SEC Number AS095-006755_
File Number ____________

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.

(Company)

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

(Address)

717-0523

(Telephone Number)

DECEMBER 31

(Fiscal Year Ending)
(month & day)

SEC Form 17Q

(Form Type)

Amendment Designation (if applicable)

June 30, 2019

(Period Ended Date)

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended June 30, 2019

2. Commission identification no. AS095-006755 3.BIR Tax Identification No. 004-513-153

4. TRANSPACIFIC BROADBAND GROUP INT'L., INC.

5. Philippines

6. Industry Classification Code:

7. Bldg. 1751 Chico St. Clark Special Economic Zone, Angeles, Pampanga
   (Satellite Center)

8. Telephone No. (0632) 717-0523

9. The Company did not change its name, address or fiscal year during the period covered by this report.

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

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

11. These securities are listed on the Philippine Stock Exchange.

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

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

I. Financial Statements.

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION

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

See Notes to Financial Statements

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.

STATEMENTS OF COMPREHENSIVE INCOME

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

See Notes to Financial Statements

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC
STATEMENT OF CHANGES IN EQUITY

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

See Notes to Financial Statements

TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC

STATEMENT OF CASH FLOWS

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

See Notes to Financial Statements

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

1. Corporate Information

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

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

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

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

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

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.

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

Classification and Measurement effective January 1, 2018
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15.

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

- Financial Assets at Amortized Cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Classification and Measurement of Financial Liabilities effective January 1, 2018
Financial liabilities are measured at amortized cost, except for the following:

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

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

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

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

As of June 30, 2019, included in this category are the Company's accounts payable and accrued expenses.

Reclassification of Financial Assets – effective January 1, 2018
The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company is required to reclassify financial assets:

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

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

Impairment of Financial Assets effective January 1, 2018
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established probability of default rates for third party trade receivables based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company applies the historical credit loss method in case undue cost or effort is involved in calculating the ECL by considering the forward-looking factors. For inter-group trade receivables, the Company has established probability of default rates based on internal credit rating of the customers. Internal credit ratings are based on methodologies adopted by independent credit rating agencies. Therefore, the internal ratings already consider forward looking information.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment in Associate
An associate is an entity over which the Company is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investment in an associate is initially recognized at cost and subsequently accounted for using the equity method.The equity method of accounting for investment in associate recognizes the changes in the Company's share of net assets of the associate. The share in the net results of the operations of the associate is reported as *Equity in Net Loss/Earnings of an Associate* reported in the Statement of Comprehensive Income. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized. Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Company, as applicable.

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

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

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

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

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

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

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

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

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

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

obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

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

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

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

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

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

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

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

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

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

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

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

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

Employee Benefits
(i) Retirement benefit cost
The Company provides for estimated retirement benefits costs required to be paid under RA 7641 to qualifying employees. The cost of defined retirement benefits, including those mandated under RA 7641 is determined using the accrued benefits valuation method or

projected benefit valuation method. Both methods require an actuarial valuation which the Company has not undertaken. Management believes, however, that the effect on the financial statements of the difference between the retirement cost determined under the current method used by the Company and an acceptable actuarial valuation method is not significant.

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

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

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

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

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

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

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

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

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

When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Earnings (Loss) Per Share
Basic earnings per share is computed by dividing profit for the period by the weighted average number of shares issued and outstanding during the year.

Diluted Earnings (Loss) Per Share
Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares.

4. Changes in Accounting Standards

New Accounting Standards and Amendments to Existing Standards Effective as of January 1, 2018
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to PFRS effective beginning January 1, 2018.

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

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

- Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 will be retained for the comparative periods. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.

- The Company will disclose the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as of December 31, 2017.

The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified approach (or general approach, as applicable), has no significant impact on the carrying amounts of the Company's financial assets. Financial assets previously classified as loans and receivable will be classified as Financial assets at amortized cost.

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

The impact of adoption of PFRS 9 is as follows:

- Trade and non-trade receivables, including advances to Related parties as of December 31, 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest and will be classified and measured as Financial asset at amortized cost beginning January 1, 2018.

- The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss. There are no impairment losses incurred at the adoption of PFRS 9.

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

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

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

The amendments are intended to clarify following:

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

- Accounting for modifications of share-based payment transactions from cash-settled to equity settled

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

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

Amendments to PFRS 4, *Insurance Contracts – Applying PFRS 9 'Financial Instrument' with PFRS 4 'Insurance Contracts'*
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard, before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

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

Amendments to PAS 40, *Investment Property – Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development, into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. The amendments are effective for annual periods beginning on or after July 1, 2018. Retrospective application is only permitted if that is possible without the use of hindsight. The amendments did not result in any impact on the Company's financial statements.

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

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*
  The amendment deleted the short-term exemptions in paragraphs E3-E7 of PFRS 1, because they have now served their intended purpose.

- PFRS 12, *Disclosure of Interests in Other Entities*
  The amendment clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations.*

- PAS 28, *Investments in Associates and Joint Ventures*
  The amendment clarified that the election to measure at fair value through profit or loss an investment in associate or a joint venture that is held by an entity that

is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Philippine IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the interpretation on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

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

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

Effective in 2019

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

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

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

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

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

- PFRS 3, Business Combinations and PFRS 11, Joint Arrangements
  The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- PAS 12, Income Taxes
  The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.

- PAS 23, Borrowing Costs
  The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalization rate on general borrowings.

Amendments to PFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
The amendments cover two issues:

- What financial assets may be measured at amortized cost. The amendment permits more assets to be measured at amortized cost than under the previous version of PFRS 9, in particular some pre-payable financial assets.

- How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under PAS 39.

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

Deferred

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

5. Summary of Significant Accounting Judgments and Estimates

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

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

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

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

As of June 30, 2019 and December 31, 2018, the Company has 30% equity interest in an associate where the Company has significant influence over the associate's financial and operating policies.

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

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

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

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

Level 2
Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3
Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Fair value measurement is disclosed in Note 6.
(ii) Estimates
The key assumptions concerning the future and other key sources of estimation of uncertainty at end of reporting period, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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

As of June 30, 2019, management believes that no provision for impairment is necessary. In 2017, a reversal of allowance for probable loss on trade receivable in the amount of

P3,159,565 was made due to collection of previous set-up of allowance for probable losses.

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

The carrying value of spare part inventory amounted to P832,359 in June 30, 2019 and December 31, 2018. (*See Note 10*)

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

The carrying value of property and equipment as at June 30, 2019 and December 31, 2018 amounted to P62,671,383 and P70,908,215, respectively. (*See Note 15*)

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

The carrying value of deferred tax liabilities (net of deferred tax assets of P306,208 in 2018) as at June 30, 2019 and December 31, 2018 amounted to P754,670 (*See Note 28*)

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

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

As at June 30, 2019 and December 31, 2018, management believes that no provision for impairment losses is necessary.

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

During 2010, the TBGI Remuneration Committee met to discuss the request of the Chief Financial Officer to indefinitely defer the Stock Option plan for the CEO. The Stock Options Plan for the CEO may be restored only upon the recommendation of the Remuneration Committee and subject to the approval of the Board of Directors.

As at June 30, 2019 and December 31, 2018, share options outstanding amounted to P8,921,814. (*See Note 21*)

6. Fair Value Measurement

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

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

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

30-Jun-19	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**P -**	**P 3,882,958**	**P -**	**P 3,882,958**
Receivables - net	**-**	**14,389,349**	**-**	**14,389,349**
Property and equipment	**-**	**62,671,383**	**-**	**62,671,383**
Investment properties	**-**	**55,421,800**	**6,147,000**	**61,568,800**
Other non-current assets	**-**	**6,055,853**	**-**	**6,055,853**
Accounts payable and				**-**
accrued expenses	**-**	**(7,631,430)**	**-**	**(7,631,430)**
Short-term loans	**-**	**(5,500,000)**	**-**	**(5,500,000)**
Deposits	**-**	**(403,000)**	**-**	**(403,000)**

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

Fair values were determined as follows:

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

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

7. Financial Risk Management Objectives and Policies

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

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

  The table below shows the gross maximum exposure to credit risk of the Company as at June 30, 2019 and December 31, 2018.

	Gross Maximum Exposure			
		June 30, 2018		2018
Cash and cash equivalents *	**P**	**3,882,958**	P	7,858,193
Receivables		**14,389,349**		8,318,326
Other non current assets		**6,055,853**		6,022,032
	P	**24,328,159**	P	22,198,551

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

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

  The credit quality of the Company's assets as at June 30, 2019 and December 31, 2018 is as follows:

	June 30, 2019									
	Neither past due nor impaired				**Past due but not impaired**		**Past due and impaired**			
		High grade		**Standard grade**						**Total**
Cash and cash equivalents	**P**	**3,882,958**	**P**	**-**	**P**	**-**	**P**	**-**	**P**	**3,882,958**
Trade receivables		**-**		**9,953,122**		**-**		**4,436,227**		**14,389,349**
Other non-current assets		**-**		**6,055,853**		**-**		**-**		**6,055,853**
	P	**3,882,958**	**P**	**16,008,974**	**P**	**-**	**P**	**4,436,227**	**P**	**24,328,159**

	December 31, 2018									
	Neither past due nor impaired				Past due but not impaired		Past due and impaired			
		High grade		Standard grade						Total
Cash and cash equivalents	P	7,858,193	P	-	P	-	P	-	P	7,858,193
Trade receivables		-		3,882,099		-		4,436,227		8,318,326
Other non-current assets		-		6,022,032		-		-		6,022,032
	P	7,858,193	P	9,904,131	P	-	P	4,436,227	P	22,198,551

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

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

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

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

The table below summarizes the maturity profile of the Company's financial liabilities at June 30, 2019 and December 31, 2018.

	June 30, 2019				
	< 1 month	> 1 month& <3 months	>3 months &< 1 year	> 1 year & <3 years	Total
Accounts payable and accrued expenses	**P 7,631,430**	**P -**	**P -**	**P -**	**P 7,631,430**
Interest-bearing liabilities					
Loans payable	**-**		**5,500,000**	**-**	**5,500,000**
	P 7,631,430	**P -**	**P 5,500,000**	**P -**	**P 13,131,430**

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

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

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

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

	June 30, 2019				2018			
		US Dollar		**Peso Equivalent**		US Dollar		Peso Equivalent
Cash and cash equivalents	**$**	**65,306**	**P**	**3,353,991**	$	64,101	P	3,379,670

The following table demonstrates the sensitivity to a reasonable change in the US$ exchange rate, with all other variables held constant, the Company's income before tax for the period ended June 30, 2019 and year ended December 31, 2018:

	Taxes			
Increase/decrease in Peso to US Dollar Rate		Jun-19		2018
+P5.00	P	326,531	P	320,505
-P5.00		(326,531)	P	(320,505)

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

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

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

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

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

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

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

The capital structure of the Company consists of issued capital, share premium and retained earnings.
The financial ratio at the year-end, which is within the acceptable range of the Company, is as follows:

	June 30, 2019	2018
Equity	P **543,961,249**	P 353,244,062
Total Assets	**560,827,989**	563,359,427
Ratio	**0.970**	0.627

8. Cash and Cash Equivalents

As of June 30, 2019 and December 31, 2018, cash and cash equivalents represent cash on hand and cash in banks of P3,882,968 and P7,858,193, respectively.

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

Interest income on these deposits amounted to P4,975 in June 30, 2019 P15,287 in 2018.

9. Receivables

The composition of this account is as follows:

	30-Jun-19	2018
Trade		
In local currency	P **4,436,227**	P 4,436,227
In foreign currency	**14,389,349**	3,882,099
	18,825,576	8,318,326
Less: Allowance for probable losses	**4,436,227**	4,436,227
	P **14,389,349**	P 3,882,099

The aging of this account is as follows:

	Current	Over 31-60 days	More than One Year	Total
Trade				
In local currency			P 4,436,227	P 4,436,227
In foreign currency	7,786,050	6,603,299	-	14,389,349
	P 7,786,050	P 6,603,299	P 4,436,227	P 18,825,576

10. Other current assets

The breakdown of this account is as follows:

	30-Jun-19	2018
Spare parts inventory - net of allowance for impairment of P146,887 in 2018	P **832,359**	P 832,359
Prepaid taxes	**-**	151,687
	P **832,359**	P 984,046

- Spare parts inventory consists of communication supplies and materials that are normally provided to customers in the delivery of services. Spare part inventory as of December 31, 2018 is measured at NRV. The allowance for impairment in value is reported in the statement of comprehensive income. Spare part inventory as of December 31, 2017 is measured at cost which approximates the NRV.

- Prepaid expenses represents advance payment of real property taxes that will be applicable and expensed in the subsequent period. Payments are made in advance so as to take advantage of the discounts granted by the local government. Expired portion is charged to taxes and licenses reported as part of administrative expenses in in the statement of comprehensive income.

11. Investment in an Associate

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

The composition of this account is as follows:

		30-Jun-19		2018
Cost				
Beginning balance	**P**	**209,500,000**	P	209,500,000
Equity in net loss				
Beginning		**7,306,373**		5,064,808
Share in net loss for the year		**408,745**		2,241,565
		7,715,118		7,306,373
Deposit for stock subscription		**206,800,000**		206,800,000
	P	**408,584,882**	P	408,993,627

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

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

In the of process setting up the foundation, PV mounting frames and modules and other land developments, the Company have identified the quality of rocks and boulders at the project site to be of commercial use. Hence, a Rock Crusher Project was introduced. This involves the construction of rock crushing plant which will process armor rocks and crushed basalt aggregates. As of December 31, 2018, the rock crusher processing plant have been completed and the trial-run of production of aggregates has commenced with production cost of ₱68.5 million at year-end.

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

12. Franchise - net

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

The movement in this account is as follows:

		30-Jun-19		2018
Balance, January 1	**P**	**3,142,405**	P	3,742,405
Amortization		**(300,000)**		(600,000)
Balance, December 31	**P**	**2,842,405**	P	3,142,405

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

13. Other Non-current Assets

This account consists of:

		30-Jun-19		2018
Advances to:				
Palladian Land Development Inc. (PLDI)	**P**	**1,037,372**	P	1,176,051
ATN Phils. Solar Energy Group Inc. (Solar)		**3,433,975**		3,261,475
Security deposits		**1,584,506**		1,584,506
	P	**6,055,853**	P	6,022,032

Security depos its are m ade t o se cure leasing arrangement on t ransponders. T hese deposits are refundable at the expiration of lease term.

14. Property and Equipment – net

The movement in this account is as follows:

6/30/2019	Building and mprovements		Uplink/Data Equipment	'urniture and Fixtures	Leasehold mprovements		Transportation Equipment		TOTAL
Carrying Amount:									
At January 1, 2019	P 23,893,402	P	254,121,190	P 5,180,726	P 19,145,709	P	14,675,284	P	317,016,311
At March 31, 2019	23,893,402		254,121,190	5,180,726	19,145,709		14,675,284		317,016,311
Accumulated depreciation and amortization									
At January 1, 2019	21,893,413		186,965,727	4,863,560	18,292,076		14,093,320		246,108,096
Provisions	597,334		6,018,812	346,690	1,073,996		200,000		8,236,832
At March 31, 2019	22,490,747		192,984,539	5,210,250	19,366,072		14,293,320		254,344,928
Net Carrying Value									
At March 31, 2019	P 1,402,655	P	61,136,651	$ (29,524)	$ (220,363)	P	381,964	P	62,671,383

12/31/2018	Building and Improvements		Uplink/Data Equipment	Furniture and Fixtures	Leasehold Improvements		Transportation Equipment		TOTAL
Carrying Amount:									
At January 1, 2018	P 23,893,402	P	254,121,190	P 5,180,726	P 19,145,709	P	14,675,284	P	317,016,311
At December 31, 2018	23,893,402		254,121,190	5,180,726	19,145,709		14,675,284		317,016,311
Accumulated depreciation and amortization									
At January 1, 2018	20,698,746		174,928,109	4,487,346	16,144,086		13,355,293		229,613,580
Provisions	1,194,667		12,037,618	376,214	2,147,990		738,027		16,494,516
At December 31, 1018	21,893,413		186,965,727	4,863,560	18,292,076		14,093,320		246,108,096
Net Carrying Value									
At December 31, 2018	P 1,999,989	P	67,155,463	P 317,166	P 853,633	P	581,964	P	70,908,215

15. Investment Properties

As of June 30, 2019 and December 31, 2018, investment property consists of the following:

		30-Jun-19	2018
Condominium units	**P**	**55,421,800**	P 55,421,800
Land and improvements		**6,147,000**	6,147,000
	P	**61,568,800**	P 61,568,800

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

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

Meanwhile, the Cavite property with fair market value of P 6.1 million incurred an impairment loss of P772,000 as of April 2, 2018 and is reported in the Statement of Comprehensive Income under impairment loss. The highest and best use of this property is for residential use. For strategic reason, the property is not used in that manner. Fair value of the land was determined under the Market approach. Fair value of improvements is determined using the Cost Approach. These are estimated under the level 3 of the fair value hierarchy.

The movements in investment properties as of June 30, 2019 and December 31, 2018 a is as follows:

		30-Jun-19		2018
Balance, January 1	P	61,568,800	P	45,287,800
Fair value gains		-	P	17,053,000
Impairment loss		-		(772,000)
	P	61,568,800	P	61,568,800

As of June 30, 2019, the lot remains idle and no immediate plan to develop or sell the property. There is no contractual obligation to develop the property or for repairs, maintenance and enhancements.

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

		30-Jun-19		30-Jun-19
Rental income	P	1,361,321	P	1,308,508
Direct operating expenses that:				
Generated rental income		151,697		151,697
Did not generate rental income		829		829

16. Accounts Payable and Accrued Expenses

This account is broken down as follows:

		30-Jun-19		2018
Accounts payable	P	7,631,430	P	7,629,583
Accrued expenses		-		452,659
	P	7,631,430	P	8,082,242

The description of this account is as follows:

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

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

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

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

17. Short-term loans

Short-term loans are availed for working capital requirements. The loan carries a floating interest rate initially peg at 5.5% per annum, payable monthly in arrears. The principal is payable after 12 months renewable at the option of the both parties. The maximum credit line with the bank is up to P6 million. As of June 30, 2019 and December 31, 2018, the balance of the loan amounted to P5.5 million.

The loan is collateralized by the following:
- Real estate mortgages over properties owned by a related party; and
- Suretyship agreement by the Company as borrower and a stockholder as a surety.

Total interest paid and accrued reported in the Statement of Comprehensive Income amounted to P299,619 in 2019 and P236,211 in 2018. The fair value of short-term loans amounted to P5.47 million and P5.88 million discounted using the borrowing rate of 6.5% in 2019 and 5.0% as of December 31,2018.

18. Deposits

This account is broken down as follows:

		30-Jun-19		2018
Deposit on lease contracts	**P**	**403,000**	P	403,000
Deposit on stock subscription		**-**		192,500,000
	P	**403,000**	P	192,903,000

- On December 27, 2018, the Company received from a stockholder a total amount of P 192.5 million intended for additional subscription to the Company's share capital. In accordance with SEC Financial Reporting Bulletin No. 6, the same was presented in the liability section pending for filing with the SEC of documentary requirements on the increase in share capital.

- Deposits on lease contracts are amounts paid by various lessee as guarantee for the faithful compliance to the terms and conditions of the lease contract. The amount is expected to be settled at the termination of the contract.

19. Pension Liability

The movements of pension liability as of June 30, 2019 and December 31, 2018 are as follows:

		30-Jun-19		2018
Balance at the beginning of the year	**P**	**761,550**	P	809,729
Current service cost		**-**		40,582
Benefits paid		**-**		(88,761)
Balance, End	**P**	**761,550**	P	761,550

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

Among others, RA 7641 provides for retirement benefits to retiring employees who have reached sixty (60) years old or more, but not beyond 65 years and have served at least five (5) years in the Company. Such retiring employee is entitled to a retirement pay of one half (1/2) month salary for every year of service computed based on the following components:

- 15 days salary;
- 5 days of service incentive leave; and
- One half (½) of the 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.

20. Equity

Share capital

The Company's capital movements is as follows:

	Authorized			Issued		
	Shares		Amount	Shares		Amount
Balance, Jan 1, 2019	3,800,000,000	P	380,000,000	2,620,193,300	P	262,019,330
Issuance during the year	-		-	1,179,806,700		117,980,670
	3,800,000,000	P	380,000,000	3,800,000,000	P	380,000,000

Share capital transaction during 2018 is as follows:

- On October 4, 2017, the BOD approved the amendment of Section 7 of the Company's Articles of Incorporation changing the par value from P1.00 per share to P0.10 per share with the corresponding increase in Authorized and Issued shares. The same was ratified by the stockholders on October 4, 2017 and was approved by the SEC on January 18, 2018.

- On September 17, 2018, the Company issued 400 million shares to Mr. Arsenio Ng, President, at a par value of ̃P0.10 per share from the unissued share capital. This was made in response to a capital call from ATN Solar in pursuing its business objectives.

- On June 4, 2019, the company issued 1,179,806,700 shares to Mr. Arsenio Ng at P0.1632 per share.

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

Share options

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

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

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

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

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

As of June 30, 2019 and December 31, 2018, the stock options has a carrying value of P8,921,814.

21. Service Income

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

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

		30-Jun-19		**30-Jun-18**
VSAT uplink services				
In local currency	**P**	**1,867,800**	P	2,312,727
In foreign currency		**15,643,050**		15,615,200
	P	**17,510,850**	P	17,927,927

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

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

22. Direct Costs

This account consists of:

		30-Jun-19		**30-Jun-18**
Depreciation	**P**	**8,236,832**	P	8,236,832
Transponder lease		**5,682,788**		5,733,590
Rental		**1,851,345**		1,685,936
Salaries, wages & other benefits		**799,331**		774,241
Amortization of franchise		**300,000**		300,000
Utilities and communication		**556,237**		488,554
Transportation and travel		**214,786**		354,809
Security services		**248,466**		249,851
Taxes and licenses		**17,060**		168,742
Miscellaneous		**81,014**		91,784
	P	**17,987,859**	P	18,084,339

23. Other Income

The composition of this account is as follows:

		30-Jun-19		30-Jun-18
Rent income	**P**	**1,361,321**	P	1,308,508
Interest income		**4,975**		8,667
	P	**1,366,296**	P	1,317,175

24. Administrative expenses

This account consists of:

		30-Jun-19		30-Jun-18
Permits, taxes and licenses	**P**	**1,629,871**	P	575,763
Management services		**171,000**		60,000
Miscellaneous		**169,949**		57,309
	P	**1,970,820**	P	693,072

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

25. Related party transactions

The following related party transactions occurred during June 30, 2019 and December 31, 2018:

Related party		Nature of transaction	Amount of Transaction 30-Jun-19	Amount of Transaction 2018	Year-end balances 30-Jun-19	Year-end balances 2018	Terms and condition
Associate							
ATN Solar		Advances	**P 172,500**	2,948,782	**P -**	-	
		Collection of advances	**-**	-	**3,433,975**	3,261,475	Unsecured, unimpaired and no payment terms
Affiliated companies							
Palladian Land Devt. Inc (PLDI)	(i)	Rent income	**1,361,321**	2,684,723	**-**	-	
	(ii)	Advances	**-**	-	-	-	
		Collection of advances	**(1,500,000)**	(219,832)	**1,037,372**	1,176,051	Unsecured, unimpaired and no payment terms
Stockholder	(ii)	Advances	**200,000**	(43,012,857)	**(1,787,143)**	(1,987,143)	Unsecured, unimpaired and no payment terms
	(iii)	Deposit for future subscription	192,500,000	-	**-**	(192,500,000)	
		Total advances to repated parties			**4,471,347**	4,437,526	
		Total advances from reated paries			**(1,787,143)**	(194,487,143)	
		Total			**2,684,204**	(190,049,617)	

Details of significant related party transactions are as follows:

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

Rent income collected by PLDI on these properties amounted to P1.367 million in June 2019 and P1.317 million in 2018.

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

For the period ended June 30, 2019 and years ended December 31, 2018, the Company did not provide compensation to its key management personnel.

26. Registration with Clark Special Economic Zone

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

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

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

Exemption from inspection of all importations at the port of origin by the Societe Generale de Surveillence ("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.

27. Earnings (loss) per share

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

		30-Jun-19		30-Jun-18
Profit (loss) for the year (a)	P	**(1,782,813)**	P	(285,326)
Weighted average number of shares outstanding during the year (b)		**380,000,000**		222,019,330
Earnings (loss) per share (a/b)		**(0.0047)**		(0.0013)

Management Discussion and Analysis of Operation

The earnings per share (EPS) are computed based on the following number of outstanding shares:

	June 30, 2019	June 30, 2018
Profit (Loss) for the period	(P1,782,813)	(P285,326)
Number of Outstanding Shares	380,000,000	222,019,330
Earnings per Share	(P0.0080)	(P0.0013)

Disclosures on the issuer's interim financial report, in compliance with Philippine Financial Reporting Standards:

1. The same accounting policies and methods of computation are followed in the interim financial statements as compared to the most recent and previous financial statements.
2. There is no seasonality or cyclicality of interim operations.
3. There is no item that has unusual effect on asset, liabilities, equity, net income and cash flows.
4. There is no change in the nature and amounts reported in prior interim periods of the current financial year or prior financial year.
5. There is no issuance, repurchase nor repayment of debt and equity securities during the interim period.
6. There is no dividend paid for ordinary or other shares.
7. Disclosure on segment revenue is not required.
8. There is no material event subsequent to the end of the interim period that has not been reflected in the financial statements.
9. There is no change in the composition of the issuer such as business combination, acquisition, disposal of subsidiary and long-term investment, and restructuring during the interim period.
10. There is no change in contingent assets or contingent liabilities since the last annual balance sheet date.
11. There is no seasonal effect that had material effect on financial condition or result of operation.

Disclosure on material events and uncertainties

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

Vertical and Horizontal Analysis

Total corporate assets almost remained the same from Php563 million in December 31, 2018 compared to Php560 million in June 30, 2019. The net decrease of Php2.531 million (0%) in total assets arose from the following items:

1. Decrease in cash by Php3.675 million (-51%).
2. Increase in receivables by Php10.5 million (271%).
3. Decrease in other current assets by Php0.151 million (-15.4%)
4. Decrease in property and equipment by Php4.118 million (-5.81%).

Total liabilities decreased by Php193 million (-92%) from Php210 million in December 2018 to Php16.866 million in June 30, 2019. The net decrease in liabilities resulted from the following significant items:

1. Decrease in accounts payable and accrued expenses by Php0.450 million (-6%).
2. Decrease in income payable by Php0.97 million (-77%) due to payment.
3. Decrease in deposits by Php192.5 million (100%) due to conversion of payables to paid up capital.
4. Decrease in advances from related parties by Php0.2 million (-10%).

Stockholders' equity increased from Php353 million as of December 31, 2018 to Php544 million in June 30, 2019. The net increase resulted from the following:

1. Increase in share capital of Php117.980 million (45%).
2. Increase in share premium of Php74.519 million(253%)

Total revenue almost the same from Php17.927 million as of June 30, 2018 to Php17.510 million as of June 30, 2019.

Direct costs almost the same from Php18 million in the 2nd quarter ending June 30, 2018 to Php17.987 million (-1%) in the 2nd quarter ending June 30, 2019. The net decrease arose from the following accounts:

1. Rent expense increased by Php165 thousand (8.93%) from Php1.685 million to Php1.851 million due to increase in monthly rent.
2. Utilities and communication increased by Php67 thousand (12%) from Php488 thousand to Php556 thousand.
3. Transportation and travel decreased by Php140 thousand (-65%) from Php354 thousand to Php214 thousand.
4. Taxes and licenses decreased by Php151 thousand (-889%) from Php168 thousand to Php17 thousand.

Administrative expenses increased from Php693 thousand for the 2nd quarter ending June 30, 2018 to Php1.970 million (64.8%) in the 2nd quarter ending June 30, 2019 The net increase arose from the following account:

1. Permits, taxes and licenses increased by Php1.054 million (64.7%) due to payment of documentary stamp taxes on capital increase.
2. Increase in management services by Php111 thousand (65%)

The following are 7 (seven) key performance and financial soundness indicators of the company:

Current Ratio	Calculated ratio of current assets into current liabilities. Indicates the ability of the company to finance current operations without need for long term capital
Debt-to Equity Ratio	Calculated ratio of total debt into total equity. Indicates the level of indebtedness of the company in relation to buffer funds provided by equity against any operating losses. Also indicates the capacity of the company to absorb or take in more debt.
Asset-to-Equity Ratio	Calculated ratio of total asset into total equity. Indicates the long-term or future solvency position or general financial strength of the company.
Interest Rate Coverage Ratio	Calculated ratio of earnings before interest and taxes into interest expenses. Indicates the ability to meet its interest payments.
Gross profit Margin	Calculated ratio expressed in percentage of the gross margin into total revenues. Indicates the ability of the company to generate margin sufficient to cover administrative charges, financing charges and provide income for the stockholders.
EBITDA	Calculated earnings before income tax, and non-cash charges. Indicates the efficiency of the company in generating revenues in excess of cash operating expenses.
Net Income to Sales Ratio, and Earnings per Share	Calculated ratio of net income into total revenues. Indicates the efficiency of the company in generating revenues in excess of cash operating expenses and non-cash charges, and the ability of the company to declare dividends for stockholders.

Computed performance indicators are as follows:

	June 30, 2019	June 30, 2018
Current Ratio	1.45	1.43
Debt-to-Equity Ratio	0.31	0.19
Asset-to-Equity Ratio	1.03	1.20
Interest Rate Coverage Ratio	5.18	2.10
Gross Profit Margin	-4.36%	6.03%
EBITDA	P6,798,235	P8,309,110
Net Income to Sales Ratio	-9.44%	-1.48%
Earnings per share	-0.0080	-0.0013

SIGNATURES

Pursuant to the requirements of the Regulation Code, the company has duly caused this report to be signed on its behalf by the undersigned thereunto to duly authorized.

COMPANY : TRANSPACIFIC BROADBAND GROUP INTERNATIONAL INC.

Signature and Title:

PAUL B. SARIA
Principal Operating Officer
August 8, 2019

CELINIA FAELMOCA
Principal Accounting Officer
August 8, 2019