property | P | 5,525,312 | P | 7,750,126 |
| Treasury stock | | 437,800 | | 437,800 |
| | P | 5,963,112 | P | 8,187,926 |

20. Direct costs

This account consists of:

| | | 2012 | | 2011 | | 2010 |
|----------------------------------|---|------------|---|------------|---|------------|
| Depreciation | P | 15,712,064 | P | 16,167,313 | P | 15,599,396 |
| Transponder lease (see Note 27) | | 10,853,268 | | 10,630,894 | | 12,988,615 |
| Rental expense (see Note 27) | | 1,923,220 | | 1,747,268 | | 1,692,500 |
| Salaries, wages & other benefits | | 1,769,295 | | 1,804,492 | | 2,280,441 |
| Utilities and communication | | 1,027,837 | | 1,031,237 | | 1,046,636 |
| Transportation and travel | | 823,417 | | 1,484,609 | | 1,271,246 |
| Taxes and licenses | | 770,395 | | 466,498 | | 810,811 |
| Amortization of franchise | | 600,000 | | 600,000 | | 600,000 |
| Security services | | 418,638 | | 665,816 | | 448,969 |
| Office supplies | | 275,897 | | 603,673 | | 602,634 |
| Insurance | | 262,808 | | 295,852 | | 239,718 |
| Repairs and maintenance | | - | | 21,750 | | 227,873 |
| | P | 34,436,838 | P | 35,519,402 | P | 37,808,839 |

21. Other income

The composition of this account is as follows:

| | | 2012 | | 2011 | | 2010 |
|----------------------------------|---|-----------|---|-----------|---|-----------|
| Rent income | P | 1,550,456 | P | 239,064 | P | 544,516 |
| Interest income | | 1,016,258 | | 1,284,583 | | 1,088,138 |
| Unrealized foreign exchange gain | | - | | - | | 1,029,306 |
| | P | 2,566,714 | P | 1,523,647 | P | 2,661,959 |



22. Administrative expenses

This account consists of:

| | 2012 | 2011 | 2010 |
|------------------------------------|-------------|-------------|-------------|
| Unrealized foreign exchange loss | P 5,199,978 | P 334,667 | P - |
| Power, utilities and communication | 776,401 | 1,427,303 | 1,109,710 |
| Salaries, wages and other benefits | 755,610 | 770,145 | 917,320 |
| Legal and professional fees | 445,000 | 672,700 | 1,040,000 |
| Permits, taxes and licenses | 444,430 | 427,884 | 514,805 |
| Representation and entertainment | 154,030 | 255,000 | 167,757 |
| Transportation and travel | 21,027 | 129,885 | 196,165 |
| Miscellaneous | 993 | 748,427 | 20,973 |
| | P 7,797,468 | P 4,766,012 | P 3,966,730 |

23. Related party transactions

(a) The following are transactions with related parties during the year:

| | 2012 | 2011 |
|---|---------------|---------------|
| Collection of loans and interests receivable from Mr. Arsenio T. Ng President and CEO (see Note 7) | P (7,010,257) | P (2,620,834) |
| (Collection) interest accrual on loans and interests receivable from Unipage Management Inc. an affiliated company (see Note 7) | (6,469,307) | 314,872 |
| Advances for projects (see Note 10) | (3,157,640) | (300,000) |
| Advances (collections) from related parties (see note 9) | | |
| ATN Holdings, Inc. | 65,000 | - |
| Palladian Land Development, Inc. | (278,274) | 331,977 |

The movements in advances for projects represent loss on foreign exchange.

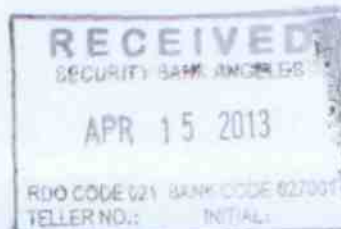
The year-end balances of receivables and advances to related parties after considering related party transactions for the year are as follows:

| | 2012 | 2011 |
|----------------------------------|--------------|--------------|
| Advances for projects | P 23,742,360 | P 26,900,000 |
| Loans and interest receivable | 62,638 | 13,542,203 |
| Other receivables | | |
| Palladian Land Development, Inc. | 2,041,084 | 2,319,358 |
| ATN Holdings, Inc. | 1,062,074 | 997,074 |

(b) Key management compensation

The compensation paid or payable to key management personnel for the year ended December 31, 2012, 2011 and 2010 are P714,766, P770,145 and P917,320, respectively.

Key management personnel have not been provided with retirement benefits.



24. Registration with Clark Special Economic Zone

The Company is a duly registered Clark Special Economic Zone ("CSEZ") enterprise with Registration Certificate No. 2002-065 dated July 25, 2002. This certificate supersedes Certificate of Registration No. 95-53 issued by Clark Development Corporation ("CDC") to the Company on November 29, 1995 and shall be valid until July 9, 2020 unless earlier revoked by 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 paying 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; and

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.

25. Income taxes

The major components of provision for income tax for the years ended December 31, 2012, 2011 and 2010 are as follows:

| | 2012 | | 2011 | | 2010 |
|----------|------------------|----------|----------------|----------|----------------|
| Current | 122,380 | P | 165,590 | P | 317,026 |
| Deferred | (2,819) | | (37,944) | | (60,790) |
| | P 119,561 | P | 127,646 | P | 256,236 |

The components of net deferred tax assets that were not recognized in the statements of financial positions are as follows:

| | 2012 | | 2011 | | 2010 |
|---|------------------|----------|----------------|----------|----------------|
| Deferred tax assets | | | | | |
| Unrealized loss on fair value adjustment on investment property - net | P 103,116 | P | 103,116 | P | 103,116 |
| Pension liability | 50,938 | | 48,119 | | 61,639 |
| Unrealized foreign exchange gain | - | | - | | 51,465 |
| Deferred tax liability | | | | | |
| Revaluation increment | 290,808 | | 407,903 | | 524,998 |
| Net deferred tax liability | P 136,754 | P | 256,669 | P | 308,777 |



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

| | 2012 | 2011 | 2010 |
|--|---------------|---------------|-----------|
| Income (loss) before income tax | P (7,939,584) | P (4,496,741) | P 397,368 |
| Statutory income tax (@5%) | (396,979) | (224,837) | 19,868 |
| Adjustment for: | | | |
| Interest income subject to final tax | - | (114) | (2,846) |
| Depreciation on revaluation increment | 117,095 | 117,095 | 117,095 |
| Pension liability | 2,819 | - | 9,325 |
| Unrealized gain in 2011 realized in 2012 | - | 16,594 | - |
| Unrecognized foreign exchange gain | - | - | (51,465) |
| Non-deductible operating expense | 399,445 | 256,852 | 225,049 |
| Actual provision for income tax | P 122,380 | P 165,590 | P 317,026 |

26. 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 as follows:

| | 2012 | 2011 | 2010 |
|-----------------------------------|---------------|---------------|-------------|
| Profit (loss) for the year (a) | P (8,059,145) | P (4,624,387) | 141,131 |
| Weighted average number of shares | | | |
| Outstanding during the year (b) | 222,019,330 | 222,019,330 | 222,019,330 |
| Earnings (loss) per share | (0.0363) | (0.0208) | 0.0006 |

As at December 31, 2012, 2011 and 2010, there are no potential ordinary shares with dilutive effect.

27. Contracts and other commitments

(a) Lease Agreement with Mabuhay Satellite Corporation

On November 19, 2006, the Company renewed its transponder lease agreement with Mabuhay Philippine Satellite Corporation to lease 10.5MHz of the C-band transponder. The lease agreement requires monthly payment of US\$21,680 over the lease term of three (3) years. On November 20, 2009, the same lease agreement was renewed. The lease agreement expired in June 2011 and was no longer renewed.

In June 2011, the Company entered into a transponder lease agreement with Asia Broadcast Satellite, Ltd which requires monthly payment of US\$20,445 over the lease term of three (3) years.

Transponder lease recognized in the statements of comprehensive income amounted to P10,853,268 in 2012, P10,630,894 in 2011 and P12,988,615 in 2010. None of these leases includes 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.



Initially the lease agreement requires minimum guaranteed rental of P17,000 per month for the first two (2) years and 10% annual compounded increase thereafter or a certain percentage of gross revenues whichever is higher for the succeeding years.

Certain amendments have been made to the original contract with regard to the reduction in leased area and corresponding rates. The minimum lease rental is P67,400.

(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 P1,923,220 in 2012, P1,747,268 in 2011 and P1,692,500 in 2010.

(d) Lease Agreement with Palladian Land Development Inc.

The Company leases Unit 8B of the Summit One Parking Building for a period of five (5) years starting October 15, 2008 Dto October 14, 2013. Rental rate is P80,000 per month. For the first two years of occupancy, no rental shall be charged in consideration for the cost of improvements that the Company will construct. No payments were made in 2012.

(e) Lease Agreement with IPP, Microcircuits, Just Marketing, Primeasia, and Globex with TBGI as lessor

The Company has short-term lease agreements with the aforementioned tenants with varying rates. The rent income from these leases do not have direct operating expenses.

On March 31, 2010, the lease agreement with IPP expired and was not renewed anymore.

In 2012, Just Marketing, Primeasia and Globex entered into a lease agreement with TBGI.

28. Other significant matters

Contingencies

In the normal course of business, the Company may become defendant in lawsuits involving settlement of insurance claims. The Company recognized adequate provisions in its books to cover possible losses that may be incurred on these claims. In the opinion of management, liabilities arising from these claims, if any, will not have material effect on the Company's financial position and will have no material impact in the financial statements, taken as a whole.

29. Supplementary Information Required under Revenue Regulations 15-2010 and 19-2011

The Bureau of Internal Revenue (BIR) issued Revenue Regulations 15-2010 and 19-2011 which require additional tax information to be disclosed in the Notes to Financial Statements. The following information covering the calendar year ended December 31, 2012 is presented in compliance thereto.

(i) *Supplementary information required under RR 15-2010*

- The taxable income declared in the Company's Income Tax Return for 2012 amounted to P2,447,616 which is subject to a 3% tax rate.



- The amounts of withholding taxes paid and accrued, by category are as follows:

| | | |
|------------------------------|---|--------|
| Tax on compensation | P | 21,950 |
| Creditable withholding taxes | | 27,840 |

- As of December 31, 2012, the Company has no pending tax cases within and outside the administration of the BIR.

(ii) Supplementary information required under RR 19-2011

- Details of Company's operating and non-operating income are as follows:

| | | |
|--|---|------------|
| Uplink and other data-related services | P | 31,960,293 |
| Other income | | 2,566,714 |

- Details of direct costs for income tax purposes are as follows:

| | | |
|------------------------------------|---|------------|
| Depreciation and amortization | P | 13,370,155 |
| Transponder lease | | 10,853,268 |
| Rental expense | | 1,923,220 |
| Salaries, wages and other benefits | | 1,753,757 |
| Utilities and communication | | 1,027,837 |
| Transportation and travel | | 823,417 |
| Taxes and licenses | | 770,395 |
| Amortization of franchise fee | | 600,000 |
| Security services | | 418,638 |
| Office supplies | | 275,897 |
| Insurance | | 262,808 |
| | P | 32,079,391 |

- Taxes and licenses presented as part of direct costs and operating expenses in the Company's statement of comprehensive income are as follows:

| | | |
|----------------------------------|---|-----------|
| Annual listing fee - PSE | P | 250,000 |
| Annual registration fee - SEC | | 5,050 |
| Annual registration fee - BIR | | 500 |
| Renewal of license - NTC | | 17,045 |
| Supervision and regulation - NTC | | 753,350 |
| Business permit | | 3,444 |
| Real estate tax | | 160,125 |
| Documentary stamp tax | | 25,311 |
| | P | 1,214,825 |



Independent Auditors' Report on Supplementary Schedules

The Board of Directors and Stockholders
TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
9TH Floor, Summit Tower 1 Bldg.,
530 Shaw Blvd., Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.** as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012, included in this Form 17-A, and have issued our report thereon dated April 12, 2013. 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 the Financial Statements and 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: **DOMINGO A. DAZA, JR.**

Partner

CPA Certificate No. 0109993

Tax Identification No. 203-917-449

PTR No. 8535570, January 18, 2013, Pasig City

SEC Accreditation No. 1088-A, valid until February 23, 2014

BIR Accreditation No. 07-001024-10-2010, valid until
October 27, 2013

April 12, 2013
Pasig City

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
Index to Supplementary Schedules
Under SEC Rule 68, As Amended (2011)
December 31, 2012

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| A | Marketable Securities | 8 |
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| C | Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties) | 9 |
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| F | Long Term Debt | 11 |
| G | Indebtedness to Related Parties (Long-Term Loans from Related Companies) | N/A |
| H | Guarantee Securities of Other Issuers | N/A |
| I | Share Capital | 12 |

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.

| PHILIPPINE FINANCIAL REPORTING AND STANDARDS AND INTERPRETATIONS | | Adopted | Not adopted | Not applicable |
|--|--|---------|-------------|----------------|
| Effective as of December 31, 2012 | | | | |
| PFRS's Practice Statement Management Commentary | | | | x |
| Philippine Financial Reporting Standards | | | | |
| PFRS 1 (Revised) | 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 |
| 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 |
| PFRS 3 (Revised) | Business Combinations | | | x |
| PFRS 4 | Insurance Contracts | | | x |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | x |
| PFRS 5 | Non-current assets held for sale and discontinued operations | | | 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 | |
| PFRS 8 | Operating segments | | | x |
| PFRS 9 | Financial Instruments | x | | |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | x | |
| PFRS 10 | Consolidated Financial statements | | | x |
| PFRS 11 | Joint agreements | | | x |
| PFRS 12 | Disclosure of Interest in Other Entities | | | x |
| PFRS 13 | Fair Value Measurement | x | | |

| PHILIPPINE FINANCIAL REPORTING AND STANDARDS AND INTERPRETATIONS | Adopted | Not adopted | Not applicable |
|--|---------|-------------|----------------|
| Effective as of December 31, 2012 | | | |

| | | | |
|--|--|--|--|
| Philippine Accounting Standards | | | |
|--|--|--|--|

| | | | | |
|---------------------|---|---|---|---|
| PAS 1 | Presentation of Financial Statements | x | | |
| (Revised) | 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 | | |
| PAS 2 | Inventories | x | | |
| PAS 7 | Statement of Cash flows | x | | |
| PAS 8 | Accounting Policies, Changes in Accounting estimates and errors | x | | |
| PAS 10 | Events after the Balance Sheet Date | x | | |
| PAS 11 | Construction Contracts | | | x |
| PAS 12 | Income Taxes | x | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | x | | |
| PAS 16 | Property, Plant and Equipment | x | | |
| PAS 17 | Leases | x | | |
| PAS 18 | Revenue | x | | |
| PAS 19 | Employee benefits | x | | |
| | Amendments to PAS 19: Actuarial Gains and Losses; Group plans and disclosures | x | | |
| PAS 19 (Amended) | Employee benefits | | 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 | | |
| PAS 26 | Accounting and Reporting by Retirement benefit plans | | | x |
| PAS 27 (Revised) | Separate Financial Statements | | | x |
| PAS 28 (Amended) | Investment in Associates and Joint Ventures | x | | |
| 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 |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | x | | |
| PAS 33 | Earnings per share | x | | |
| PAS 34 | Interim Financial Reporting | | | x |
| PAS 36 | Impairment of Assets | x | | |
| PAS 37 | Provisions, Contingent Liabilities and Contingent Assets | x | | |
| PAS 38 | Intangible Assets | x | | |

| PHILIPPINE FINANCIAL REPORTING AND STANDARDS AND INTERPRETATIONS | | Adopted | Not adopted | Not applicable |
|--|--|---------|-------------|----------------|
| Effective as of December 31, 2012 | | | | |
| PAS 39 | Financial Instruments: Recognition and Measurement | x | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | x | | |
| | AmendmentS TO pas 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | x |
| | Amendments to PAS 39: The Fair Value Option | x | | |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | 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 Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | | | x |
| | Amendment to PAS 39: Eligible Hedged Items | | | x |
| PAS 40 | Investment Property | x | | |
| PAS 41 | Agriculture | | | x |
| Philippine Interpretations | | | | |
| 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 |
| IFRIC 8 | Scope of PFRS 2 | | | x |
| 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 11 | PFRS 2-Group and Treasury share transactions | | | x |
| IFRIC 12 | Service Concession Arrangements | | | x |
| IFRIC 13 | Customer Loyalty Programmes | | | 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 18 | Transfers of Assets from Customers | | | x |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | | | x |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | | | x |
| SIC - 7 | Introduction of the Euro | | | x |
| SIC - 10 | Government Assistance - No specific relation to Operating Activities | | | x |
| SIC - 12 | Consolidation - Special purpose entities | | | x |
| | Amendment to SIC - 12: Scope of SIC - 12 | | | x |
| SIC - 13 | Jointly Controlled Entities - Non Monetary Contributions by Venturers | | | x |

| PHILIPPINE FINANCIAL REPORTING AND STANDARDS AND INTERPRETATIONS | Adopted | Not adopted | Not applicable |
|---|---------|----------------|-------------------|
| Effective as of December 31, 2012 | | | |

| | | | | |
|----------|--|---|--|---|
| SIC - 15 | Operating Leases - Incentives | | | x |
| SIC - 21 | Income Taxes - Recovery of Revalued Non-Depreciable Assets | 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 - 31 | Revenue - Barter Transactions Involving Advertising Services | | | x |
| SIC - 32 | Intangible Assets - Web Site Costs | | | x |

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
Schedule II - Financial Soundness Indicators
Pursuant to SRC Rule 68, As Amended

| | 2012 | 2011 |
|--|---------|---------|
| A. Current/liquidity ratios | | |
| Current ratio | 9.79 | 8.58 |
| Quick ratio | 9.11 | 8.02 |
| Cash ratio | 3.70 | 2.00 |
| B. Solvency ratio/Debt-to-equity ratio | | |
| Solvency ratio | 1.22 | 0.84 |
| Debt-to-Equity ratio | 0.02 | 0.05 |
| C. Asset-to-Equity ratios | 1.02 | 1.05 |
| D. Interest Rate Coverage ratio | | |
| Interest coverage ratio | (33.18) | (11.12) |
| E. Profitability ratios | | |
| Net profit margin analysis | -25.22% | -13.35% |
| Return on assets | -0.82% | -0.47% |
| Return on equity | -0.86% | -0.50% |
| Return on capital employed | -2.51% | -1.39% |

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
Schedule III- Retained Earnings Available for Dividend Declaration
December 31, 2012

| | |
|--|--------------|
| Unappropriated Retained Earnings, <i>as adjusted to</i> <i>available for dividend distribution, beginning</i> | P 47,235,063 |
| Add: Net income actually earned/realized during the period | |
| Net income during the period closed to Retained Earnings | (8,059,145) |
| Less: Non-actual/unrealized income net of tax | |
| Equity in net income of associate/joint venture | - |
| Unrealized foreign exchange gain | - |
| Fair value adjustment (M2M gains) | - |
| Adjustment due deviation from PFRS/GAAP | - |
| Sub-total | (8,059,145) |
| Add: Non-actual losses | |
| Realized income categorized as unrealized in previous year | 334,667 |
| Depreciation on revaluation increment (after tax) | 2,341,909 |
| Gain on revaluation of investment property (after tax) | - |
| Net income actually earned during the period | (5,382,569) |
| Less: Appropriations during the period | - |
| Retained Earnings available for dividend declaration | 41,852,494 |
| Add: Reversions of appropriations | - |
| TOTAL RETAINED EARNINGS, END | |
| AVAILABLE FOR DIVIDEND | P 41,852,494 |

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, 2012



TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.

Schedule A: Marketable Securities

December 31, 2012

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds & notes | Amount Shown in Balance Sheet | Value based on market quotation at balance sheet date |
|--|---|----------------------------------|---|
| Bank of Singapore | N/A | P 11,333,590 | P 11,333,590 |

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
Schedule C: Amounts Receivable from Directors, Officers, Employees, Related Parties and
Principal Stockholders (other than related parties)

December 31, 2012

| 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 |
|--|--------------------------------|-------------|-------------------------------|---------------------|----------|--------------|--------------------------|
| Arsenio T. Ng -Officer/Principal Stockholder | P 7,072,895 | P - | P 7,010,257 | P - | P 62,638 | P - | P 62,638 |
| Unipage Management Inc. - Related Party | 6,469,307 | - | 6,469,307 | - | - | - | - |
| HRH Prince Abdul Aziz -Director | 26,900,000 | - | 3,157,640 | - | - | 23,742,360 | 23,742,360 |
| ATN Holdings Inc. - Related Party | 997,074 | 65,000 | - | - | - | 1,062,074 | 1,062,074 |
| Palladian Land Development Inc. -Related Party | 2,319,358 | 2,507,645 | 2,785,919 | - | - | 2,041,084 | 2,041,084 |
| | P 43,758,634 | P 2,572,645 | P 19,423,123 | P - | P 62,638 | P 26,845,518 | P 26,908,156 |

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
Schedule E: Intangible Assets- Other assets
December 31, 2012

| Description | Beginning Balance | Additions at Cost | Charged to cost and expenses | Charged to other accounts | Other charges additions (deductions) | Ending Balance |
|-------------|-------------------|-------------------|------------------------------|---------------------------|--------------------------------------|----------------|
| Franchise | 7,342,405 | - | 600,000 | - | - | 6,742,405 |

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
Schedule F: Long Term Debt
December 31, 2012

| 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 related balance sheet |
|------------------------------------|--------------------------------|---|--|
| Sterling Bank China Bank | P | - 303,997 | P - 108,873 |
| | P | 303,997 | P 108,873 |

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
Schedule I: Share Capital
December 31, 2012

| 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 | 380,000,000 | 222,019,330 | 40,000,000 | 20,000,000 | 13,683,038 | 187,898,492 |