

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, 2016

(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, 2016**
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. **Bldg. 1751 Chico St. Clark Special Economic Zone, Angeles City, Pampanga**
Address

9/F Summit One Tower, 530 Shaw Blvd., Mandaluyong City 1550
Address of corporate office only Postal Code
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.
P339,536,962

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, disaster management, 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.

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 business opportunities and public demand better. TBGI operations do not generate waste or toxic emissions. TBGI ensures that all equipment suppliers comply with standards set by 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.

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. The company business activities serve customers in Asian countries covered by Apstar 6 satellite footprint.
- (ii) 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.
- (iii) 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.

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. The Company is particularly competitive in islands and 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.

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, disaster management and health care software systems, and access nodes hardware linked to its Network Operations Center in Clark, Pampanga.

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

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 has renewed such Provisional Authority.

- (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) allows Transpacific to expand scope of its services to include Internet telephony to its specific clients. 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, 2016, the company maintained 9 employees in its offices in Clark Field and Mandaluyong City and has no plan to hire additional employees for the next twelve months. The 9 employees consist of 8 Engineers, and 1 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 information 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 more of its corporate business development in applications or software rather than irreversible capital investments.

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 upgrade 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 Php2.2 million in 2016 and Php2.5million in 2015.

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

Item 3 - Legal Proceedings

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

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, 2016.

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, 2016		Jan 1 to Dec 31, 2015	
	High	Low	High	Low
Qtr. 1	1.80	1.48	2.14	1.85
Qtr. 2	2.30	1.76	2.03	1.70
Qtr. 3	1.95	1.84	1.79	1.44
Qtr. 4	1.93	1.71	1.52	1.42

(2) Holders

As of March 31, 2017, the company had 389 holders of common shares. The high and low market price as of April 5, 2017 is P1.75 and P1.37 respectively.

The top 20 stockholders as of March 31, 2017 are as follows:

Stockholder	No. of Common Shares Held	% of Total Shares Outstanding
1. PCD Nominee Corp. (F)	113,882,806	51.40%
2. PCD Nominee Corp. (NF)	49,366,209	22.28%
3. UnipageManagement Inc.	50,000,000	22.27%
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. Yap, Rodolfo T.	800,000	0.36%
10. Ng, Hilario Tiu Ng	400,804	0.18%
11. Ng, Mark T.	375,000	0.17%
12. Ng, Tiffany Anne	375,000	0.17%
13. Ng, Matthew H	375,000	0.17%
14. Ng, Annie Cham	375,000	0.17%
15. Ng, Bun Kui	360,000	0.16%
16. Ng, Irene	360,000	0.16%
17. Oliva, Dulce Maria	360,000	0.16%
18. Limqueco, Margie Villaflor	350,000	0.16%
19. Reyes-Lao, Honorio O.	300,000	0.14%
20. Limqueco, Margie V.	218,000	0.10%

(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. 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 has secured approval for project debt financing with a local bank. TBGI signed its Interconnection Agreement, and is negotiating a Power Supply Agreement with Meralco. The company likewise secured ERC approval of its Point-to-Point Connection Assets, and has almost completed construction of said assets that will connect its solar farm to Meralco. Two years earlier the DOE issued its Service Contract and Certificate of Commerciality.

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 Php34 Million as of 31 December 2016 covers more than four times the Php6.9 Million of current liabilities.

TBGI's profitability is 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 2016

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

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

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

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

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

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

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

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

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

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

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

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

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

The following are important performance indicators of the company:

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

Net Income to sales Ratio, and Earnings per Share	Calculated ratio of net income into total revenues. Indicates the efficiency of the company in generating revenues in excess of cash operating expenses and non-cash charges, and the ability of the company to declare dividends for stockholders.
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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 2015

Total assets decreased from PHP 361million to PHP 308 million as of December 31, 2015. The net decrease of PHP 53million in the total assets resulted from movements in the following:

Decrease in current assets of P 6 million arising from the following changes:

- d. Decrease of PHP 2.757 million in cash primarily due to additional investment in associates.
- e. Decrease of PHP 6 million in accounts receivables due to collection.
- f. Decrease P11.617 million in short term investment due to redemption of the investment.
- g. Increase of PHP1.5 million in other current assets due to reclassification from other non-current.

Decrease in non-current assets of PHP 6 million due to the following:

- e. Decrease in advances for projects of PHP 9.5 million due to liquidation of advances.
- f. Increase of PHP 442 thousand in property and equipment due to transfer from other current assets.
- g. Decrease in investment in associates of PHP 1.2 million.
- h. Amortization of franchise by PHP 0.6 million.
- i. Decrease of PHP6 million in other non-current assets due to reclassification.

Total liabilities decreased from PHP 62 million as of December 31, 2014 to PHP 7.7 million as of December 31, 2015. The net decrease of PHP 54 million was due to the following:

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

- d. Increase of PHP 0.19 million in accounts payable due to slower in payment.
- e. Increase of PHP 5.565 million in current portion of interest-bearing liabilities due to reclassification from non-current liabilities.
- f. Increase in income tax payable of PHP 62 thousand.

Decrease of non-current liabilities by PHP 60 million arising from the following changes:

- c. Decrease of PHP 54 million in subscription payable due to payment.
- d. Decrease of PHP 0.449 million in pension liability.

On the equity side, total equity remains almost the same as of December 31, 2015 and 2014 of PHP 300 million.

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

	December 31, 2015	December 31, 2014
Current Ratio	2.82	33.46
Debt-to-Equity Ratio	0.26	0.21
Gross Profit Margin	.9%	4.8%
Net Income to Sales Ratio	3.1%	-19.5%
Net Income (loss) in pesos	P1,203,046	(P6,951,035)

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 2014

Total assets increased from PHP 314 million to PHP 362 million as of December 31, 2014. The net increase of PHP 48million in the total assets resulted from movements in the following:

Decrease in current assets of P 6 million arising from the following changes:

- h. Decrease of PHP 4.45 million in cash primarily due to additional investment in associates.
- i. Decrease of PHP 5 million in accounts receivables due to collection.
- j. Decrease of PHP 945 thousand in other current assets due to transfer to property and equipment.

Increase in non-current assets of PHP 6 million due to the following:

- j. Decrease in advances for projects of PHP 1.5 million due to liquidation of advances.
- k. Increase of PHP 860 thousand in property and equipment due to transfer from other current assets.
- l. Increase in investment in associates of PHP 80 million.
- m. Amortization of franchise by PHP 0.6 million.
- n. Increase of PHP 1.2 million in other non-current assets.

Total liabilities increased from PHP 7.3 million as of December 31, 2013 to PHP 62 million as of December 31, 2014. The net increase of PHP 55 million was due to the following:

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

- g. Increase of PHP 0.257 million in accounts payable due to slower in payment.
- h. Decrease of PHP 0.109 million in current portion of interest-bearing liabilities due to payment.

Increase of non-current liabilities by PHP 54 million arising from the following changes:

- e. Increase of PHP 54 million in subscription payable due to investment in associates.
- f. Increase of PHP 0.123 million in pension liability.

On the equity side, total equity decreased to PHP 300 million as of December 31, 2014 from PHP 307 million of December 31, 2013. The net decrease of PHP 6.8 million is due to the following:

- a. Decrease of PHP 4.6 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, 2014	December 31, 2013
Current Ratio	33.46	49.00
Debt-to-Equity Ratio	0.21	0.02
Gross Profit Margin	4.8%	3.9%
Net Income to Sales Ratio	-19.5%	-1.6%
Net Income (loss) in pesos	(P6,951,035)	(P532,130)

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.

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:

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 Metro Manila 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.

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, 2016 and 2015 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, 2016 and 2015 with a contract amount of P300,000 and P295,000 respectively 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 2016 – 2017 who were elected at the meeting of the stockholders on 14 October 2015 are as follows:

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

Arsenio T. Ng

Age 58

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.

Hilario T. Ng

Age 55

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).

HRH Prince Abdul Aziz Bin Talal Bin Abdul Aziz Al Saud

Age 35

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.

Oscar B. Mapua, Jr.

Age 73

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 49

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 44

Period Served November 2012 to Present

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 46

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 2016 and 2015 as follows:

	Year	Salary	Bonus	Other Compensation
CEO and Four Most Highly Compensated Executives	2016	None	None	None
All Other Officers and Directors	2016	None	None	None
Total		none	None	None
	Year	Salary	Bonus	Other Compensation
CEO and Four Most Highly Compensated Executives	2015	None	None	None
All Other Officers and Directors	2015	None	None	None
Total		none	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, 2017:

Class	Name of Record Owner and Relationship with Record Owner	Name of Beneficial Owner	Citizenship	Shares Owned	%
Common	1. PCD Nominee Corp. (NF) 37 th floor Tower 1, the Enterprise Ctr., 6766 Ayala Ave, Makati City, Phil.	Various	Filipino	49,366,209"r"	22.28%
Common	1. PCD Nominee Corp. (F) 37 th floor Tower 1, the Enterprise Ctr., 6766 Ayala Ave, Makati City, Phil.	Various	NonFilipino	113,882,806"r"	51.40%
Common	2. Unipage Management, Inc. 9 ^F Floor Summit One Tower, 530 Shaw Boulevard Mandaluyong City (Investor)	Stockholders	Filipino	50,000,000"r"	22.57%
Common	3. Arsenio T. Ng 9 ^F 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, 2017:

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	Hilario T. Ng	455 Jaboneros St., Manila	400,804"r"	0.18%	Director
Common	HRH Prince Abdul Aziz Bin Talal Al Saud	Saudi Arabia	100,000"r"	0.05%	Director
Common	SimounUng	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	4,259,000"r"	1.92%	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		18,047,037"r"	8.14%	

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

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

Rent income collected by PLDI on these properties amounted to P2,242,152 in 2016 and P2,522,038 in 2015.

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

Funds were released to certain officer intended to finance key projects. These funds are to be liquidated whenever disbursement are made and to be returned when a project is completed.

For the years ended December 31, 2016, 2015 and 2014 the Company did not provide compensation to its key management personnel.

Item 13 – Part IV - Compliance with leading practice on Corporate Governance

Please refer to attached Annual Corporate Governance Report.

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 07, 2017

By:


ARSENIO T. NG
 Chairman and CEO

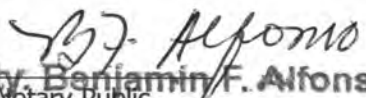

ARCH. HILARIO T. NG
 Principal Financial Officer


PAUL B. SARIA
 Chief Operating Officer
 APR 07 2017

SUBSCRIBED AND SWORN to before me this ___ day of April 2017, 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	03-13-2018	Manila
HILARIO T. NG	DL F03-89-049506	08-23-2018	Manila
PAUL SARIA	DL NO4-93-264992	12-15-2021	Mandaluyong City

Doc. No. : 389
 Page No.: 39
 Book No.: 12
 Series of 2017


Atty. Benjamin F. Alfonso
 Notary Public
 PTR No. 5636975 / 1-03-2017
 Roll No. 13296
 IBP No. 1017644 / CY-2016-1-03-2017
 Quezon City



Transpacific Broadband Group

INTERNATIONAL, INC.

formerly: Transpacific Broadcast Group International, Inc.

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

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

March 24, 2017

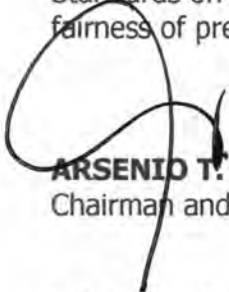
**STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management on **TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

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

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


ARSENIO T. NG
Chairman and CEO

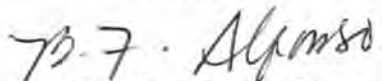

PAUL B. SARIA
Chief Operating Officer


HILARIO T. NG
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this MAR 27 2017 day of March 2017, 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	03/13/2018	Manila
Paul B. Saria	DL N04-93-264992	12/15/2021	Mandaluyong
Hilario T. Ng	DL F03-89-049-506	08/23/2018	Manila

NOTARY PUBLIC
Doc. No. : 26
Page No. : 3
Book No. : 11
Series of 2017 _____


Atty. Benjamin F. Alfonso
Notary Public
PTR No. 5636975 / 1-03-2017
Roll No. 13296
IBP No. 1017644 / CY-2016-1-03-2017
Quezon City

PRC-BOA Reg. No. 0132, valid until December 31, 2018
SEC Accreditation No.0220-FR-1, valid until March 25, 2017
BIR Accreditation No. 07-001080-002-2016, valid until October 3, 2019

Report of Independent Public Accountants

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.** (the Company), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the financial statements, including a summary of significant accounting policies.

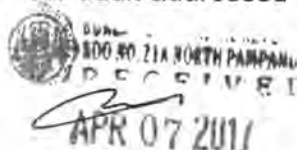
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2016, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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



Recoverability of Investment in an Associate

As of December 31, 2016 and 2015, the Company has 30% equity investment in an associate amounting to P108.5 million and is accounted for using the equity method of accounting. Said associate, has not started commercial operation as of the date of our report. Management conducts an impairment testing on this investment at least annually. Given the company's amount of investment and the complex nature of the associates' operations, we consider the audit of investment in an associate as significant in our audit. Investment in associate is discussed in Note 12.

Audit procedures conducted

We obtained and reviewed the latest financial statements of the associate which includes areas where significant judgement and estimates are involved. We also verified if there are indications of impairment by reading and evaluating relevant documents related to the operation of the associate. We also met with the management and discussed to us the feasibility and significant milestones attained by the associate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of auditor's report.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue 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 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

R. R. TAN AND ASSOCIATES, CPAs



By: CHESTER NIMITZ F. SALVADOR

Partner

CPA Certificate No. 0129556

Tax Identification No. 307-838-154

PTR No. 2535320, January 17, 2017, Pasig City

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

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

June 22, 2019



March 24, 2017
Pasig City

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS	Note	2016		2015	
Current Assets					
Cash and cash equivalents	8	P	18,811,609	P	1,390,132
Receivables - net	9		13,303,367		17,440,944
Spare parts inventory	10		1,899,946		2,199,334
			34,014,922		21,030,410
Non-current Assets					
Advances for projects	11		5,628,869		5,329,758
Investment in an associate	12		108,535,216		108,957,973
Franchise - net	13		4,342,405		4,942,405
Property and equipment - net	15		103,526,313		119,935,693
Investment properties	16		45,287,800		45,287,800
Deferred tax asset - net	28		719,443		805,094
Other non-current assets	14		8,229,629		2,441,687
			276,269,675		287,700,410
TOTAL ASSETS		P	310,284,597	P	308,730,820
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued expenses	17	P	508,549	P	654,114
Loans payable	18		5,900,000		5,565,588
Income tax payable			34,258		130,490
Total Current Liabilities			6,442,807		6,350,192
Non-current Liabilities					
Deposits	19		528,000		620,000
Pension liability	20		851,280		775,435
Total Non-current Liabilities			1,379,280		1,395,435
Total Liabilities			7,822,087		7,745,627
Equity					
Share capital	21		222,019,330		222,019,330
Share premium			29,428,022		29,428,022
Share options outstanding	21		8,921,814		8,921,814
Retained earnings			42,531,144		41,053,827
Treasury shares	21		(437,800)		(437,800)
Total Equity			302,462,510		300,985,193
TOTAL LIABILITIES AND EQUITY		P	310,284,597	P	308,730,820

See accompanying notes to financial statements

INTERNATIONAL REVENUE
PAMPANGA
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APR 07 2017

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Note	2016	2015	2014
REVENUES				
Service income	22	P 35,875,465	P 35,218,886	P 32,552,935
Other income	24	3,062,776	4,177,852	3,027,646
		38,938,241	P 39,396,738	P 35,580,581
COST AND EXPENSES				
Direct costs	23	34,929,840	34,919,109	33,859,853
Administrative expenses	25	1,577,606	1,676,533	1,305,634
Finance costs	18	336,743	161,277	153,951
Unrealized loss on fair value adjustment on investment property	16	-	-	4,999,600
		36,844,189	36,756,919	40,319,038
INCOME(LOSS) FROM OPERATION				
EQUITY IN NET LOSS OF AN ASSOCIATE	12	2,094,052 (422,757)	2,639,819 (1,205,603)	(4,738,457) (2,336,424)
INCOME(LOSS) BEFORE INCOME TAX				
INCOME TAX EXPENSE(BENEFIT)	28	1,671,295 193,979	1,434,216 231,170	(7,074,881) (123,846)
INCOME(LOSS) FOR THE PERIOD				
OTHER COMPREHENSIVE INCOME		1,477,317	1,203,046	(6,951,035)
TOTAL COMPREHENSIVE INCOME (LOSS)				
		P 1,477,317	P 1,203,046	P (6,951,035)
INCOME (LOSS) PER SHARE				
	29	P 0.0067	P 0.0054	P (0.0313)

*See accompanying notes to financial statements


 DEPARTMENT OF INTERNAL REVENUE
 PAMPANGA
 APR 07 2017

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Note	2016	2015	2014
SHARE CAPITAL	21	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	21	8,921,814	8,921,814	8,921,814
REVALUATION INCREMENT ON PROPERTY AND EQUIPMENT- NET OF TAX	21			
Balance, January 1		-	1,075,684	3,300,498
Revaluation increment absorbed through depreciation		-	(1,075,684)	(2,224,814)
Balance, December 31		-	-	1,075,684
RETAINED EARNINGS				
Balance, January 1		41,053,827	38,718,482	43,327,608
Revaluation increment in property and equipment absorbed through depreciation		-	1,132,299	2,341,909
Income(Loss) for the year		1,477,317	1,203,046	(6,951,035)
Balance, December 31		42,531,144	41,053,827	38,718,482
TREASURY SHARES - at cost	21	(437,800)	(437,800)	(437,800)
		P 302,462,510	P 300,985,193	P 299,725,532

See accompanying notes to financial statements


 BUREAU OF INTERNAL REVENUE
 OFFICE OF THE DISTRICT DIRECTOR
 PAMPANGA
 APR 07 2017

TRANSPACIFIC BROADBRAND GROUP INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Note	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (Loss) before income tax expense		P 1,671,295	P 1,434,216	P (7,074,881)
Adjustments for:				
Provisions for:				
Depreciation and amortization	15, 13	17,308,768	17,791,053	15,409,840
Retirement benefits	20	75,845	(449,906)	123,227
Probable loss on trade receivable	9	446,811	193,623	-
Foreign exchange gain	24	(636,566)	(1,193,039)	(238,735)
Gain on sale of short-term investment		-	(82,300)	-
Unrealized fair value loss on investment property	16	-	-	4,999,600
Equity in net loss of an associate	12	422,757	1,205,603	2,336,424
Interest income	24	(184,057)	(380,475)	(540,038)
Operating income before Working Capital Changes		19,104,853	18,518,775	15,015,437
Decrease (Increase) in Operating Assets:				
Receivables		1,978,090	7,004,370	5,064,458
Other non-current assets		(2,809,278)	(4,088,445)	(1,834,792)
Increase in Operating Liabilities:				
Accounts payable and accrued expenses		(145,565)	(4,058)	375,079
Deposits		(92,000)	195,000	314,750
Cash generated by operations		18,036,100	21,625,642	18,934,932
Income taxes paid		(204,560)	(173,686)	(169,366)
Interest received		6,121	3,469	4,470
Net Cash Provided by Operating Activities		17,837,661	21,455,425	18,770,036
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from:				
Return of funds from advances for projects		-	9,732,750	1,532,300
Sale of short-term investments		-	11,700,000	-
Collection of advances of related parties		2,000,000	7,815,074	3,800,000
Additional security deposit		-	902,324	-
Collection from sale of communication device		1,929,639	1,501,410	-
Advances of related parties		(4,919,640)	(1,996,623)	(729,781)
Payment of stock subscription to associate		-	(54,250,000)	(28,250,000)
Interest received		-	-	535,570
Net Cash Used in Investing Activities		(990,001)	(24,595,065)	(23,111,911)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan availments	18	6,000,000	-	-
Loan maturities		(5,622,700)	-	-
Repayment of loans				
Principal		(100,000)	-	(108,873)
Interest received		177,936	377,006	-
Net Cash Provided by (Used in) Financing Activities		455,236	377,006	(108,873)
EFFECTS OF EXCHANGE RATE CHANGES				
IN CASH AND CASH EQUIVALENTS		118,581	4,652	-
NET INCREASE (DECREASE) IN				
CASH AND CASH EQUIVALENTS		17,421,477	(2,757,982)	(4,450,749)
CASH AND CASH EQUIVALENTS, January 1		1,390,132	4,148,114	8,598,863
CASH AND CASH EQUIVALENTS, December 31		P18,811,609	P 1,390,132	P 4,148,114

See accompanying notes to financial statements

REVENUE
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APR 07 2017

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. Corporate Information

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

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

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

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

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

The financial statements of the Company as of December 31, 2016 (including the comparative figures as of December 31, 2015 and 2014) were authorized for issue by the President on March 24, 2017.

2. Basis of Preparation and Presentation

Statement of Compliance

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

Basis of Financial Statement Preparation and Presentation

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

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

3. Summary of Significant Accounting Policies

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

Current versus non-current classification

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

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

The Company classifies all other assets as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

Cash and Cash Equivalents

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

Financial Instruments

Date of Recognition

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

Initial Recognition

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

Determination of Fair Value

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

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

Classification of Financial Instruments

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

(i) Financial Assets and Financial Liabilities at FVPL

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

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

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

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

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

As of December 31, 2016 and 2015, there are no financial assets under this category.

(ii) Available-for-sale (AFS)

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

As of December 31, 2016 and 2015, there are no financial assets under this category.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

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

(iv) Held-to-maturity (HTM)

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

As of December 31, 2016 and 2015, there are no financial assets under this category.

(v) Other Financial Liabilities

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

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

Included under this category are accounts payable and accrued expenses and loans payable.

Reclassification of Financial Assets

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

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

Offsetting of financial instruments

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

Impairment of Financial Assets

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

(i) *Assets carried at amortized cost*

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

financial asset's original effective interest rate. The amount of the loss is recognized in the profit and loss accounts.

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

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

(ii) *Assets carried at cost*

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

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

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

Derecognition of Financial Instruments

Financial Assets

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

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

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

Financial Liabilities

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

Prepaid Expenses

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

Spare Parts Inventory

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

Property and Equipment

Transportation equipment, furniture, and fixtures are initially and subsequently carried at cost less accumulated depreciation and impairment in value, if any. Buildings and improvements, uplink/data equipment and leasehold improvements are carried at revalued amounts less accumulated depreciation and impairment losses, if any. 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 statements of 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 remaining balance of 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
Furniture and fixtures	10 years
Transportation equipment	5 years
Lease improvements	6 years or lease term whichever is shorter

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

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

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

Investment Properties

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

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

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

Investment in Associate

Investment in an associate is neither a subsidiary nor a joint venture in which the Company exercises significant influence and is accounted for under the equity method of accounting. The equity method of accounting for investment in associate recognizes the changes in the Company's share of net assets of the associate. The share in the net results of the operations of the associate is reported as *Equity in Net Loss/Earnings of an Associate* reported in the Statement of Comprehensive Income. If a change is recognized directly in equity of associate, the Company recognizes its share of any changes in the Statement in Changes in Equity. If significant influence is lost over the associate, the Company measures the carrying value of investment at its fair value. The difference, if any, upon the loss of significant influence over its associate is reported in the Statement of Comprehensive Income.

Franchise

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

Other non-current assets

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

Equity

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

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

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

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 statements 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.

Subscription fees

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

Rent income

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

Interest income

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

Dividend income

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

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

Income Taxes

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

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

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

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

Employee Benefits

(i) Retirement Benefit Cost

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

(ii) Compensated absences

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

Leases

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.

Impairment of Non-Financial Assets

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

Spare parts inventory

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

Property and equipment

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

Franchise

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

Investment in an associate

The Company determines at each Statement of Financial Position date whether there is any objective evidence that investment in an associate is impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the recoverable amount of the investment in an associate and the carrying amount of the investment, and recognizes the amount in the Statement of Comprehensive Income.

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

Related Party Transactions

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

Provisions

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

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

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

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

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

Operating segment

Operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the chief operating decision maker to make decisions about how resources are to be allocated and for which discrete financial information is available.

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

Contingencies

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

Events after End of reporting period

Post year-end events that provide additional information about the Company's financial position at the end of reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Earnings (Loss) Per Share

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

4. Changes in Accounting Standards

New Accounting Standards and Amendments to Existing Standards Effective as of January 1, 2016

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, 2016.

Amendments to PAS 1, Presentation of Financial Statements – Disclosure Initiative

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. These clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information or aggregating material items that have different natures or functions;
- That specific line items in the Statements of Income and OCI and the Statements of Financial Position may be disaggregated;
- That entities have flexibility as to the order in which they present the Notes to Financial Statements;
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

These amendments do not have any impact on the Company.

Amendments to PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendment does not have any significant impact on the Company's financial position or performance.

Amendments to PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and either the cost model or revaluation model (after maturity). The amendments also require that produce growing on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact to the Company as the Company does not have any bearer plants.

Amendments to PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate

financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendment does not have any significant impact on the Company's financial position or performance.

Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 28, Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception.

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when it measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method. These amendments are not applicable to the consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact on the Company's financial statements.

Amendments to PFRS 11, Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendment does not have any significant impact on the Company's financial position or performance.

PFRS 14, Regulatory Deferral Accounts

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items in the statement of comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. This standard does not apply since the Company is not a first-time adopter of PFRS.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and do not have any material impact to the Company's financial statements. They include:

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

New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2016

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2016 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on its financial position or performance.

Effective 2017

Amendments to PAS 7, *Statement of Cash Flows*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities,

including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. They are effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted.

Amendments to PAS 12, Income taxes – Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments are not expected to have any impact on the Company.

Effective 2018

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

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

Philippine IFRIC Interpretation 22, Foreign Currency Transactions and Advance Consideration

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

The Company does not expect the adoption of this interpretation to have any significant impact on the financial statements.

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

The amendments are intended to clarify following:

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

They are effective for annual periods beginning on or after January 1, 2018. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application of the amendment is permitted.

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

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard, before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. The amendments are not applicable to the Company since there are no activities that are predominantly connected with insurance or issue insurance contracts. They are effective for annual periods beginning on or after January 1, 2018.

PFRS 9, *Financial Instruments (2014)*

PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management. The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is still assessing the potential impact on its financial statements resulting from the application of PFRS 9.

PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange nonmonetary assets to facilitate sales to other parties. Furthermore, if a

contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Annual Improvements to PFRSs (2014-2016 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2018 and will not have any material impact to the Company's financial statements. They include:

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

Effective 2019

PFRS 16, *Leases*

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

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

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

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

Deferred

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

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

5. Summary of Significant Accounting Judgments and Estimates

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

(i) Judgments

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

Determination of functional currency

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

Determination of Control

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

As of December 31, 2016 and 2015, the Company has 30% equity interest in an associate where the Company has significant influence over the associate's financial and operating policies.

Classification of leases

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

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

Determination of fair value of assets and liabilities

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

Level 1

Included in the Level 1 category are assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. Assets and liabilities are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing

service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

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

Level 3

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

Fair value measurement is disclosed in Note 6.

(ii) Estimates

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

Estimating Allowance for probable losses on trade receivables

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

The Company recognized an allowance of P446,811 in 2016 and P193,623 in 2015. (See Note 9).

Estimating NRV of spare parts inventories

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

The carrying value of spare part inventory amounted to P1,899,946 in 2016 and P2,199,334 in 2015. (See Note 10)

Estimating Useful Lives of Property and Equipment

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

The carrying value of property and equipment as at December 31, 2016 and 2015 amounted to P103,526,313 and P119,935,693, respectively. (See Note 15)

Deferred tax assets

The Company reviews the carrying amounts of deferred tax asset at each end of reporting period and reduces the deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The carrying value of Deferred tax assets (net of Deferred tax liabilities of P126,625 in 2016 and P14,841 in 2015) as at December 31, 2016 and 2015 amounted to P719,443 and P805,094, respectively. (See Note 28)

Estimating Retirement Benefits

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

Retirement benefit cost recognized in the financial statements amounted to P75,845 in 2016, P123,228 in 2015 and P123,227 in 2014. (See Note 20)

Impairment of non-financial asset

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

As at December 31, 2016 and 2015, 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, 2016 and 2015, share options outstanding amounted to P8,921,814. (See Note 21)

6. Fair Value Measurement

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

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

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

<u>2016</u>		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	P	-	P 18,811,609	P -	P 18,811,609
Receivables - net		-	13,303,367	-	13,303,367
Advances for projects		-	5,628,869	-	5,628,869
Property and equipment		-	103,526,313	-	103,526,313
Investment properties		-	38,368,800	6,919,000	45,287,800
Other non-current assets		-	8,229,629	-	8,229,629
Accounts payable and accrued expenses		-	(508,549)	-	(508,549)
Loans payable		-	(5,900,000)	-	(5,900,000)
Deposits		-	(528,000)	-	(528,000)
<u>2015</u>		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	P	-	P 1,390,132	P -	P 1,390,132
Receivables - net		-	17,440,944	-	17,440,944
Advances for projects		-	5,329,758	-	5,329,758
Property and equipment		-	119,935,693	-	119,935,693
Investment property		-	38,368,800	6,919,000	45,287,800
Other non-current assets		-	2,441,687	-	2,441,687
Accounts payable and accrued expenses		-	(654,114)	-	(654,114)
Loans payable		-	(5,565,588)	-	(5,565,588)
Deposits		-	(620,000)	-	(620,000)

Fair values were determined as follows:

- *Cash and cash equivalents, short-term investments, receivables and other financial liabilities* – the fair values are approximately the carrying amounts at initial recognition due to their short-term nature.
- *Property and equipment* – fair value was based on appraiser’s report. It is estimated using Market Data Approach, which is based on sales and listings of comparable property registered within the vicinity that considered factors such as locations, size and shape of the properties.
- *Investment properties* – the valuation approach used in the independent appraiser’s report was Sales Comparison Approach, which estimates the value of asset by comparing similar or substitute properties and related market data.

7. Financial Risk Management Objectives and Policies

Financial Risk

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

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

The table below shows the gross maximum exposure to credit risk of the Company as at December 31, 2016 and 2015.

	Gross Maximum Exposure			
	2016		2015	
Cash and cash equivalents *	P	18,798,609	P	1,377,132
Trade receivables		19,530,211		21,291,335
Non-trade receivable		1,368,948		3,298,590
Advances for projects		5,628,869		5,329,758
Other non current assets**		7,463,151		2,309,742
	P	52,789,788	P	33,606,557

*excludes cash on hand of P13,000 in 2016 and 2015

**excludes prepayments of transponder rent and real estate tax

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

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

The credit quality of the Company's assets as at December 31, 2016 and 2015 is as follows:

	December 31, 2016					
	Neither past due nor impaired		Past due but not impaired	Past due and impaired	Total	
	High grade	Standard grade				
Cash and cash equivalents	P 18,798,609	P -	P -	P -	P 18,798,609	
Trade receivables	-	5,411,858	6,522,561	7,595,792	19,530,211	
Non-trade receivable	-	1,368,948	-	-	1,368,948	
Advances for projects	-	5,628,869	-	-	5,628,869	
Other non-current assets	-	7,463,151	-	-	7,463,151	
	P 18,798,609	P 19,872,826	P 6,522,561	P 7,595,792	P 52,789,788	

	December 31, 2015					
	Neither past due nor impaired		Past due but not impaired	Past due and impaired	Total	
	High grade	Standard grade				
Cash and cash equivalents	P 1,377,132	P -	P -	P -	P 1,377,132	
Trade receivables	-	5,410,100	8,732,254	7,148,981	21,291,335	
Non-trade receivables	-	3,298,590	-	-	3,298,590	
Advances for projects	-	5,329,758	-	-	5,329,758	
Other non-current assets	-	2,309,742	-	-	2,309,742	
	P 1,377,132	P 16,348,190	P 8,732,254	P 7,148,981	P 33,606,557	

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 trade receivables is as follows:

	2016	2015
61-90 days past due	P 2,490,650	P 2,358,300
over 90 days	4,031,911	6,373,954
	P 6,522,561	P 8,732,254

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, 2016 and 2015.

	December 31, 2016								
	< 1 month		> 1 month & < 3 months		> 3 months & < 1 year		> 1 year & < 3 years		Total
Accounts payable and accrued expenses	P	508,549	P	-	P	-	P	-	P 508,549
Interest-bearing liabilities									
Loans payable		-		-		5,900,000		-	5,900,000
	P	508,549	P	-	P	5,900,000	P	-	P 6,408,549

	December 31, 2015								
	< 1 month		> 1 month & < 3 months		> 3 months & < 1 year		> 1 year & < 3 years		Total
Accounts payable and accrued expenses	P	651,114	P	-	P	-	P	-	P 651,114
Interest-bearing liabilities									
Loans payable		-		5,565,588		-		-	5,565,588
	P	651,114	P	5,565,588	P	-	P	-	P 6,216,702

Market Risk

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

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

i. Currency risk

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

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

	2016		2015	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Cash and cash equivalents	\$ 58,130	P 2,895,640	\$ 1,293	P 61,003
Advances for projects	113,000	5,628,869	113,000	5,329,758
Bank loans	-	-	(118,000)	(5,565,588)

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, 2016 and 2015:

Increase/decrease in Peso to US Dollar Rate	Effect on Income Before Taxes	
	2016	2015
+ P5.00	P 855,650	P (18,535)
- P5.00	(855,650)	18,535

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

ii. Interest rate risk

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

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

Exposure to interest rate risk is due to a peso-denominated bank loan with interest of 5% per annum for 2016 and foreign currency denominated bank loan with interest of 1-month LIBOR + 2.5% with principal amounting to USD118,000 for 2015.

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 P111,312 in 2015. This is mainly attributable to the Company's exposure to interest rates on its variable rate financial liabilities. No sensitivity analysis is provided in 2016 since the financial liability is not subject to a floating interest rate.

Operational risk

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

Capital management

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

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

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

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

	2016	2015
Equity	P 302,462,510	P 300,985,193
Total Assets	310,284,597	308,730,820
Ratio	0.975	0.975

8. Cash and cash equivalents

As at December 31, 2016 and 2015, cash and cash equivalents represent cash on hand and cash in banks of P18,811,609 and P1,390,132, respectively.

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

Interest income on these deposits amounted to P6,121 in 2016 and P3,469 in 2015.

9. Receivables

The composition of this account is as follows:

	2016	2015
Trade		
In local currency	P 9,366,785	P 9,629,727
In foreign currency	10,163,426	11,661,608
	19,530,211	21,291,335
Less: Allowance for probable losses	(7,595,792)	(7,148,981)
	11,934,419	14,142,354
Non-trade	1,368,948	3,298,590
	P 13,303,367	P 17,440,944

Trade receivable in foreign currency represents US dollar subscription on uplink services from a customer based in Hong Kong. Unrealized foreign exchange gain on this account amounted to P1,440,970 in 2016 and P155,529 in 2015.

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

Breakdown of allowance for probable losses is as follows:

	2016	2015
Balance, January 1	P 7,148,981	P 6,955,358
Provision	446,811	193,623
Balance, December 31	P 7,595,792	P 7,148,981

10. Spare parts inventory

Spare parts inventory consists of communication supplies and materials that are normally provided to customers in the delivery of services. Spare parts inventory amounting to P1,899,946 in 2016 and P2,199,334 in 2015 are carried at cost which approximates its net realizable value.

Spare parts inventory costing P299,388 and P442,060 was transferred to property and equipment in 2016 and 2015, respectively. (See Note 15)

11. Advances for Projects

In previous year, the Company advanced an officer a certain amount of fund intended for identifying, researching and exploring feasible projects. After several re-alignments, the fund is now earmarked or focused on the development of a 30MW solar PV plant in Rodriguez, Rizal of ATN Philippines Solar Energy Group, Inc. (ATN Solar). These advances are not subject to interest and the Company intends to convert the outstanding balance into the shares of stock of ATN Solar once commercial operation of the latter starts. No impairment loss was provided since management believes that the advances are fully recoverable in the form of shares of stock of ATN Solar. ATN Solar is an associate of the Company. (See Note 12)

The movement of this account is as follows:

	2016	2015
Balance at beginning of year	P 5,329,738	P 14,812,844
Return of funds	-	(9,732,750)
Effect of changes in foreign exchange	299,111	249,644
	P 5,628,849	P 5,329,738

During 2015, P9.7 million was returned as a result of re-alignment of funds to focus on exploring the expansion of its Solar Energy Project to 120MW in the coming years.

12. Investment in an Associate

Investment in an Associate pertains to a 30% equity interest in ATN Philippines Solar Energy Group, Inc. (ATN Solar). Management believes that it exercises significant influence over the financial and operating policies of ATN Solar.

The composition of this accounts is as follows:

	2016	2015
Cost	P 112,500,000	P 112,500,000
Equity in net loss		
Beginning	(3,542,027)	(2,336,424)
Share in net loss for the year	(422,757)	(1,205,603)
	(3,964,784)	(3,542,027)
	P 108,535,216	P 108,957,973

ATN Solar is a grantee of Solar Energy Service Contract with the Philippine Government through the Department of Energy to develop, own and operate a 30MW solar power plant in Rodriguez, Rizal. As of December 31, 2016, ATN Solar is still in pre-operating stage and commercial operation is expected to commence in the next 1-2 years.

As of March 24, 2017, significant milestones have been successfully achieved by ATN Solar including a loan facility from a local lender for the purchase and installation of solar panels. Once it become operational, ATN Solar can sell electricity to power distributors of up to P6.10/kWh.

The financial information of ATN Solar as of and for year ended December 31, 2016 and 2015 is as follows:

	2016	2015
Total current assets	P 29,920,245	P 46,937,960
Total non-current assets	707,646,347	526,541,363
Total current liabilities	3,420,988	4,854,260
Total non-current liabilities	47,533,588	205,603,857
Net loss	(1,409,190)	(4,018,679)
Cash flow from investing activities	(181,634,984)	(243,529,271)
Cash flow from financing activities	167,932,509	255,257,676

13. Franchise-net

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

The movement in this account is as follows:

	2016	2015
Balance, January 1	P 4,942,405	P 5,542,405
Amortization	(600,000)	(600,000)
Balance, December 31	P 4,342,405	P 4,942,405

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

14. Other non-current assets

This account consists of:

	2016	2015
Advances to (see Note 26):		
Palladian Land Development Inc. (PLDI)	P 1,863,657	P 910,483
Managed Care Philippines, Inc.	345,678	-
ATN Phils. Solar Energy Group Inc. (Solar)	3,826,957	24,017
Security deposits	1,426,859	1,375,242
Other asset	766,478	131,945
	P 8,229,629	P 2,441,687

Details of these accounts are as follows:

- Security deposits are made to secure leasing arrangement on transponders. These deposits are refundable at the expiration of lease term.
- Other asset significantly consist of rent receivable arising from application of straight-line method of PAS17 and the payment schedule of the lease contract.

15. Property and equipment - net

The movement in this account is as follows:

2016	Building & improvements	Uplink/data Equipment	Furniture & Fixtures	Leasehold improvements	Transportation equipment	Total
Carrying Amount						
At January 1, 2016	P 23,893,402	P 252,901,102	P 5,180,726	P 19,145,709	P 14,675,284	P 315,796,223
Reclassification from spare parts inventory	-	299,388	-	-	-	299,388
Additions	-	-	-	-	-	-
At December 31, 2016	23,893,402	253,200,490	5,180,726	19,145,709	14,675,284	316,095,611
Accumulated depreciation						
At January 1, 2016	18,309,408	151,044,240	2,779,543	11,848,102	11,879,237	195,860,530
Provisions	1,194,669	11,846,246	781,833	2,147,992	738,028	16,708,768
At December 31, 2016	19,504,077	162,890,486	3,561,376	13,996,094	12,617,265	212,569,298
Net Book Value						
At December 31, 2016	P 4,389,325	P 90,310,004	P 1,619,350	P 5,149,615	P 2,058,019	P 103,526,313
2015						
2015	Building & improvements	Uplink/data Equipment	Furniture & Fixtures	Leasehold improvements	Transportation equipment	Total
Carrying Amount						
At January 1, 2015	P 23,893,402	P 252,459,042	P 5,180,726	P 19,145,709	P 14,675,284	P 315,354,163
Reclassification from spare parts inventory	-	442,060	-	-	-	442,060
Additions	-	-	-	-	-	-
At December 31, 2015	23,893,402	252,901,102	5,180,726	19,145,709	14,675,284	315,796,223
Accumulated depreciation						
At January 1, 2015	17,114,739	139,197,994	1,997,710	9,700,110	10,658,924	178,669,477
Provisions	1,194,669	11,846,246	781,833	2,147,992	1,220,313	17,191,053
At December 31, 2015	18,309,408	151,044,240	2,779,543	11,848,102	11,879,237	195,860,530
Net Book Value						
At December 31, 2015	P 5,583,994	P 101,856,862	P 2,401,183	P 7,297,607	P 2,796,047	P 119,935,693

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.

During 2016 and 2015, additions to property and equipment amounting to P299,388 and P442,060 represent reclassification from spare parts inventory.

16. Investment properties

As at December 31, 2016 and 2015, investment property consists of the following:

Condominium units	P 38,368,800
Land and improvements	6,919,000
Balance at end of year	P 45,287,800

Condominium units represent the beneficial ownership of commercial units held at Summit One Office Tower in Mandaluyong City. The fair market value is determined by a firm of independent appraiser on March 4, 2014 which resulted in a decrease in value of the investment properties amounting to P4,999,600. The independent appraiser used the Sales Comparison Approach, a comparative approach valuation that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Accordingly, the Company categorized

these condominium units under Level 2 of the fair value hierarchy. Management believes that there are no present material factors that would significantly increase or decrease the fair value of these properties as of December 31, 2016.

Land and improvements represents a parcel of residential lot located in Paliparan 1, Dasmariñas, Cavite. The highest and best use of the property is for residential use. For strategic reason, the property is not used in that manner. Certain developer is currently selling a mass housing project within the vicinity. The pricing model of the said developer was used by management as a guide in determining the fair value of its own property. The fair value amounted to P7 million. The property is valued in terms of its highest and best use which is categorized under Level 3 of the fair value hierarchy.

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

Valuation techniques	Significant unobservable inputs	Range
Sales comparison approach	Selling price (per square meter) Size Location Neighborhood Transport/Road network	P6,100 - P14,000

Sales comparison approach is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Except for selling price, the quantitative information on significant unobservable inputs cannot be determined by management alone.

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

As of December 31, 2016 the lot remains idle and no immediate plans to develop or sell the property nor has it any contractual obligation to develop the property or for repairs, maintenance and enhancements.

During 2016 and 2015, there were no transfers between levels of fair value hierarchy.

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

	2016	2015	2014
Rental income	P 2,242,152	P 2,522,038	P 2,248,872
Direct operating expenses on investment properties that:			
Generated rental income	160,125	160,125	160,125
Did not generate rental income	829	829	829

17. Accounts payable and other liabilities

Accounts payable and accrued expenses are short-term payables that are settled on a one- to three-months term. As of December 31, 2016 and 2015, accounts payable and other liabilities amounted to P508,549 and P654,114, respectively.

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

18. Loans payable

In 2013, the Company obtained a US Dollar loan from China Banking Corporation with principal amount of US\$118,000 payable in full after three (3) years. The loan carries a floating interest of 1M LIBOR plus 2.5% payable monthly. The loan matured in February 2016 and was paid in full.

Meanwhile, a Peso loan was availed also in February 2016 at a principal amount of P6 million. The peso loan carries interest of 5% per annum payable monthly in arrears. The principal is payable after 12 months.

The US Dollar and Peso loan, which are used for working capital requirements, are both collateralized by the following;

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

Total interest paid and accrued reported in the Statement of Comprehensive Income amounted to P336,743 in 2016 and P161,277 in 2015.

Management believes that the carrying value of the loan at year end is a reasonable approximation of its fair value as of December 31, 2016 and 2015.

19. Deposits

Deposits are amounts paid by clients as guarantee to agreements entered into by the Company with usual term of 2 to 3 years. The amount is expected to be settled upon the termination of the contract.

As of December 31, 2016 and 2015, deposits amounted to P528,000 and P620,000, respectively.

20. Compensation and benefits

The breakdown of this account is as follows:

	2016	2015	2014
Salaries and wages	P 1,465,981	P 1,444,271	P 1,452,251
Provision for retirement benefit cost			
Current service cost	75,845	123,228	123,227
Actuarial gain	-	(573,133)	-
	P 1,541,826	P 994,366	P 1,575,478

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

The movements of pension liability as of December 31, 2016 and 2015 is as follows:

	2016	2015
Balance at the beginning of the year	P 775,435	P 1,225,341
Current service cost	75,845	123,228
Actuarial gain	-	(573,134)
Balance at year end	P 851,280	P 775,435

Among others, RA 7641 provides for retirement benefits to retiring employees who have reached sixty (60) years old or more, but not beyond 65 years and have served at least

five (5) years in the Company. Such retiring employee is entitled to a retirement pay of one half (1/2) month salary for every year of service computed based on the following components:

- 15 days salary;
- 5 days of service incentive leave; and
- One half (1/2) of the 13th month pay

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

21. 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 Philippine Stock exchange ("PSE"). The listing of the offer shares was approved by 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. The additional listing of subject shares has not been carried out as of March 24, 2017.

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

The share option comprises the following:

- (i) 35 million shares of TBGI at par value of P1.00 per share as compensation for services rendered as CEO of the Company during the period 2001 to 2007, and;
- (ii) 5 million shares of TBGI at par value of P1.00 per share as compensation for services rendered as CEO of the Company during 2008 and onwards, provided, that the subject shares will not be sold in quantities exceeding 20% of the trading volume of Philippine Stock Exchange in any single business day.

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

On April 23, 2009 in a special meeting of the BOD, additional terms of conditions was agreed defining the vesting schedule of the options as management believes that a one-

time recognition of the options cannot be afforded in 2008 alone. The vesting period was stretched up to 2023 of which 500,000 shares may be exercised starting 2013 up to 2022. Another 5.5 million shares in 2022 and finally, 30 million shares in 2023

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

As of December 31, 2016 and 2015, the stock options has a carrying value of P8,921,814.

Revaluation increment

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

		2016		2015
Balance, January 1	P	-	P	1,075,684
Cumulative amount of revaluation absorbed through depreciation		-		(1,075,684)
Balance, December 31	P	-	P	-

22. Service income

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

The breakdown of revenues as reported in the Statement of Comprehensive Income is a follows:

	2016		2015		2014
VSAT uplink services					
In local currency	P	7,423,465	P	7,955,586	P 5,207,850
In foreign currency		28,452,000		27,263,300	27,345,085
	P	35,875,465	P	35,218,886	P 32,552,935

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

23. Direct costs

This account consists of:

	2016		2015		2014
Depreciation (see Note 15)	P	16,708,768	P	17,191,053	P 14,809,840
Transponder lease (see Note 30)		10,629,176		10,716,862	11,444,662
Rental (see Note 30)		2,914,249		2,618,754	2,286,219
Salaries, wages & other benefits (see Note 20)		1,541,826		994,366	1,575,478
Utilities and communication		901,814		1,041,814	988,473
Taxes and licenses		770,435		770,435	810,448
Amortization of franchise (see Note 13)		600,000		600,000	600,000
Security services		381,661		422,847	310,177
Transportation and travel		276,783		263,618	631,642
Insurance		109,494		116,368	234,763
Office supplies		95,634		182,992	168,151
	P	34,929,840	P	34,919,109	P 33,859,853

24. Other Income

The composition of this account is as follows:

	2016		2015		2014	
Rent income (see Note 16)	P	2,242,152	P	2,522,038	P	2,248,872
Foreign exchange gain (loss):						
Cash		118,581		4,652		-
Accounts receivable		216,966		1,221,104		433,014
Advances for projects		299,111		249,664		45,206
Other non current assets		59,021		18,401		-
Bank loans		(57,112)		(300,782)		(23,954)
Other short term investment		-		-		(215,530)
Interest income		184,057		380,475		540,038
Gain on sale of short-term investment		-		82,300		-
	P	3,062,776	P	4,177,852	P	3,027,646

Foreign exchange gain arising from the translation of foreign currency accounts receivable is net of realized foreign exchange loss of P1,224,004 in 2016 and realized foreign exchange gain of P1,065,575 in 2015.

25. Administrative expenses

This account consists of:

	2016		2015		2014	
Provision for probable losses (see Note 9)	P	446,811	P	193,623	P	-
Legal and professional fees		430,000		415,000		395,000
Permits, taxes and licenses		377,960		420,771		385,740
Transportation and travel		117,427		104,829		154,716
Representation and entertainment		20,947		349,487		318,922
Miscellaneous		184,461		192,823		51,256
	P	1,577,606	P	1,676,533	P	1,305,634

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

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

26. Related party transactions

The following related party transactions occurred during 2016 and 2015:

Related party	Nature of transaction	Amount of Transaction		Year-end balances		Terms and condition
		2016	2015	2016	2015	
Associate						
ATN Solar	Advances	P 3,802,940	1,524,017	P -	-	
	Collection of advances	-	(1,500,000)	3,826,957	24,017	Unsecured, unimpaired and no payment terms
Affiliated companies						
Palladian Land						
Devt. Inc (PLDI)	(i) Rent income	2,242,152	2,152,840	-	-	
	(ii) Advances	711,022	472,606	-	-	
	Collection of advances	(2,000,000)	(5,253,000)	1,863,657	910,483	Unsecured, unimpaired and no payment terms
ATN Holdings, Inc. (ATN)	Collection of advances	-	(1,062,074)	-	-	Unsecured, unimpaired and no payment terms
Managed Care Philippines, Inc. (MCPI)	(ii) Advances	345,678	-	345,678	-	Unsecured, unimpaired and no payment terms

Details of significant related party transactions are as follows:

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

Rent income collected by PLDI on these properties amounted to P2,242,152 million in 2016 and P2,522,038 in 2015.

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

For the years ended December 31, 2016, 2015, and 2014, the Company charged PLDI, ATN Solar, and MCPI their proportionate share of communication, dues, and utilities expenses as shown below:

	2016	2015	2014
PLDI	P 771,022	P 376,934	P 637,666
MCPI	345,687	-	-
ATN Solar	-	591,176	-
	P 1,116,709	P 968,110	P 637,666

- (iii) As discussed in Note 11, funds were released to a certain officer intended to finance key projects. These funds are to be liquidated whenever disbursements are made and to be returned when a project is completed.

For the years ended December 31, 2016, 2015, and 2014 the Company did not provide compensation to its key management personnel.

27. Registration with Clark Special Economic Zone

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

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

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

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

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

28. Income tax expense (benefit)

The major components of provision for income tax for the years ended December 31, 2016, 2015 and 2014 are as follows:

	2016		2015		2014	
Current	P	108,328	P	236,075	P	170,355
Deferred		85,651		(4,905)		(294,201)
	P	193,979	P	231,170	P	(123,846)

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

	2016		2015		2014	
Deferred tax assets						
Unrealized loss on fair value adjustment						
on investment property - net	P	423,715	P	423,715	P	403,092
Pension liability		42,563		38,771		61,267
Allowance for probable losses		379,790		357,449		347,768
		846,068		819,935		812,127
Deferred tax liability						
Revaluation increment		-		-		(56,616)
Lease spread on transponder lease		(30,739)		(6,548)		-
Unrealized income on foreign exchange		(95,886)		(8,293)		(11,937)
		(126,625)		(14,841)		(68,553)
Net	P	719,443	P	805,094	P	743,574

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

	2016		2015		2014	
Gross profit before income tax	P	4,008,401	P	4,477,630	P	1,720,729
Statutory income tax (@5%)		200,420		223,882		86,036
Adjustment for:						
Permanent differences		-		37,592		90,094
Non-taxable income		(8,292)		-		-
Non-deductible expenses		1,851		(30,304)		(299,976)
Actual provision for income tax	P	193,979	P	231,170	P	(123,846)

29. Earnings (loss) per share

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

	2016		2015		2014	
Profit (loss) for the year (a)	P	1,477,317	P	1,203,046	P	(6,951,035)
Weighted average number of shares outstanding during the year (b)		222,019,330		222,019,330		222,019,330
Earnings (loss) per share		0.0067		0.0054		(0.0313)

As at December 31, 2016, 2015, and 2014, there are no potential ordinary shares with dilutive effect.

30. Lease commitments

Company as a Lessee

(a) Transponder lease with APT Satellite Company Ltd.

After the lease agreement with ABS Global, Ltd., the Company entered into a lease agreement with APT Satellite Company Ltd. to provide transponder satellite service requiring payment of US\$19,500 until August 2017.

Transponder lease recognized in the statements of income amounted to P10,629,176 in 2016, P10,716,862 in 2015, and P11,444,662 in 2014. 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.

(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 Income amounted to P2,914,249 in 2016, P2,618,754 in 2015, and P2,286,219 in 2014.

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

	2016		2015
within 12 months	P 16,505,498	P	15,507,347
more than 12 months	14,474,326		23,785,110
	P 30,979,824	P	39,292,457

Company as a Lessor

(d) Lease Agreement with Various Lessees

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

Rent income recognized in the Statements of Income amounted to P2,242,152 in 2016, P2,522,038 in 2015, and P2,248,872 in 2014. (See Note 16)

31. Other signification matters

On March 14, 2017, ATN Solar issued additional P325 million shares to its related parties. The issuance resulted to a dilution of the Company's of equity interest in ATN Solar from 30% to 29.93%.

32. Supplementary information required under Revenue Regulations 15-2010 and 19-2011

The Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) 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, 2016 is presented in compliance thereto.

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

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

Tax on compensation	P	17,779
Expanded withholding taxes		8,495

- As of December 31, 2016, the Company has no pending tax cases within and outside the administration of the BIR.

(ii) *Supplementary information required under RR 19-2011*

- The Company's revenue for income tax purposes amounted to P35,875,465.
- The Company's other taxable income represents rental income amounting to P2,242,152.
- Details of Company's direct cost are as follows:

Depreciation and amortization	P	16,708,768
Transponder lease		10,629,176
Rental expense		2,914,249
Salaries, wages and other benefits		1,465,981
Utilities and communication		901,814
Taxes and licenses		770,435
Amortization of franchise fee		600,000
Security services		381,661
Transportation and travel		276,783
Insurance		109,494
Office supplies		95,634
	P	34,853,995

- Taxes and licenses presented in the statements of comprehensive income are as follows:

<i>Direct costs</i>		
Supervision and regulatory fee - NTC	P	753,390
Other licenses - NTC		17,045
		770,435
<i>Administrative expenses</i>		
Annual listing fee - PSE		250,000
Business permits and licenses		7,366
Real property tax		120,094
Other permits and licenses		500
	P	377,960

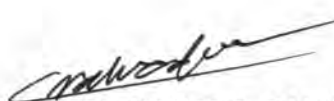
PRC-BOA Reg. No. 0132, valid until December 31, 2018
SEC Accreditation No.0220-FR-1, valid until March 25, 2017
BIR Accreditation No. 07-001080-002-2016, valid until October 3, 2019

Independent Auditors' Report on Supplementary Schedules

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.** (the Company) as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 included in this Form 17-A, and have issued our report thereon dated March 24, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

R. R. TAN AND ASSOCIATES, CPAs


By: **CHESTER NIMITZ F. SALVADOR**
Partner
CPA Certificate No. 0129556
Tax Identification No. 307-838-154
PTR No. 2535320, January 17, 2017, Pasig City
SEC Accreditation No. 1608-A, valid until January 26, 2020
BIR Accreditation No. 07-001050-002-2016,
valid until June 22, 2019

March 24, 2017
Pasig City

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

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TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.
Schedule I - Tabular Schedule of All Effective Standards and
Interpretations Pursuant to SRC Rule 68, as Amended
December 31, 2016

PHILIPPINE FINANCIAL REPORTING AND STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016	Adopted	Not adopted	Not applicable
Framework for the Preparation and Presentation of Financial Statements	x		
Conceptual Framework Phase A: Objectives and qualitative characteristics			
PFRS's Practice Statement Management Commentary	x		

Philippine Financial Reporting Standards

PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			x
	Amendments to PFRS 1 and PAS 27: Cost of an investment in a Subsidiary; Jointly Controlled entity or Associate			x
	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
	Amendments to PFRS 1: Borrowing Costs			x
	Amendments to PFRS 1: Meaning of Effective PFRS			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
	Amendments to PFRS 2: Definition of Vesting Condition			x
PFRS 3	Business Combinations			x
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			x
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			x
PFRS 4	Insurance Contracts			x
	Contracts			x
	Amendments to PFRS 4: Applying PFRS 9 'Financial Instrument' with PFRS 4 'Insurance Contracts'	Not early adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			x
	Amendments to PFRS 5: Changes in Methods of Disposal			x
PFRS 6	Exploration for and Evaluation of Mineral Resources			x
PFRS 7	Financial Instruments: Disclosures	x		
	Amendments to PFRS 7: Transition	x		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	x		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	x		
	Amendments to PFRS 7: Improving Disclosures About Financial Instruments	x		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	x		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	x		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
	Amendments to PFRS 7: Servicing Contracts			x
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			x
PFRS 8	Operating Segments	x		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	x		

PHILIPPINE FINANCIAL REPORTING AND STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not adopted	Not applicable
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements			x
	Amendments to PFRS 10: Investment Entities			x
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			x
	Amendments to PFRS 10: Consolidated Financial Statements and PAS 28: Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Not early adopted		
PFRS 11	Joint Arrangements			x
	Amendments to PFRS 11: Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations			x
PFRS 12	Disclosure of Interest in Other Entities	x		
	Amendments to PFRS 12: Investment Entities - Applying the Consolidation Exception			x
PFRS 13	Fair Value Measurement	x		
	Amendments to PFRS 13: Short-term Receivables and Payables	x		
	Amendments to PFRS 13: Portfolio Exceptions			x
PFRS 14	Regulatory Deferral Accounts			x
PFRS 15	Revenue from Contracts with Customers	Not early adopted		
PFRS 16	Leases	Not early adopted		

Philippine Accounting Standards

PAS 1 (Revised)	Presentation of Financial Statements	x		
	Amendment to PAS 1: Capital Disclosures	x		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			x
	Amendments to PAS 32 and PAS 1: Presentation of Items of Other Comprehensive Income	x		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	x		
	Amendments to PAS 1: Disclosure Initiative	x		
PAS 2	Inventories	x		
PAS 7	Statement of Cash flows	x		
	Amendments to PAS 7: Disclosure Initiative	Not early adopted		
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		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	Not early adopted		
PAS 16	Property, Plant and Equipment	x		
	Amendments to PAS 16: Classification of Servicing Equipment	x		
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	x		
	Amendments to PAS 16: Property, Plant and Equipment and PAS 38: Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization	x		
	Amendments to PAS 16: Agriculture - Bearer Plants			x
PAS 17	Leases	x		
PAS 18	Revenue	x		
PAS 19 (Amended)	Employee benefits	x		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			x
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate			x

PHILIPPINE FINANCIAL REPORTING AND STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not adopted	Not applicable
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			x
PAS 21	The Effects of Changes in Foreign Exchange Rates Amendment: Net Investment in a Foreign Operation	x		x
PAS 23	Borrowing Costs	x		
PAS 24	Related Party Disclosures Amendments to PAS 24: Key Management Personnel	x		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			x
PAS 27 (Revised)	Separate Financial Statements Amendments to PAS 27: Investment Entities Amendments to PAS 27: Separate Financial Statements - Equity Method in Separate Financial Statements			x x x
PAS 28 (Amended)	Investment in Associates and Joint Ventures Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception Amendments to PAS 28: Investment in Associates and Joint Ventures and PFRS 10: Consolidated Financial Statements - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	x		x Not early adopted
PAS 29	Financial Reporting in Hyperinflationary Economies			x
PAS 31	Interest in Joint Ventures			x
PAS 32	Financial Instruments: Disclosure and Presentation Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation Amendment to PAS 32: Classification of Rights Issues Amendments to PAS 32: Tax Effect of Distribution of Holders of Equity Instruments Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	x		x x x x
PAS 33	Earnings Per Share	x		
PAS 34	Interim Financial Reporting Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			x x x
PAS 36	Impairment of Assets Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	x x		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	x		
PAS 38	Intangible Assets Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	x x		
PAS 39	Financial Instruments: Recognition and Measurement Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities Amendments to pas 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions Amendments to PAS 39: The Fair Value Option Contracts Assets Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives Amendment to PAS 39: Eligible Hedged Items Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	x x x x x x x x x		x x x x
PAS 40	Investment Property Amendment to PAS 40: Investment Property Amendments to PAS 40: Transfers of Investment Property	x x		
				Not early adopted

PHILIPPINE FINANCIAL REPORTING AND STANDARDS AND INTERPRETATIONS		Adopted	Not adopted	Not applicable
Effective as of December 31, 2016				
PAS 41	Agriculture			x
	Amendments to PAS 41: Agriculture - Bearer Plants			x

Philippine Interpretations			
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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 15	Agreements for Construction of Real Estate	Not early adopted		
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
IFRIC 21	Levies			x
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Not early adopted		
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
SIC - 15	Operating Leases - Incentives	x		
SIC - 25	Income Taxes - Changes in the Tax Status of an Entity or its	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

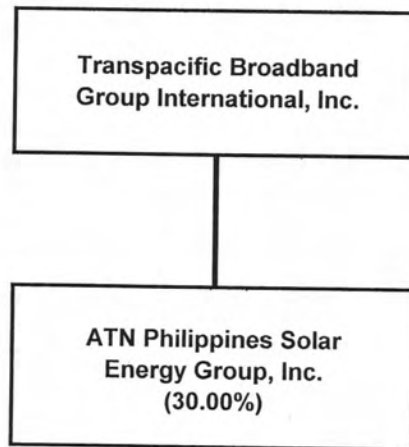
Transpacific Broadband Group International, Inc.
 Schedule II - Financial Soundness
 Pursuant to SRC Rule 68, As Amended

	2016	2015
A. Current/liquidity ratios		
Current ratio	5.28	3.31
Quick ratio	4.98	2.97
Cash ratio	2.92	0.22
B. Solvency ratio/Debt-to-equity ratio		
Solvency ratio	2.40	2.45
Debt ratio	0.03	0.03
Debt-to-Equity ratio	0.03	0.03
C. Asset-to-Equity ratio	1.03	1.03
D. Interest rate coverage ratio	5.96	9.89
E. Profitability ratios		
Net profit margin analysis	4.12%	3.42%
Gross profit margin analysis	10.29%	11.37%
Return on assets	0.48%	0.36%
Return on equity	0.49%	0.40%
Return on capital employed	0.48%	0.36%

Transpacific Broadband Group International, Inc.
Schedule III - Retained Earnings Available for Dividend Declaration
December 31, 2016

Retained Earnings as at December 31, 2016		P 40,284,687
Adjustments:		-
Retained Earnings as at December 31, 2016, as adjusted		<u>40,284,687</u>
Net income during the period closed to Retained Earnings	1,477,317	
Less: Non-actual/unrealized income net of tax	-	
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	-	
Unrealized actuarial gain	1,799,102	
Fair value adjustment (mark-to-market gains)	-	
Fair value adjustment of investment property resulting to gain	-	
Recognized deferred tax asset that increased the net income	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-	
Subtotal	<u>1,799,102</u>	
Add: Non-actual losses	-	
Depreciation on revaluation increment (after tax)	-	
Unrealized actuarial loss	-	
Fair value adjustment (mark-to-market losses)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Subtotal	<u>-</u>	
Net income actually earned during the period		<u>(321,785)</u>
Add(less):		
Dividend declarations during the period	-	
Appropriations of retained earnings during the year	-	
Reversals of appropriations	-	
Deemed cost adjustment on investment property	-	
Treasury shares	-	
Subtotal	<u>437,800</u>	
Retained Earnings as at December 31, 2016		<u><u>P 39,525,102</u></u>

Transpacific Broadband Group International, Inc.
Schedule IV - A map showing the relationship between and among the Company
and its ultimate Parent Company, subsidiaries and associates
Pursuant to Rule 68 as Amended
December 31, 2016



Transpacific Broadband Group International, Inc.
Schedule A - Marketable Securities
December 31, 2016

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

Transpacific Broadband Group International, Inc.
Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and
Principal Stockholders (other than related parties)
December 31, 2016

Name and designation of Debtor	Balance at beginning of period	Additions	Amounts collected/ liquidated	Amounts written off	Current	Non current	Balance at end of period
HRH Prince Abdul Aziz - Director *	5,329,758	299,111	-	-	-	5,628,869	5,628,869
ATN Philippines Solar Energy Group, Inc. - Related party	24,017	3,802,940	-	-	-	3,826,957	3,826,957
Palladian Land Development Inc. - Related Party	910,483	2,953,174	2,000,000	-	-	1,863,657	1,863,657
Managed Care Philippines, Inc. - Related Party	-	345,678	-	-	-	345,678	345,678
	P 6,264,257	P 7,400,903	P 2,000,000	P -	P -	P 11,665,161	P 11,665,161

* - additions represent unrealized foreign exchange gain

Transpacific Broadband Group International, Inc.
Schedule C: Amounts Receivable from Related Parties which are eliminated during
the consolidation of financial statements
December 31, 2016

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

Transpacific Broadband Group International, Inc.
 Schedule D: Intangible Assets- Other assets
 December 31, 2016

Description	Beginning Balance	Additions at Cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending Balance
Franchise	P 4,942,405	P -	P 600,000	P -	P -	P 4,342,405

Transpacific Broadband Group International, Inc.
Schedule E: Long Term Debt
December 31, 2016

Title issue and type of obligation	Amount authorized by indenture	Amount shown under current portion of long term debt in related balance sheet	Amount shown under caption "Long term Debt" in the balance sheet
China Banking Corporation	P 5,900,000	P 5,900,000	P -

Transpacific Broadband Group International, Inc.
Schedule F: Indebtedness to related parties
(Long-Term Loans from Related Parties)
December 31, 2016

Name of related party	Balance at beginning of period	Balance at end of period
None to report		

Transpacific Broadband Group International, Inc.
Schedule G: Guarantee securities of other issuers
December 31, 2016

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

Transpacific Broadband Group International, Inc.
Schedule H: Share Capital
December 31, 2016

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	18,048,037	183,533,493



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SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	7
---	---

Actual number of Directors for the year	7
---	---

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual/Special Meeting)	No. of years served as director
HRH Prince Abdulaziz bin Talal Al Saud	NED	n/a	Paul Saria-None	2009	9/2016	Annual	7
Arsenio T. Ng	ED	n/a	Hilario Ng- None	2000	9/2016	Annual	16
Hilario T. Ng	ED	n/a	Hilario Ng- None	2000	9/2016	Annual	16
Simoun Ung	NED	n/a	Hilario Ng- None	2007	9/2016	Annual	9
Paul B. Saria	ED	n/a	Hilario Ng- None	2000	9/2016	Annual	16
Kenneth C. Co	ID	n/a	Paul Saria-None	2011	9/2016	Annual	5
Oscar B. Mapua, Jr.	ID	n/a	Paul Saria-None	2003	9/2016	Annual	13

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Board of Directors and Management of TBGI believes that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization.

The Board of directors continuously strives to improve effective performance management of company thru a well-structured business strategy. Thru a director nomination and election process, all shareholders are given the opportunity to nominate and elect directors based on the number of shares voted. The board also oversees that risk assessment activities are done and reported at each committee level (audit, remuneration, executive)

The Corporation adopts to Corporate Governance policy under the following: 1) Corporate By-laws, 2) Corporate Government Manual 3) Audit Policies. 4) Corporation Code 5) SEC Rules and Regulations 6) PSE Disclosure Rules

- (c) How often does the Board review and approve the vision and mission?

The Board are constantly reminded and expected to carry and act in accordance to the vision and mission of the company. The vision and mission are not explicitly discussed in board meetings.

¹ Reckoned from the election

- (d) Directorship in Other Companies
 (i) Directorship in the Company's Group²

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
<i>Arsenio T. Ng</i>	<i>Palladian Land Dev. Inc. Advanced Home Concept Managed Care Phil. Inc.</i>	<i>Executive</i>
<i>Hilario T. Ng</i>	<i>Palladian Land Dev. Inc. Advanced Home Concept Managed Care Phil. Inc.</i>	<i>Executive</i>
<i>Paul B. Saria</i>	<i>Palladian Land Dev. Inc. Advanced Home Concept Managed Care Phil. Inc.</i>	<i>Executive</i>

- (ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
<i>Arsenio T. Ng</i>	<i>ATN Holdings, Inc.</i>	<i>Executive</i>
<i>Paul B. Saria</i>	<i>ATN Holdings, Inc.</i>	<i>Executive</i>
<i>Hilario T. Ng</i>	<i>ATN Holdings, Inc.</i>	<i>Executive</i>

- (iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
<i>Hilario T. Ng</i>	<i>Arsenio T. Ng</i>	<i>Brothers</i>
<i>Arsenio T. Ng</i>	<i>Hilario T. Ng</i>	<i>Brothers</i>

- (iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	<i>No limits placed</i>	<i>n.a.</i>
Non-Executive Director	<i>No limits placed</i>	<i>n.a.</i>
CEO	<i>No limits placed</i>	<i>n.a.</i>

² The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

(e) Shareholding in the Company

The top 20 stockholders as of June 30, 2016 are as follows:

Shareholders of Each Class	No. of Shares Held	% of Total Shares Outstanding
1. PCD Nominee Corp. (NF)	81,826,209	36.93%
2. PCD Nominee Corp. (F)	81,422,806	36.75%
3. Unipage Management Inc.	20,000,000	9.03%
4. Ng, Arsenio T.	13,256,429	5.98%
5. Limqueco, Abraham	2,368,000	0.92%
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. Yap, Rodolfo	800,000	0.36%
10. Ng, Hilario Tiu Ng	400,804	0.18%
11. Ng, Mark T.	375,000	0.17%
12. Ng, Tiffany Anne	375,000	0.17%
13. Ng, Matthew H	375,000	0.17%
14. Ng, Annie Cham	375,000	0.17%
15. Ng, Bun Kui	360,000	0.16%
16. Ng, Irene	360,000	0.16%
17. Oliva, Dulce Maria	360,000	0.16%
18. Limqueco, Margie Villaflor	350,000	0.16%
19. Reyes-Lao, Honorio O.	300,000	0.14%
20. Limqueco, Margie V.	218,000	0.10%

2) Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes No

Identify the Chair and CEO:

Chairman of the Board	Arsenio T. Ng
CEO/President	Arsenio T. Ng

The CEO of the company is the majority owner and also assumes the role of Chairman of the Board. He holds and acts in accordance to the interest of the company, developing and implementing high-level strategies to ensure effective corporate decision.

- (b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	Ensure that all Board committees are properly established, composed and operated to foster long-term growth	<ul style="list-style-type: none"> Manage and oversee company operation and performance Ensure that business performance is consistent with the Business Principles
Accountabilities	Formulation of policies and fiduciary duty towards all stakeholders	<ul style="list-style-type: none"> Ensure that the flow of information to the Board is accurate, timely and clear. Initiate and implement policies to promote effective communication

		<i>in the company</i>
Deliverables	<i>Set the agenda, style and tone of Board discussions to promote constructive debate and effective decision-making. Ensure effective operation of the Board and its committees in conformity with the highest standards of corporate governance</i>	<ul style="list-style-type: none"> • <i>Ensure financial results, business strategies, company targets are achieved</i>

- 3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

The Corporation has a nomination committee that evaluates and qualifies potential nominees for directors and executive positions.

- 4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The company has diverse experienced directors, from technical, financial and social experiences.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. Majority of Board of Directors has experience in the sector/ industry of the company.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	<i>Represent the Management</i>	<i>Represent major shareholders' interest</i>	<i>Provide neutral observations</i>
Accountabilities	<i>Management of business affairs</i>	<i>Ensuring sustainable growth</i>	<i>Setting high standards for best practice</i>
Deliverables	<i>Meet corporate objective</i>	<i>Monitor company progress</i>	<i>Safeguard interest of all shareholders</i>

Provide the company's definition of "independence" and describe the company's compliance to the definition.

"Independence" is defined by the company as a mechanism of gathering different views and perspectives into the company. An independent director of the company is someone who has never been involved in the day-to-day running of the organization and who has no relationship with any shareholder holding 5% or more shares.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Company adopts SEC rules regarding appointment and re-appointment of independent directors.

- 5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

- (a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	<i>Nominated/ elected</i>	<i>Ex officio</i>
(ii) Non-Executive Directors	<i>Nominated/ elected</i>	<i>Major shareholders</i>
(iii) Independent Directors	<i>Nominated/ elected</i>	<i>Based on qualifications</i>
b. Re-appointment		
(i) Executive Directors	<i>Election via ASM</i>	<i>One share/ one vote</i>
(ii) Non-Executive Directors	<i>Election via ASM</i>	<i>One share/ one vote</i>
(iii) Independent Directors	<i>Election via ASM</i>	<i>One share/ one vote</i>
c. Permanent Disqualification		
(i) Executive Directors	<i>As per by-laws</i>	<i>SEC rules, PSE rules, By-laws</i>
(ii) Non-Executive Directors	<i>As per by-laws</i>	<i>SEC rules, PSE rules, By-laws</i>
(iii) Independent Directors	<i>As per by-laws</i>	<i>SEC rules, PSE rules, By-laws</i>
d. Temporary Disqualification		
(i) Executive Directors	<i>As per by-laws</i>	<i>SEC rules, PSE rules, By-laws</i>
(ii) Non-Executive Directors	<i>As per by-laws</i>	<i>SEC rules, PSE rules, By-laws</i>
(iii) Independent Directors	<i>As per by-laws</i>	<i>SEC rules, PSE rules, By-laws</i>
e. Removal		
(i) Executive Directors	<i>As per by-laws</i>	<i>SEC rules, PSE rules, By-laws</i>
(ii) Non-Executive Directors	<i>As per by-laws</i>	<i>SEC rules, PSE rules, By-laws</i>
(iii) Independent Directors	<i>As per by-laws</i>	<i>SEC rules, PSE rules, By-laws</i>
f. Re-instatement		
(i) Executive Directors	<i>As per by-laws</i>	<i>SEC rules, PSE rules, By-laws</i>
(ii) Non-Executive Directors	<i>As per by-laws</i>	<i>SEC rules, PSE rules, By-laws</i>
(iii) Independent Directors	<i>As per by-laws</i>	<i>SEC rules, PSE rules, By-laws</i>
g. Suspension		
(i) Executive Directors	<i>As per by-laws</i>	<i>SEC rules, PSE rules, By-laws</i>
(ii) Non-Executive Directors	<i>As per by-laws</i>	<i>SEC rules, PSE rules, By-laws</i>
(iii) Independent Directors	<i>As per by-laws</i>	<i>SEC rules, PSE rules, By-laws</i>

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
<i>HRH Prince Abdulaziz bin Talal Al Saud</i>	<i>75% of total voting shares</i>
<i>Arsenio T. Ng</i>	<i>75% of total voting shares</i>
<i>Hilario T. Ng</i>	<i>75% of total voting shares</i>
<i>Simoun Ung</i>	<i>75% of total voting shares</i>
<i>Paul B. Saria</i>	<i>75% of total voting shares</i>
<i>Kenneth C. Co</i>	<i>75% of total voting shares</i>
<i>Oscar B. Mapua, Jr.</i>	<i>75% of total voting shares</i>

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

There is no formal orientation program for new directors. Each incoming director is briefed with company's management, board members, vision, mission and principles that the company upholds. New directors are welcome to provide initial inputs concerning the company if any.

(b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years:

The Directors and Senior Management attend a Corporate Governance Seminar yearly conducted by SEC Accredited Providers. For year 2016, 2015, 2014, the seminars were led by various key speakers of Center for Global Best Practices with Accreditation No. GC2013-007. For 2016, the program focused on the Best Practices in Parliamentary Procedures for Board Directors and Top Management.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
<i>Arsenio T. Ng</i>	<i>12/12/2016</i>	<i>Corporate Governance Seminar</i>	<i>Center for Global Best Practices</i>
<i>Hilario T. Ng</i>	<i>12/12/2016</i>	<i>Corporate Governance Seminar</i>	<i>Center for Global Best Practices</i>
<i>Simoun Ung</i>	<i>12/12/2016</i>	<i>Corporate Governance Seminar</i>	<i>Center for Global Best Practices</i>
<i>Paul B. Saria</i>	<i>12/12/2016</i>	<i>Corporate Governance Seminar</i>	<i>Center for Global Best Practices</i>
<i>Kenneth C. Co</i>	<i>12/12/2016</i>	<i>Corporate Governance Seminar</i>	<i>Center for Global Best Practices</i>
<i>Oscar B. Mapua, Jr.</i>	<i>12/12/2016</i>	<i>Corporate Governance Seminar</i>	<i>Center for Global Best Practices</i>

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
<i>HRH Prince Abdulaziz bin Talal Al Saud</i>	<i>Semi-annual</i>	<i>Corporate governance meetings</i>	<i>Internal</i>
<i>Arsenio T. Ng</i>	<i>Semi-annual</i>	<i>Corporate governance meetings</i>	<i>Internal</i>
<i>Hilario T. Ng</i>	<i>Semi-annual</i>	<i>Corporate governance meetings</i>	<i>Internal</i>
<i>Simoun Ung</i>	<i>Semi-annual</i>	<i>Corporate governance meetings</i>	<i>Internal</i>
<i>Paul B. Saria</i>	<i>Semi-annual</i>	<i>Corporate governance meetings</i>	<i>Internal</i>
<i>Kenneth C. Co</i>	<i>Semi-annual</i>	<i>Corporate governance meetings</i>	<i>Internal</i>
<i>Oscar B. Mapua, Jr.</i>	<i>Semi-annual</i>	<i>Corporate governance meetings</i>	<i>Internal</i>

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<i>Voluntary-Inhibition</i>	<i>Voluntary-Inhibition</i>	<i>Voluntary-Inhibition</i>
(b) Conduct of Business and Fair Dealings	<i>Should follow corp. governance manual and audit charter</i>	<i>Should follow corp. governance manual and audit charter</i>	<i>Should follow corp. governance manual and audit charter</i>
(c) Receipt of gifts from third parties	<i>No formal company policy</i>	<i>No formal company policy</i>	<i>No formal company policy</i>

³ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

(d) Compliance with Laws & Regulations	<i>Opinion of legal counsel is required</i>	<i>Monitored by compliance officer and other officers</i>	<i>Monitored by compliance officer and other officers</i>
(e) Respect for Trade Secrets/Use of Non-public Information	<i>Protect company trade secrets at all times</i>	<i>Protect company trade secrets at all times</i>	<i>Protect company trade secrets at all times</i>
(f) Use of Company Funds, Assets and Information	<i>Authorization protocol, Reimbursement policy, Corporate governance manual</i>	<i>Authorization protocol, Reimbursement policy, Corporate governance manual</i>	<i>Authorization protocol, Reimbursement policy, Corporate governance manual</i>
(g) Employment & Labor Laws & Policies	<i>Comply at least to the minimum criteria set by labor and employment authorities</i>	<i>Comply at least to the minimum criteria set by labor and employment authorities</i>	<i>Comply at least to the minimum criteria set by labor and employment authorities</i>
(h) Disciplinary action	<i>Based on Manual of Corporate Governance</i>	<i>Based on Manual of Corporate Governance</i>	<i>Based on Manual of Corporate Governance</i>
(i) Whistle Blower	<i>No formal company policy</i>	<i>No formal company policy</i>	<i>No formal company policy</i>
(j) Conflict Resolution	<i>No formal company policy. An Intermediary party can act as negotiator</i>	<i>No formal company policy. An Intermediary party can act as negotiator</i>	<i>No formal company policy. An Intermediary party can act as negotiator</i>

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?
Yes

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.
Compliance Officer evaluates and monitors compliance with the code of ethics. Any act committed by any officer/member that is against the company's codes of ethics is immediately reported to senior management and executives and are subjected to penalties/violations.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	<i>Based on Arm's Length Transaction</i>
(2) Joint Ventures	<i>Based on Arm's Length Transaction</i>
(3) Subsidiaries	<i>Based on Arm's Length Transaction</i>
(4) Entities Under Common Control	<i>Based on Arm's Length Transaction</i>
(5) Substantial Stockholders	<i>Based on Arm's Length Transaction</i>
(6) Officers including spouse/children/siblings/parents	<i>No such related party transaction</i>
(7) Directors including spouse/children/siblings/parents	<i>No such related party transaction</i>
(8) Interlocking director relationship of Board of Directors	<i>Requires Expertise/ background on specific industry/ field</i>

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

		Details of Conflict of Interest (Actual or Probable)
Name of Director/s		<i>Arsenio Ng and Hilario Ng are brothers. However, there is no probable conflict of interest as they have their own field/ industry expertise.</i>
Name of Officer/s		
Name of Significant Shareholders		

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	<i>No formal mechanism, Conflict are reviewed by executive committees based on a case-to-case basis</i>
Group	<i>No formal mechanism, Conflict are reviewed by executive committees based on a case-to-case basis</i>

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,⁴ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
<i>Not applicable</i>	<i>Not applicable</i>	<i>Not applicable</i>

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
<i>Not applicable</i>	<i>Not applicable</i>	<i>Not applicable</i>

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
<i>N/A</i>		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

	Alternative Dispute Resolution System
Corporation & Stockholders	Conflicts are resolved on a case-to-case basis
Corporation & Third Parties	Conflicts are resolved on a case-to-case basis
Corporation & Regulatory Authorities	Conflicts are resolved on a case-to-case basis

C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?
The Board of Director's meeting is scheduled as needed. There is no fixed meeting schedule.
- 2) Attendance of Directors

For Calendar Year ending December 31, 2016

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Member	HRH Prince Abdulaziz bin Talal Al Saud (Telecon)	9/2016	7	5	71
Chairman	Arsenio T. Ng	9/2016	7	7	100
Member	Hilario T. Ng	9/2016	7	7	100
Member	Simoun Ung	9/2016	7	7	100
Independent	Kenneth C. Co	9/2016	7	7	100
Independent	Oscar B. Mapua, Jr.	9/2016	7	7	100
Member	Paul B. Saria	9/2016	7	7	100

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

None.

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

Yes. Minimum quorum requirement of 2/3 of board members is observed for compliance purposes.

- 5) Access to Information

- (a) How many days in advance are board papers⁵ for board of directors meetings provided to the board?

At least 1 week in advance

- (b) Do board members have independent access to Management and the Corporate Secretary?

Yes they do. Corporate secretary can be contacted via phone, email and fax

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Role of the company secretary consists of the following:

- *Arranges board meetings and AGMs*
- *Assist the Chairman and the Board in making business judgment in good faith and in the performance of their responsibilities and obligations*
- *Advises Board of Directors on practices to be adopted in relation to good corporate governance.*
- *Represents the company for internal and external stakeholders*

⁵ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

And includes all the roles stated above (preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes)

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

The corporate secretary has been with the company for more than 10 years and has handled the company's operations as well as managed the legal affairs of the company. He is by far the most suitable person to hold the position as company secretary.

- (e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes No

Committee	Details of the procedures
Executive	<i>Readily available</i>
Audit Nomination Remuneration	<i>Necessary information can be requested from Corporate secretary via phone, email, fax.</i> <i>All material information, i.e., anything that could potentially affect share price are publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.</i> <i>All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.</i>
Others (specify)	<i>No other committees</i>

- 6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
<i>No formal procedure but directors can receive/seek external advice.</i>	

- 7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
<i>N/A</i>	<i>No new changes made</i>	<i>N/A</i>

D. REMUNERATION MATTERS

- 1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	<i>Negotiated (based on industry standards)</i>	<i>Negotiated (based on industry standards)</i>

(2) Variable remuneration	<i>n/a</i>	<i>n/a</i>
(3) Per diem allowance	<i>n/a</i>	<i>n/a</i>
(4) Bonus	<i>n/a</i>	<i>n/a</i>
(5) Stock Options and other financial instruments	<i>Upon recommendation by the remuneration committee and approval by the board</i>	<i>Upon recommendation by the remuneration committee and approval by the board</i>
(6) Others (specify)	<i>n/a</i>	<i>n/a</i>

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	<i>Fixed</i>	<i>Fixed</i>	<i>Based on industry standard</i>
Non-Executive Directors	<i>Per Legal requirements</i>	<i>Per Legal requirements</i>	<i>Based on industry standard</i>

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
<i>Fixed reasonable per diem of P5,000 for attendance of Board of Directors</i>	<i>September 11, 2013</i>
<i>Fixed reasonable per diem of P5,000 for attendance of Board of Directors</i>	<i>November 22, 2012</i>
<i>Stock Options to the CEO</i>	<i>2008</i>

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	<i>2,000,000</i>	<i>n/a</i>	<i>n/a</i>
(b) Variable Remuneration	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
(c) Per diem Allowance	<i>5,000/ attendance of Board of Directors meeting</i>	<i>5,000/ attendance of Board of Directors meeting</i>	<i>5,000/ attendance of Board of Directors meeting</i>
(d) Bonuses	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
(e) Stock Options and/or other financial instruments	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
(f) Others (Specify)	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
Total	<i>2,000,000 + 5,000/ attendance of Board of Directors meeting</i>	<i>5,000/ attendance of Board of Directors meeting</i>	<i>5,000/ attendance of Board of Directors meeting</i>

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	n/a	n/a	n/a
2) Credit granted	n/a	n/a	n/a
3) Pension Plan/s Contributions	n/a	n/a	n/a
(d) Pension Plans, Obligations incurred	n/a	n/a	n/a
(e) Life Insurance Premium	n/a	n/a	n/a
(f) Hospitalization Plan	n/a	n/a	n/a
(g) Car Plan	n/a	n/a	n/a
(h) Others (Specify)	n/a	n/a	n/a
Total	n/a	n/a	n/a

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
<p><i>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 September 30, 2016 and December 31, 2015, share options outstanding amounted to P8,921,814.</i></p>				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
N/A. There were no amendments made.		

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
<i>insignificant</i>	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-Executive Director (NED)	Independent Director (ID)				
Executive	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Audit	2	0	1	Ensure compliance to pertinent accounting standards including regulatory requirements.	Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company through a step-by-step procedures and policies handbook that will be used by the entire organization	Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements	Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit
Nomination	2	0	1	Capture qualified candidates that can nurture and help the company expand	Determine the number of directorships for the Board by pre-screening and selecting candidates based on the nature of the business of the corporations, age of director, number of active memberships in other corporations and possible conflict of interest.	Establish roles and duties of each candidate	Decide and select qualified candidates and ensure they uphold the principles of the company.
Remuneration	2	0	1	Ensure adequate compensation and benefits to qualified personnel for their outstanding service to the company	Designate amount of remuneration, which shall be in a sufficient level to attract and retain officers and directors who are needed to run company effectively	Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors	Disallow any director to decide his or her own remuneration.
Others (specify)	N/A	N/A	N/A	N/A	N/A	N/A	N/A

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	<i>Executive committee is composed on the Chief Executive Officer, Chief Financial Officer, Chief Operations Officer & Chief Information Officer</i>					
Member (ED)						
Member (NED)						
Member (ID)						
Member						

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in Committee
Chairman	<i>Kenneth C. Co (Independent)</i>	9/2016	2	2	100	5
Member (ED)	<i>Arsenio T. Ng</i>	9/2016	2	2	100	6
Member (ED)	<i>Paul B. Saria</i>	9/2016	2	2	100	6

Disclose the profile or qualifications of the Audit Committee members.

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.

Mr. Arsenio T. Ng 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 (six months) of the Energy Corporation; a company listed in the Philippine Stock Exchange and became Chief Finance Officer (six months) 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 (six years), a private equity fund managed by Hambrecht and Quist, Philippines Inc., a subsidiary of US-based Hambrecht and Quist venture firm.

Mr. Paul B. Saria is 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.

Describe the Audit Committee's responsibility relative to the external auditor.

- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.
- Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Oscar B. Mapua, Jr. (Independent)	9/2016	2	2	100	6
Member (ED)	Hilario T. Ng	9/2016	2	2	100	6
Member (ED)	Paul B. Saria	9/2016	2	2	100	7

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Kenneth C. Co (Independent)	9/2016	2	2	100	5
Member (ED)	Arsenio T. Ng	9/2016	2	2	100	8
Member (ED)	Hilario T. Ng	9/2016	2	2	100	5

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	<i>none</i>	
Audit	<i>none</i>	
Nomination	<i>none</i>	
Remuneration	<i>none</i>	
Others (specify)		

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	<i>Disclosed in management discussion and analysis indicated in the Annual Report</i>	
Audit	<i>Approval of the Audited Financial Statements of the Corporation</i>	<i>Ensure accuracy of financial statements</i>
Nomination	<i>Evaluate background/ history of nominated candidates</i>	<i>Nominate candidates with competitive background</i>
Remuneration	<i>Discussed Remuneration standards based on industry practice</i>	<i>Offer attractive remuneration to retain competitive employees</i>
Others (specify)	<i>Not applicable</i>	

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	<i>All issues disclosed and discussed among executive committee members</i>	
Audit	<i>Update company operations</i>	<i>Software-apps development</i>
Nomination	<i>Evaluated qualified nominees</i>	<i>Achieve Competitive candidates</i>
Remuneration	<i>Maintain competitive remuneration standards</i>	<i>Stay In-tune with industry standards</i>
Others (specify)	<i>N/A</i>	

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

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.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

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.

(c) Period covered by the review;

CY 2016

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness;

Reviewed when needed

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Operating Risk	<i>Preventive Maintenance Checkup Rigorous control and monitoring framework</i>	<i>Eliminate system failure, human error, external events</i>
Technology Risk	<i>Competitor baseline data comparison</i>	<i>Update technology to combat obsolescence</i>
Financial Risk	<i>Internal Credit Risk policies</i>	<i>Minimize market movement risks</i>
Market Risk	<i>Data Service Subscription Technology Backbone, Marketing Agents</i>	<i>Anticipate foreign exchange rates volatility</i>

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Operating Risk	<i>Preventive Maintenance Checkup Rigorous control and monitoring framework</i>	<i>Eliminate system failure, human error, external events</i>
Technology Risk	<i>Competitor baseline data comparison</i>	<i>Update technology to combat obsolescence</i>
Financial Risk	<i>Internal Credit Risk policies</i>	<i>Minimize market movement risks</i>
Market Risk	<i>Data Service Subscription Technology Backbone, Marketing Agents</i>	<i>Anticipate foreign exchange rates volatility</i>

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
<i>Company enforces one vote per share for all shareholders thus protecting minority shareholders</i>

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Operating Risk	<i>System Failure Testing</i>	<i>Performance check of Technological devices with accredited system engineers</i>
Technology Risk	<i>Performance check of Technological devices</i>	<i>accredited system engineers constant updating of technology devices</i>
Financial Risk	<i>Creditworthy counterparty profiling</i>	<i>Company only deals with creditworthy counterparties and obtaining sufficient collateral, where appropriate</i>
Market Risk	<i>Market Demand reports</i>	<i>Marketing Backbone focuses on data service subscription clients</i>

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Operating Risk	<i>System Failure Testing</i>	<i>Performance check of Technological devices with accredited system engineers</i>
Technology Risk	<i>Performance check of Technological devices</i>	<i>accredited system engineers constant updating of technology devices</i>
Financial Risk	<i>Creditworthy counterparty profiling</i>	<i>Company only deals with creditworthy counterparties and obtaining sufficient collateral, where appropriate</i>
Market Risk	<i>Market Demand reports</i>	<i>Marketing Backbone focuses on data service subscription clients</i>

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	<i>Works with Compliance officer</i>	<i>Monitor and manage risk, ensure accuracy of financial background</i>

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

- (a) Explain how the internal control system is defined for the company;
The company defines internal control system as an independent internal audit mechanism performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and stockholders are provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
The scope and particulars of the effectiveness of the internal control system were based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.
- (c) Period covered by the review;
 CY2016
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system;
Annually and when needed
- (e) Where no review was conducted during the year, an explanation why not.

2) Internal Audit

- (a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Reported under the Internal Audit Charter

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Financial Auditor	<ul style="list-style-type: none"> • Evaluate the overall financial statement • Test-basis • Verify disclosures in financial statements • Express opinion on financial disclosures in accordance to generally accepted accounting standards 	<i>In-house</i>		<ul style="list-style-type: none"> • Board, senior management, as well as compliance officer are informed of audit results.

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?
Yes, requires approval of Audit committee.
- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?
The Internal Auditor shall report to the Audit Committee. Yes, the internal auditor has direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
<i>Not applicable</i>	

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	<i>Risk monitoring</i>
Issues⁶	<i>Audit procedures/ documentation process</i>
Findings⁷	<i>Progress report</i>
Examination Trends	<i>Based on year to year results</i>

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) *Preparation of an audit plan inclusive of a timeline and milestones;*
- 2) *Conduct of examination based on the plan;*
- 3) *Evaluation of the progress in the implementation of the plan;*
- 4) *Documentation of issues and findings as a result of the examination;*
- 5) *Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;*
- 6) *Conduct of the foregoing procedures on a regular basis.*

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Receipt disbursements	<i>implemented</i>
Report to audit committee	<i>implemented</i>

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<i>Report directly to Board and CEO</i>	<i>Requested info are provided</i>	<i>Requested info are provided</i>	<i>Requested info are provided</i>

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Document to be signed by Chief Executive Officer and Corporate Information Officer.

⁶ "Issues" are compliance matters that arise from adopting different interpretations.

⁷ "Findings" are those with concrete basis under the company's policies and rules.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	<i>Feedback Loop Policy Upgrade and maintenance of equipments</i>	<i>Copy furnish everyone in team plus operations head, Constantly follow up and check with clients on internet performance service Preventive Maintenance services</i>
Supplier/contractor selection practice	<i>Bidding/ negotiated</i>	<i>Competence and Accreditation, Exclusivity of service</i>
Environmentally friendly value-chain	<i>Clean-as-you go policy Carpool encouraged</i>	<i>Recycle, segregate Commute/ walk if near</i>
Community interaction	<i>Train the trainer Feedback Loop Policy</i>	<i>Address any concerns (attitude of employees, performance, conflict etc.) to HR management/ supervisor</i>
Anti-corruption program and procedures	<i>No formal policy</i>	<i>Whistleblowers are most welcome</i>
Safeguarding creditors' rights	<i>Transparency in financial instruments</i>	<i>Provisions for covenants set by creditors</i>

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?
No

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

Aside from the mandated benefits by law, employees can avail of special services from Managed Care clinic

(b) Show data relating to health, safety and welfare of its employees.

Annual Health Maintenance Contract with Managed Care clinic

(c) State the company's training and development programmes for its employees. Show the data.

TBGI training system administrators and implementation of train the trainer program.

Yearly Attendance and active participation in IECEP seminars



(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

Performance rewards are individually evaluated by the Remuneration committee on a case-to-case basis.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.

Complaints are directly reported to the executive committee. Identities are kept confidential

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
<i>PCD Nominee Corp. (F)</i>	<i>81,422,806</i>	<i>36.75 %</i>	<i>Various</i>
<i>PCD Nominee Corp. (NF)</i>	<i>81,826,209</i>	<i>36.93%</i>	<i>Various</i>
<i>Unipage Management, Inc.</i>	<i>20,000,000</i>	<i>9.03 %</i>	<i>Stockholders</i>
<i>Arsenio T. Ng</i>	<i>13,256,429</i>	<i>5.98 %</i>	<i>None</i>

2) Does the Annual Report disclose the following:

Key risks	✓
Corporate objectives	✓
Financial performance indicators	✓
Non-financial performance indicators	✓
Dividend policy	✓
Details of whistle-blowing policy	None provided. Company welcomes whistleblowers.
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	✓
Training and/or continuing education programme attended by each director/commissioner	✓
Number of board of directors/commissioners meetings held during the year	Disclosed in other public documents
Attendance details of each director/commissioner in respect of meetings held	Disclosed in other public documents
Details of remuneration of the CEO and each member of the board of directors/commissioners	✓

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
<i>R.R. TAN & ASSOCIATES, CPAs</i>	<i>P295,000</i>	

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

TBGI Webmail, Phone, Fax, email

5) Date of release of audited financial report:

March 24, 2017

6) Company Website

<http://www.tbgi.net.ph/>

Does the company have a website disclosing up-to-date information about the following?

Business operations	<i>yes</i>
Financial statements/reports (current and prior years)	<i>yes</i>
Materials provided in briefings to analysts and media	<i>yes</i>
Shareholding structure	<i>yes</i>
Group corporate structure	<i>yes</i>

Downloadable annual report	yes
Notice of AGM and/or EGM	yes
Company's constitution (company's by-laws, memorandum and articles of association)	yes

7) Disclosure of RPT

The following related party transactions occurred during 2015 and 2014:

Related party	Nature of transaction	Amount of Transaction		Year-end balances		Terms and condition
		2015	2014	2015	2014	
Associate						
ATN Solar	Share capital subscription (see Note 13)	P (54,250,000)	P 82,500,000	P -	P 54,250,000	No payment terms
	Advances	1,524,017	-	-	-	
	Collection of advances	(1,500,000)	-	24,017	-	Unsecured, unimpaired and no payment terms
Affiliated companies						
Palladian Land						
Dev. Inc (PLDI)	Rent income	2,152,840	1,299,388	-	-	
	Income for short-term investment	-	535,404	-	-	
	Advances	472,606	729,781	-	-	
	Collection of advances	(5,253,000)	(3,800,000)	910,483	3,538,037	Unsecured, unimpaired and no payment terms
ATN Holdings, Inc. (ATN)	Collection of advances	(1,062,074)	-	-	1,062,074	Unsecured, unimpaired and no payment terms
Related party						
Certain member of the Board of Directors (see Note 12)	Return of funds	(9,483,059)	-	5,329,785	14,812,844	Unsecured, unimpaired and no payment terms

Details of significant related party transactions are as follows:

- As discussed in Note 17, the Company is a beneficial owner of certain condominium units registered under the name of PLDI. Title to the properties has not been released to the Company as the Company intends to sell the properties through the sales network of PLDI. These properties are leased out to third party also through PLDI. Proceeds of the rent are remitted to the Company by the latter.

Rent income collected by PLDI on these properties amounted to P2.2 million in 2015 and P1.3 million in 2014.

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

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

RPTs are monitored by the Audit Committee regularly

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders’ Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders’ Meeting as set forth in its By-laws.

Quorum Required	<i>50% + 1vote</i>
Votes required for resolutions	<i>2/3 votes</i>

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	<i>Approval by Committees, Approval by the Board and Ratification of Stockholders</i>
Description	<i>various</i>

(c) Stockholders’ Rights

List any Stockholders’ Rights concerning Annual/Special Stockholders’ Meeting that differ from those laid down in the Corporation Code.

Stockholders’ Rights under The Corporation Code	Stockholders’ Rights <u>not</u> in The Corporation Code
<i>Company Follows corporation code</i>	<i>N/A</i>

Dividends

Declaration Date	Record Date	Payment Date
<i>There was no cash dividend declared for the last three fiscal years and there are no restrictions that limit the payment of dividend on common</i>		

(d) Stockholders’ Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders’ Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders’ meetings.

Measures Adopted	Communication Procedure
<i>During Stockholders meeting</i>	<i>Open forum</i>
<i>At All times</i>	<i>Via company website, email and mail</i>

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
 - a. Amendments to the company's constitution
Disclosed in PSE prior to stockholders approval via the Definitive Information Statement
 - b. Authorization of additional shares
Disclosed in PSE prior to stockholders approval via the Definitive Information Statement
 - c. Transfer of all or substantially all assets, which in effect results in the sale of the company
Disclosed in PSE prior to stockholders approval via the Definitive Information Statement
3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where

items to be resolved by shareholders are taken up?

Yes

a. Date of sending out notices: *August 26, 2016*

b. Date of the Annual/Special Stockholders' Meeting: *September 28, 2016*

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

None

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
<i>The stockholders in said meeting approved and ratified the following:</i>			
<i>(1) the minutes of the previous annual stockholders' meeting</i>	Unanimous approval	No dissenting votes	No abstentions
<i>2) the audited December 31, 2015 Financial statements,</i>	Unanimous approval	No dissenting votes	No abstentions
<i>(3) the management's discussion of the Annual Report for the year 2015-2016</i>	Unanimous approval	No dissenting votes	No abstentions
<i>(4) the appointment of R.R. Tan and Associates as external auditor,</i>	Unanimous approval	No dissenting votes	No abstentions
<i>(5) the acts of the Board and the executive officers during the above fiscal year including but not limited to memberships in (a) remuneration committee, (b) audit committee, and (c) nomination committee. Membership in said committees, which include one independent director in compliance with Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code are as follows:</i> <i>Remuneration Committee:</i> <i>Kenneth C. Co –Chairman (Independent)</i> <i>Arsenio T. Ng- Member</i> <i>Hilario T. Ng- Member</i> <i>Audit Committee</i> <i>Kenneth C. Co- Chairman (Independent)</i> <i>Arsenio T. Ng- Member</i> <i>Paul B. Saria- Member</i> <i>Nomination Committee</i> <i>Oscar B. Mapua, Jr. – Chairman (Independent)</i> <i>Hilario T. Ng - Member</i> <i>Paul B. Saria- Member</i>	Unanimous approval	No dissenting votes	No abstentions

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

Same date of the meeting

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
<i>none</i>	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	HRH Prince Abdul Aziz bin Talal (TELECON) Arsenio T. Ng Hilario T. Ng Simoun Ung Kenneth Co Oscar B. Mapua Paul B. Saria	Sept 28, 2016	The manner of counting the vote shall be viva voce unless balloting is demanded by stockholders representing at least 10% of the outstanding capital stock entitled to vote, in the presence of the corporate secretary or the assistant corp. secretary.	75%	0%	Stockholders representing more than 70% of the issued and outstanding shares were present in person or by proxy.

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? *Corporate Secretary count the votes*

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

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

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	<i>Shareholders are requested in the Definitive Information statement to not send proxies during the meeting "WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY but if not possible are asked to follow procedures for sending a proxy.</i>
Notary	<i>Any proxies will have to be notarized.</i>
Submission of Proxy	<i>Proxies should be submitted in accordance to SEC rules</i>
Several Proxies	<i># of proxies should correspond with shares owned</i>
Validity of Proxy	<i>Proxies only valid until meeting date unless revoked in writing</i>
Proxies executed abroad	<i>Proxies only valid until meeting date unless revoked in writing</i>
Invalidated Proxy	<i>Notices are issued to invalidated proxies</i>
Validation of Proxy	<i>Corporate secretary validates proxies based on shares owned</i>
Violation of Proxy	<i>Notices are issued to invalidated proxies</i>

(h) Sending of Notices

State the company's policies & procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
<i>Notices are issued 21 days before meeting date</i>	<i>Liaison officer sends notice thru registered mail</i>

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	<i>ALL</i>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	<i>August 26-30, 2016</i>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	<i>August 26-30, 2016</i>
State whether CD format or hard copies were distributed	<i>Hard copies and company discloses to SEC and PSE</i>
If yes, indicate whether requesting stockholders were provided hard copies	<i>Yes</i>

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	<i>Yes</i>
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	<i>Yes</i>
The auditors to be appointed or re-appointed.	<i>Yes</i>
An explanation of the dividend policy, if any dividend is to be declared.	<i>Yes</i>
The amount payable for final dividends.	<i>Yes</i>
Documents required for proxy vote.	<i>Not applicable</i>

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
<i>Minority stockholders are allowed to nominate candidates for board of directors</i>	<i>Open policy, nominations if any are entertained, and subject to validation of sufficient share ownership</i>

(a) Do minority stockholders have a right to nominate candidates for board of directors? *Yes*

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

a) Only officers are allowed to make external communications.

b) Communications by non-officers are reviewed before sending to external parties.

c) The CEO makes the final approval of communications to external parties.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

Details	
(1) Objectives	<i>Investor relations program through Company website</i>

(2) Principles	<i>Investor relations program through Company website</i>
(3) Modes of Communications	<i>Email, telephone, fax</i>
(4) Investors Relations Officer	<i>Paul B. Saria</i>

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

- a) *The company seeks advice from legal counsel.*
- b) *Financial statements are secured from target company*
- c) *Financial and strategic evaluations are made internally*
- d) *Meeting with target company officers are held to conduct due diligence*
- e) *Legal counsel is consulted for additional advice based on new information*
- f) *Transaction is recommended to board for approval*

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

R.R.Tan and Associates, CPAs

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
<i>Distance Education</i>	<i>Rural/ Marginalized Communities</i>
<i>Clean Energy generation</i>	<i>Investment in ATN Solar</i>

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	<i>Assessment of compliance on corporate governance rules</i>	<i>Based on Company by-laws, Corp. Governance Manual and Audit charter</i>
Board Committees	<i>Assessment of compliance on corporate governance rules</i>	<i>Based on Company by-laws, Corp. Governance Manual and Audit charter</i>
Individual Directors	<i>Assessment of compliance on corporate governance rules</i>	<i>Based on Company by-laws, Corp. Governance Manual and Audit charter</i>
CEO/President	<i>Assessment of compliance on corporate governance rules</i>	<i>Based on Company by-laws, Corp. Governance Manual and Audit charter</i>

N. INTERNAL BREACHES AND SANCTIONS


Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
<i>Non-disclosure</i>	<i>Suspension</i>
<i>Insider Trading</i>	<i>Termination</i>
<i>Criminal</i>	<i>Termination and Filing of Criminal Case</i>


Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of _____ on _____, 20__.

SIGNATURES


ARSENIO T. NG
 Chairman of the Board and CEO


OSCAR B. MAPUA, JR.
 Independent Director


PAUL B. SARIA
 Compliance Officer

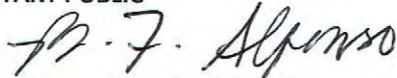

KENNETH CO
 Independent Director

MAR 31 2017

SUBSCRIBED AND SWORN to before me this _____ day of _____ 20__ , affiant(s) exhibiting to me their _____, as follows:

NAME/NO.	DATE OF ISSUE	PLACE OF ISSUE
ARSENIO T. NG	DL #N01-86-031588 , exp. 03/13/2018	Quezon City
PAUL B. SARIA	DL #N04-93-264992 , exp. 12/15/2021	Mandaluyong city
KENNETH CO	DL# N02-93-224207, exp. 02/21/2022	Quezon City
OSCAR B. MAPUA, JR	TIN# 118-013-719	San Juan City

NOTARY PUBLIC


Atty. Benjamin F. Alfonso
 Notary Public
 PTR No. 5636975 / 1-03-2017
 ROL No. 13296
 IBP No. 1017644 / CY-2016-1-03-2017
 Quezon City

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