

COVER SHEET

A S 0 9 3 - 0 0 8 8 0 9

SEC Registration Number

P A C I F I C O N L I N E S Y S T E M S
C O R P O R A T I O N A N D S U B S I D I A R I E S

(Company's Full Name)

28 t h F l o o r , E a s t T o w e r , P h i l i p p i n e
S t o c k E x c h a n g e C e n t r e , E x c h a n g e
R o a d , O r t i g a s C e n t e r , P a s i g C i t y

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

Ma. Virginia V. Abo-Hamda **8584-1700**

(Contact Person)

(Company Telephone Number)

1 2 **3 1**

Month Day
(Fiscal Year)

1 7 - Q

(Form Type)

Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

57

Total No. of Stockholders

Total Amount of Borrowings

n/a **n/a**

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

_____ LCU

Document ID

_____ Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

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, 2021**
2. SEC Identification Number: **AS093-008809** 3. BIR Tax Identification No. **003-865-392-000**
4. Exact name of registrant as specified in its charter: **PACIFIC ONLINE SYSTEMS CORPORATION**
5. **Metro Manila, Philippines** 6. _____ (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code
Incorporation or organization
7. **28/F, East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City** **1605**
Address of principal office Postal Code
8. **(632) 8584-1700**
Registrant's telephone number, including area code
9. **Not applicable**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, ₱1.00 par value	895,330,946
	Amount of Debt Outstanding
	n/a

11. Are any or all of these securities listed on the Philippine Stock Exchange
Yes [] No []
12. Indicate by check mark whether the registrant:
 - (a) 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 Rule 1 (a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes [] No []
 - (b) has been subject to such filing requirements for the past 90 days.
Yes [] No []

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The following unaudited financial statements are submitted as part of this report:

- a.) Consolidated Statements of Income for the six (6) months ended, June 30, 2021 and June 30, 2020;
- b.) Consolidated Statements of Comprehensive Income for the six (6) months, ended June 30, 2021 and June 30, 2020
- c.) Consolidated Statements of Financial Position as of June 30, 2021 and Audited Statements of Financial Position as of December 31, 2020;
- d.) Consolidated Statements of Changes in Equity for the six (6) months ended, June 30, 2021 and June 30, 2020; and
- e.) Consolidated Statements of Cash Flows for the six (6) months ended, June 30, 2021 and June 30, 2020.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations for the Period Ended June 30, 2021 vs. June 30, 2020

Revenues

For the six months of 2021, Pacific Online Systems Corporation (the "Company") consolidated with its subsidiaries (the "Group"), earned total revenues of P205 million, which is P25.3 million, or 14%, higher than last year's revenues of P180.1 million. The increase in revenues was mainly due to the increased number of lottery agents that reopened to sell lottery tickets and higher volume of players buying tickets compared to the same period in 2020, when PCSO games were shut down due to the onset of the Covid-19 virus pandemic. In 2021, the country reverted to stricter quarantine measures and suspensions after a resurgence of the virus in March to April 2021, and the lottery market is still recovering from last year's impact.

Costs and Expenses

The Group incurred total operating expenses of P262.8 million, which is 27% or P99.6 million lower than last year's P362.4 million for the six months of the year. The decrease in costs and expenses is attributable to the streamlined operations of the company after the effects of the Covid-19 pandemic.:

- Personnel costs decreased by P29.3 million (32%);
- Operating supplies decreased by P2.0 million (33%);
- Rent and utilities decreased by P17.3 million (53%);
- Depreciation and amortization by P56.3 million (44%)
- Entertainment, amusement and recreation by P3.2 million (90%)
- Professional fees by P0.5 million (14%)
- Marketing and promotion by P3.3 million (100%)
- Other expenses decreased by P3.9 million (78%).

The above decreases were offset by the increases in the following expense accounts mainly due to higher sales:

- Software and license fees increased by P9.1 million (44%)
- Communications increased by P3.0 million (8%)

Other Income (Charges)

Other income (net of other charges) of P12.8 million is lower by P5.6 million (31%) for the period ended June 30, 2021 versus last year's P18.3 million. This change was due mainly to the decrease in dividend income received in 2021 by P14.3 million and the P9.5 million net gain on the sale of LCC recognized in 2020. These

were offset by P11.8 million mark-to-market gain on marketable securities plus foreign exchange gains and lower finance charges in 2021.

Operating Income, Net Income, Other Comprehensive Income and Total Comprehensive Income

Despite a P25.3 million or a 14% increase in revenues, the Group incurred an operating loss of P57.4 million, which is lower by P124.9 million or by 69% from last year's P182.3 million operating loss. Said operating loss was incurred in spite of a P99.6 million (28%) decrease in costs and expenses, due to the slow recovery from the impact of the Covid-19 pandemic. Thus, the Group realized a net loss of P44.7 million in the second quarter of 2021. This net loss, however, is lower by 73% or by P119.2 million, from the P163.9 million net loss during the same period last year due to further contraction of operating expenses.

A P22.2 million fair value loss on investment in stocks resulted to a total comprehensive loss of P 66.9 million. This is a P231.8 million or 78% decline from last year's total comprehensive loss of P298.8 million.

Financial Condition as of June 30, 2021 vs. December 31, 2020

The Group's total assets of P991.5 million as of June 30, 2021 decreased by P112.0 million or 10% from P1.1 billion as of December 31, 2020. The decrease in total assets is largely attributable to the following:

- Marketable securities decreased by P6.1 million (7%) due to the mark-to-market loss incurred during the period;
- Investment in stocks decreased by P22.2 million (8%) due to the fair value loss incurred during the period;
- Property and equipment decreased by P30.9 (37%) and Right of Use (ROU) assets decreased by P6.5 million (64%) due to depreciation expense for the period, and;
- Trade and other receivables decreased by P15.6 million (12%) due to lower rental revenues due from PCSO in June 2021 vs. December 2020.

The Group's total liabilities at P195.2 million decreased by P45.0 million, or 19% from P240.3 million as of December 31, 2020 due to lower operating costs and expenses and payments of liabilities, more specifically, trade and other current liabilities decreased by P37.5 million (21%), withholding taxes payable decreased by P0.3 million (13%), and lease liabilities decreased by P3.7 million (48%).

Due to the P44.7 million net loss from operations and the P22.2 million fair value loss on investment in stocks, the Group's equity ended with P796.2 million as of June 30, 2021; i.e., a decrease of P66.9 million (8%) from the P863.1 million equity as of yearend 2020.

Cash Flows for the Six Months Ended June 30, 2021 vs. June 30, 2020

The Group's cash balance as of June 30, 2021 of P129.3 million was lower by P107.4 million (45%), as compared to P236.7 million in 2020, mainly due to the substantial decrease in revenues.

Discussion and Analysis of Material Events and Uncertainties Known to Management

While the lottery market is still slowly recovering from the impact of the COVID 19 pandemic, new variants of the COVID-19 virus hit the Philippines early this year, causing a significant surge in the number of COVID cases in Metro Manila, Laguna, Cavite, Bulacan and Rizal. The government had to contain the surge and imposed Enhanced Community Quarantine (ECQ) in these areas from March 29, 2021 through May 15, 2021. Coupled with several Local Government Units (LGU) outside of this "bubble" area imposing their own version of quarantine restrictions, Lotto and Keno revenues to date have not yet reached the pre-COVID levels seen before March 2020. However, the Company believes that its lottery revenues will gradually increase,

assuming that the roll-out of the COVID 19 vaccines will not be hampered by inadequate supply that there will be no more re-imposition of stricter community quarantines.

The Philippine Charity Sweepstakes Office (PCSO) has begun the process of rebidding the PCSO Lottery System (PLS) last February 5, 2021. The Company joined the PLS 2021 bid as a partner in the Joint Venture (JV) with Philippine Gaming Management Corporation (PGMC), currently the major lotto system provider of PCSO in the Luzon region, and International Lottery and Totalizator Systems Inc. (ILTS), a supplier of online lottery systems and equipment worldwide based in the US. As of June 2021, the JV's bid submissions already passed the post-qualification stage. To-date, PCSO has yet to complete its examination of the other bidder's submissions before it can officially declare the winning bidder.

In the meantime, the Company has been notified by PCSO that its current agreement will be extended for another year through July 31, 2022.

Except for what has been noted above, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

1. Known trends, demands, commitments, events or uncertainties that would have a material impact on the Group;
2. Material commitments for capital expenditures that are reasonably expected to have a material impact on the Group's short-term or long-term liquidity;
3. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
4. Significant elements of income or loss that did not arise from the Group's continuing operations;
5. Seasonal aspects that had a material impact on the Group's results of operations;
6. Material changes in the financial statements of the Group for the periods ended December 31, 2020 to June 30, 2021;
7. Any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation; and
8. Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.

Key Performance Indicators

The Group monitors its performance and benchmarks itself to prior year's results in terms of the following indicators:

Liquidity & Financial Leverage Ratios	The manner by which the Company calculates the performance indicators	30 June 2021	31 December 2020
Current ratio	Current assets over current liabilities	3.38:1	2.89:1
Debt to equity ratio	Total liabilities over total equity	0.25:1	0.28:1
Asset-to-equity ratio	Total assets over total equity	1.25:1	1.28:1
Solvency ratio	Total assets over total liabilities	5.08:1	4.59:1
Operating income (loss) margin	Operating income (loss) over revenues	(27.96%)	(101.19%)
Net profit (loss) margin	Net income (loss) over revenues	(21.77%)	(91.01%)
Return on equity	Net income (loss) over total equity	(5.61%)	(18.99%)
Return on assets	Net income (loss) over total assets	(4.51%)	(14.86%)

PART II - OTHER INFORMATION

Financial Instruments

Financial Risk Management Objectives and Policies

The Group's principal financial instruments are composed of cash in banks, cash equivalents, trade and other receivables, marketable securities, investments in stocks, refundable deposits, guarantee bonds, trade and other current liabilities, loan payable, lease liabilities, obligations under finance lease and installment payable. The main purpose of these financial instruments is to provide financing for the Group's capital expenditures and operations. The Group has various other financial assets and liabilities such as trade and other receivables, refundable deposits, guarantee bonds, trade and other current liabilities, which arise directly from its operations. The main risks arising from the Group's financial instruments are credit risk, equity price risk, liquidity risk and foreign currency risk. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks. The Group's BOD and management review and agree on the policies for managing each of these risks as summarized below:

Credit Risk

The Group's receivables arise mainly from the ELA with PCSO and the license agreement with PGEC. Since the Group has significant concentration of credit risk on its receivable from PCSO and PGEC, it is the Group's policy that all credit terms specified in the ELA and the license agreement are complied with and payment terms are observed. With respect to other receivables, the Group manages credit risk by transacting only with recognized, creditworthy third parties. It is the Group's policy that the BOD approves the major transactions with third parties. Receivable balances are monitored on an ongoing basis with the objective that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which are composed of cash in banks, marketable securities, financial assets at FVOCI, refundable deposits and guarantee bonds, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the maximum exposure to credit risk for the Group's financial assets as at June 30, 2021 and December 31, 2020 without taking into account any collateral and other credit enhancements:

	Jun. 30, 2021	Dec. 31, 2020
Cash in banks and cash equivalents*	P128,619,173	P161,572,701
Trade and other receivables - net**	165,098,653	202,692,553
Marketable securities	78,192,111	84,260,926
Refundable deposits	4,169,909	4,159,704
Financial assets at FVOCI	259,613,645	281,822,365
Guarantee bonds***	14,500,000	14,500,000
Total credit exposure	P650,193,491	P749,008,249

*Excludes cash on hand amounting to P0.7 million and P0.7 million as at June 30, 2021 and December 31, 2020, respectively.

**Inclusive of noncurrent portion of accrued license fee income amounting to P48.3 million and P70.3 million as at June 30, 2021 and December 31, 2020, respectively.

***Includes the cash bond under "Other current assets" in the consolidated statements of financial position.

The table below shows the aging analysis of receivables as at June 30, 2021 and December 31, 2020:

	June 30, 2021		
	Neither Past Due nor Impaired	Impaired	Total
Trade and other receivables - net	P96,305,521	P -	P96,305,521
Accrued receivable*	65,612,359	-	65,612,359
Other receivables	3,180,772	-	3,180,772
	P165,098,653	P -	P165,098,653

*Inclusive of noncurrent portion of license fee income of P48.3 million.

	December 31, 2020		
	Neither Past Due nor Impaired	Impaired	Total
Trade and other receivables - net	P112,733,498	P -	P112,733,498
Accrued receivable*	86,206,043	-	86,206,043
Other receivables	3,753,012	-	3,753,012
	P202,692,553	P -	P202,692,553

* Inclusive of noncurrent portion of license fee income of P70.3 million

Receivables that are past due but not impaired are still collectible based on the assessment of debtor's ability to pay and collection agreement.

The table below shows the credit quality of the Group's neither past due nor impaired financial assets based on their historical experience with the corresponding third parties:

	June 30, 2021			
	Grade A	Grade B	Grade C	Total
At amortized cost:				
Cash in banks and cash equivalents	P128,619,173	P -	P -	P128,619,173
Trade and nontrade receivables - net	96,305,521	-	-	96,305,521
Accrued receivable*		65,612,359		65,612,359
Other receivables		3,180,772		3,180,772
Refundable deposits	-	4,169,909	-	4,169,909
Guarantee bonds	-	-	14,500,000	14,500,000
At FVPL:				
Marketable securities	78,192,111	-	-	78,192,111
At FVOCI:				
Financial assets at FVOCI	259,613,645	-	-	259,613,645
	P562,730,450	P72,963,041	P14,500,000	P650,193,491

*Inclusive of noncurrent portion of accrued license fee income amounting to P48.3 million

	December 31, 2020			
	Grade A	Grade B	Grade C	Total
At amortized cost:				
Cash in banks and cash equivalents	P161,572,701	P -	P -	P161,572,701
Trade and nontrade receivables - net	112,733,498	-	-	112,733,498
Accrued receivable*		86,206,043		86,206,043
Other receivables		3,753,012		3,753,012
Refundable deposits	-	4,159,704	-	4,159,704
Guarantee bonds	-	-	14,500,000	14,500,000
At FVPL:				
Marketable securities	84,260,926	-	-	84,260,926
At FVOCI:				
Financial assets at FVOCI	281,822,365	-	-	281,822,365
	P640,389,490	P94,118,759	P14,500,000	P749,008,249

* Inclusive of noncurrent portion of accrued license fee income amounting to P70.3 million

Grade A pertains to those cash in banks and guarantee bonds that are deposited in reputable banks, investments with reputable publicly listed companies and receivables from PCSO which are consistently collected before the maturity date.

Grade B pertains to receivables that are collected on their due dates even without an effort from the Group to follow them up. Grade C pertains to receivables which are collected on their due dates provided that the Group made a persistent effort to collect them.

Estimating ECL

The table below presents the Group's exposure to credit risk and shows the credit quality of the financial assets as at June 30, 2021 by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

June 30, 2021	Financial Assets at Amortized Cost				
	12-Month ECL	Lifetime ECL not Credit Impaired	Total	ECL	Carrying Amount
Cash in banks and cash equivalents	P128,619,173	P -	P128,619,173	P -	P128,619,173
Trade and other receivables - net*	306,923,657	-	306,923,657	(141,825,004)	165,098,653
Refundable security deposits	4,169,909	-	4,169,909	-	4,169,909
Guarantee bonds	14,500,000	-	14,500,000	-	14,500,000
	P454,212,739	P -	P454,212,739	(P141,825,004)	P312,387,735

* Inclusive of noncurrent portion of accrued license fee income amounting to P48.3 million

December 31, 2020	Financial Assets at Amortized Cost				
	12-Month ECL	Lifetime ECL not Credit Impaired	Total	ECL	Carrying Amount
Cash in banks and cash equivalents	P161,572,701	P -	P161,572,701	P -	P161,572,701
Trade and other receivables - net*	344,517,557	-	344,517,557	(141,825,004)	202,692,553
Refundable security deposits	4,159,704	-	4,159,704	-	4,159,704
Guarantee bonds	14,500,000	-	14,500,000	-	14,500,000
	P524,749,962	P -	P524,749,962	(P141,825,004)	P382,924,958

* Inclusive of noncurrent portion of accrued license fee income amounting to P70.3 million

The Group computes impairment loss on trade and other receivables based on past collection experiences, current circumstances and the impact of future economic conditions, if any, available at the reporting period. Loss rates are based on actual credit loss experience. Any adjustments to the loss rates for forecasts of future economic conditions are not expected to be material. The Group applies the simplified approach in providing for ECL prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix.

Cash in banks and cash equivalents are considered of good quality as these pertain to deposits in reputable banks.

Impairment on cash has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash has low credit risk based on the external credit ratings of the counterparties.

Receivables and refundable security deposits are considered of good quality since these are transacted with counterparties with high external credit ratings. the credit quality of these financial assets is considered to be high grade.

Marketable Securities and Investment in Stocks are considered good quality since these are invested in companies listed in the PSE.

Equity Price Risk

Equity price risk is the risk that the fair value of equity investments decreases as a result of changes in the value of individual stock. The Group's current exposure to equity price risk relates primarily to the Group's quoted marketable securities and financial assets at FVOCI. The Group monitors the equity investments based on market expectations. Significant investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the BOD.

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Group's consolidated income before income tax and equity:

Marketable Securities

Increase (Decrease) in Equity Price		Effect on Consolidated Income before Income Tax
June 30, 2021		
	5%	P3,909,606
	(5%)	(3,909,606)
December 31, 2020		
	5%	P4,213,046
	(5%)	(4,213,046)

Financial assets at FVOCI

Increase (Decrease) in Equity Price		Effect on Comprehensive Net Income
June 30, 2021		
	8%	P20,769,092
	(8%)	(20,769,092)
December 31, 2020		
	8%	P22,545,789
	(8%)	(22,545,789)

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances and equity securities. To limit this risk, the Group closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when they fall due. The Group also has a committed line of credit that it can access to meet liquidity needs.

The Group maintains sufficient cash to finance its operations. Any excess cash is invested in short-term money market placements and equity securities. These are maintained to meet the requirements for additional capital expenditures, maturing obligations and cash dividends.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	June 30, 2021				Total
	Less than 3 Months	3 - 6 Months	6 - 12 Months	More than 12 Months	
Trade and other current liabilities*	P23,385,626	P -	P52,206,472	P64,115,485	P139,707,583
Lease liabilities**	3,961,275	-	-	-	3,961,275
	P27,346,901	P -	P52,206,472	P64,115,485	P143,668,858

* Excluding statutory liabilities amounting to P1.1 million

	December 31, 2020				Total
	Less than 3 Months	3 - 6 Months	6 - 12 Months	More than 12 Months	
Trade and other current liabilities*	P68,152,272	P69,757,566	P7,087,656	P31,766,804	P176,764,298
Lease liabilities**	4,691,906	2,952,185	2,311,204	1,650,071	11,605,367
	P72,844,178	P72,709,751	P9,398,860	P33,416,876	P188,369,665

* Excluding statutory liabilities amounting to P1.5 million

**Inclusive of noncurrent portion

Foreign Currency Risk

The Group has transactional currency exposures. Such exposure arises from cash in banks and payables to certain suppliers which are denominated in U.S. dollar (US\$). The Group's financial instruments which are denominated in foreign currency include cash and consultancy and software and license fees payable. The Group maintains a US\$ account to match its foreign currency requirements.

As at June 30, 2021 and December 31, 2020, assets and liabilities denominated in US\$ include cash in banks amounting to P28.0 million (\$576,830) and P19.6 million (\$409,091), and trade and software and license fees payables amounting to P87.0 million (US\$1,789,964) and P80.3 million (\$1,672,996), respectively.

In translating foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were P48.59 and P48.00 to US\$1, the Php to US\$ exchange rates, as at June 30, 2021 and December 31, 2020, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Php-US\$ exchange rates, with all other variables held constant, of the Group's consolidated income before tax. There is no other impact on the Group's equity other than those already affecting profit or loss.

Increase (Decrease) in US\$ Exchange Rate	Effect on Income before Income Tax	Effect on Equity
June 30, 2021		
5%	(P2,947,307)	(P2,063,115)
(5%)	2,947,307	2,063,115
December 31, 2020		
5%	(P3,033,372)	(P2,123,361)
(5%)	3,033,372	2,123,361

The increase in US\$ rate means stronger US\$ against Php while the decrease in US\$ means stronger Php against the US\$.

Capital Management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, reacquire its own shares, or issue new shares. The Group monitors capital on the basis of current ratio and debt-to-equity ratio. The Group's strategy, which was unchanged from prior year, was to maintain current ratio and debt-to-equity ratio at manageable levels.

There were no changes in the Group's approach to capital management during the year.

As at June 30, 2021 and December 31, 2020, the Group is compliant with the minimum public float requirement by the PSE.

The Group defines capital as capital stock, additional paid-in capital, treasury stock, and dividend distributable. Other components of equity are excluded from capital for purposes of capital management.

There were no changes in the Group's approach to capital management during the year. As at June 30, 2021 and December 31, 2020, the Group is compliant with the minimum public float requirement by PSE.

The Group's current ratio, calculated as total current assets over total current liabilities, and debt-to-equity ratio, calculated as total liabilities over equity, as at June 30, 2021 and December 31, 2020 are as follows:

Current Ratio

	Jun. 30, 2021	Dec. 31, 2020
Current assets	P494,482,762	P543,642,893
Current liabilities	146,451,364	187,891,135
Current ratio	3.38:1.00	2.89:1.00

Debt-to-Equity Ratio

	Jun. 30, 2021	Dec. 31, 2020
Total liabilities	P195,219,305	P240,263,489
Total equity	796,231,169	863,140,552
Debt-to-equity ratio	0.25:1.00	0.28:1.00

To address the prohibition in maintaining excess retained earnings over the paid in capital under Sec. 43 of the Corporation Code, the Group intends to continuously declare dividends, and/or set aside funds for new projects that are in line with its business strategies with due consideration for the state of the gaming industry and national economy.

Fair Value of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments as of June 30, 2021 and December 31, 2020:

	June 30, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At Amortized Cost:				
Cash and cash equivalents	P128,619,173	P128,619,173	P161,572,701	P161,572,701
Trade and other receivables-net*	165,098,653	165,098,653	202,692,553	202,692,553
Refundable deposits	4,169,909	4,169,909	4,159,704	4,159,704
Guarantee bonds	14,500,000	14,500,000	14,500,000	14,500,000
At FVPL:				
Marketable securities	78,192,111	78,192,111	84,260,926	84,260,926
At FVOCI:				
Financial Assets at FVOCI	259,613,645	259,613,645	281,822,365	281,822,365
	P650,193,491	P650,193,491	P 749,008,249	P 749,008,249

	June 30, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
At Amortized Cost:				
Trade and other current liabilities**	P139,707,583	P139,707,583	P176,764,298	P176,764,298
Lease liabilities (inclusive of noncurrent portion)	3,961,275	3,961,275	11,605,367	11,605,367
	P143,668,858	P143,668,858	P188,369,665	P188,369,665

*Inclusive of noncurrent portion of accrued license fee income amounting to P48.3 million and P70.3 million as at June 30, 2021 and December 31, 2020, respectively.

**Excluding statutory liabilities of P1.1 million and P1.5 million as at June 30, 2021 and December 31, 2020, respectively.

The carrying amounts of cash and cash equivalents, trade and other receivables (excluding accrued license fee income), deposits, trade and other current liabilities and loan payable approximate their fair values due to the relatively short-term maturities of the financial instruments.

The carrying amount of accrued license fee income is based on present value using a discount rate that approximates the prevailing market rate.

The carrying amounts of guarantee bonds, deposits, lease liabilities, obligations under finance lease, and installment payable approximate their fair values since the Group does not anticipate that the effect of discounting using the prevailing market rate is significant.

	Level 1	Level 2	Level 3	Total
Marketable Securities				
June 30, 2021	P78,192,111	P -	P -	P78,192,111
December 31, 2020	84,260,926	-	-	84,260,926
Financial Assets at FVOCI				
June 30, 2021	P259,613,645	-	-	P259,613,645
December 31, 2020	281,822,365	-	-	281,822,365

There were no transfers between Levels as of June 30, 2021 and December 31, 2020.

Other Required Disclosures

1. The attached interim financial reports were prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the Group entities, except for the changes in accounting policies as explained below.

Adoption of Revised Standards, Amendments to Standards and Interpretations

The Group has adopted the following revised standards starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Group's consolidated financial statements.

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:
 - a new chapter on measurement;
 - guidance on reporting financial performance;
 - improved definitions of an asset and a liability, and guidance supporting these definitions; and
 - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- *Definition of Material (Amendments to PAS 1 Presentation of Financial Statements and PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)*. The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:
 - (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
 - (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
 - (c) clarifying the explanatory paragraphs accompanying the definition; and
 - (d) aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgements without substantively changing existing requirements.

Standard Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Group has not adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective June 1, 2020

- *COVID-19-Related Rent Concessions (Amendment to PFRS 16 Leases)*. The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:
 - the revised consideration is substantially the same or less than the original consideration;
 - the reduction in lease payments relates to payments due on or before June 30, 2021; and
 - no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.

Effective January 1, 2022

- *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16 Property, Plant and Equipment)*. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2 *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the Company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statements of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statements of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

2. Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD & A"), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.
3. There were no material changes in estimates of amounts reported in prior periods that have material effects in the current interim period.
4. Except as disclosed in the MD & A, there were no other issuance, repurchases and repayments of debt and equity securities.
5. Except as disclosed in the MD & A, there were no material events that occurred subsequent to June 30, 2021 and up to the date of this report that need disclosure herein.
6. Except as disclosed in the MD & A, there were no changes in the composition of the Group since June 30, 2021, such as business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring, and discontinued operations.
7. There were no changes in contingent liabilities or contingent assets since June 30, 2021.
8. Except as disclosed in the MD & A, there exist no material contingencies and other material events or transactions affecting the current interim period.

SIGNATURES

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

Issuer: **PACIFIC ONLINE SYSTEMS CORPORATION**



WILLY N. OCIER
Chairman of the Board
and President

Date: August 9, 2021



MA. VIRGINIA V. ABO-HAMDA
Chief Financial Officer

Date: August 9, 2021

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position

	June 30, 2021	December 31, 2020
	Unaudited	Audited
ASSETS		
Current Assets		
Cash and cash equivalents	P129,311,305	P162,274,833
Marketable securities	78,192,111	84,260,926
Trade and other receivables – net	116,796,197	132,373,468
Other current assets	170,183,149	164,733,666
Total Current Assets	494,482,762	543,642,893
Noncurrent Assets		
Financial assets at fair value through other comprehensive income	259,613,645	281,822,365
Property and equipment – net	52,558,036	83,495,388
Right of use asset - net	3,614,960	10,119,536
Deferred tax asset-net	82,414,559	82,414,559
Other noncurrent assets	98,766,512	101,909,299
Total Noncurrent Assets	496,967,712	559,761,148
TOTAL ASSETS	P991,450,474	P1,103,404,041
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities	P140,773,545	P178,225,995
Withholding taxes payable	1,716,543	1,982,170
Income tax payable	-	6,146
Lease liabilities	3,961,276	7,676,824
Total Current Liabilities	146,451,364	187,891,135
Noncurrent Liabilities		
Defined benefit liability	48,767,941	48,443,811
Lease liabilities - net of current portion	-	3,928,543
Total Noncurrent Liabilities	48,767,941	52,372,354
TOTAL LIABILITIES	195,219,305	240,263,489
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	895,330,946	895,330,946
Additional paid-in capital	257,250,677	257,250,677
Treasury shares	(285,267,558)	(285,267,558)
Fair value reserve	(484,819,206)	(462,610,486)
Retirement benefits reserve	(14,014,805)	(14,014,805)
Retained earnings	425,435,521	469,987,087
Sub-total	793,915,575	860,675,861
Non-controlling Interests	2,315,594	2,464,691
Total Equity	796,231,169	863,140,552
TOTAL LIABILITIES AND EQUITY	P991,450,474	P1,103,404,041

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income (Unaudited)
For the six months ended June 30, 2021 and 2020

	Six Months Ended Jun 30		This Quarter	
	2021	2020	2021	2020
REVENUES				
Equipment rentals	P205,374,674	P134,004,360	P82,558,493	P -
Commission and distribution income	-	46,118,254	-	14,362
Total Revenues	205,374,674	180,122,614	82,558,493	14,362
COSTS AND EXPENSES				
Personnel costs	61,246,442	90,540,796	33,196,676	31,799,932
Software and license fees	29,653,665	20,582,546	9,109,246	-
Operating supplies	4,055,056	6,066,184	1,875,393	176,879
Depreciation and amortization	72,930,168	129,275,534	34,934,553	66,932,145
Communications	38,503,062	35,491,044	20,384,245	8,920,654
Travel and accommodation	12,675,651	13,212,566	6,194,463	4,345,815
Rent, utilities and outside services	15,081,918	32,376,414	8,241,665	6,242,950
Repairs and maintenance	14,483,494	12,538,359	3,367,129	3,187,692
Taxes and licenses	9,585,043	6,796,877	5,728,920	1,358,560
Entertainment, amusement and recreation	371,379	3,591,837	186,777	131,178
Professional fees	3,071,755	3,569,804	1,512,709	1,210,019
Marketing and promotions	14,929	3,278,889	-	1,192,885
Others	1,117,987	5,070,328	754,131	541,857
Total Costs and Expenses	262,790,547	362,391,178	125,485,906	126,040,568
OPERATING INCOME (LOSS)	(57,415,873)	(182,268,564)	(42,927,413)	(126,026,206)
OTHER INCOME (CHARGES)				
Dividend income	15,368,577	29,623,944	15,368,577	321,720
Interest income	46,767	176,863	43,293	60,703
Finance charges	(420,232)	(4,183,212)	(101,437)	(1,842,725)
Mark-to-market gain (loss) on marketable securities	(6,068,814)	(17,870,164)	(2,486,369)	(3,644,947)
Gain (loss) on sale of Property and equipment	10,000	850	10,000	-
Foreign exchange gain (loss)	758,525	(207,569)	359,421	(2,047)
Others – net	3,020,387	10,792,286	(1,945,506)	(3,912,129)
Total Other Income (Charges)	12,715,210	18,332,999	11,247,979	(9,019,426)
INCOME (LOSS) BEFORE INCOME TAX	(44,700,663)	(163,935,565)	(31,679,434)	(135,045,632)
INCOME TAX EXPENSE (BENEFIT)				
Current	-	-	-	-
Deferred	-	-	-	-
	-	-	-	-
NET INCOME (LOSS)	(P44,700,663)	(P163,935,565)	(P31,679,434)	(P135,045,632)
Attributable to:				
Equity holders of the Parent Company	(44,551,566)	(163,138,488)	(31,784,805)	(134,930,733)
Non-controlling interests	(149,097)	(797,077)	105,372	(114,900)
	(P44,700,663)	(P163,935,565)	(P31,679,434)	(P135,045,632)
Attributable to Equity Holders of the Parent Company				
Basic Earnings Per Share	(P0.0376)	(P0.1597)	(P0.0527)	(P0.1931)
Diluted Earnings Per Share	(P0.0376)	(P0.1597)	(P0.0527)	(P0.1931)

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Unaudited)
For the six months ended June 30, 2021 and 2020

	Six Months Ended Jun 30		This Quarter	
	2021	2020	2021	2020
NET INCOME (LOSS)	(P44,700,663)	(P163,935,565)	(P31,679,434)	(P135,045,632)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will never be reclassified to profit or loss				
Fair value gain (loss) on investment in shares of stock	(22,208,720)	(134,836,005)	16,418,980	10,437,730
Remeasurements of retirement benefits, net of tax	-	-	-	-
	(22,208,720)	(134,836,005)	16,418,980	10,437,730
TOTAL COMPREHENSIVE INCOME (LOSS)	(P66,909,383)	(P298,771,570)	(P15,260,454)	(P124,607,902)
Attributable to:				
Owners of the Parent Company	(66,760,286)	(297,974,493)	(15,365,825)	(124,493,002)
Non-controlling interests	(149,097)	(797,077)	105,372	(114,900)
	(P66,909,383)	(P298,771,570)	(P15,260,454)	(P124,607,902)

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
For the six months ended June 30, 2021 and 2020

	For the six months ended June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	(P44,700,663)	(P163,935,565)
Adjustments for:		
Depreciation and amortization	72,930,168	94,949,988
Dividend income	(15,368,577)	(29,623,944)
Retirement cost	5,324,130	3,600,000
Finance charges	420,232	4,183,212
Unrealized foreign exchange loss (gain)	(758,525)	207,569
Interest income	(46,767)	(176,863)
Fair value loss on marketable securities	6,068,814	17,870,164
Gain on sale of:		
Subsidiary	-	(9,547,745)
Property and equipment	(10,000)	(850)
Operating income before working capital changes	23,858,812	(82,474,034)
Decrease (increase) in:		
Trade and other receivables	15,577,270	(39,833,709)
Other current assets	(38,858,573)	7,230,338
Other noncurrent assets	3,142,789	43,231,964
Increase (decrease) in:		
Trade and other payables	(37,452,450)	83,668,945
Withholding taxes payable	(265,627)	(1,126,216)
Interest received	46,767	176,863
Income tax paid	(6,146)	(1,294,285)
Retirement contributions paid	(5,000,000)	-
Net cash flows provided by operating activities	(38,957,157)	9,579,865
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of		
Property and equipment	(2,079,149)	(106,639,303)
Proceeds from sale of:		
Subsidiaries	-	137,413,892
Marketable securities	-	50,000,000
Property and equipment	10,000	850
Dividends received	15,368,577	29,623,944
Net cash flows provided by investing activities	13,299,429	110,399,383
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Loan payable	-	(75,000,000)
Lease liabilities	(7,644,092)	(13,785,104)
Finance charges paid	(420,232)	(4,183,212)
Net cash flows used in financing activities	(8,064,324)	(92,968,316)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(33,722,052)	27,010,933
CASH AT BEGINNING OF YEAR	162,274,833	209,937,094
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	758,525	(207,569)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P129,311,305	P236,740,457

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity (Unaudited)

	Capital Stock	Additional Paid-in Capital	Treasury Shares	Fair Value Reserve	Reserve for Retirement Benefits	Retained Earnings	Total	Non- Controlling Interest	Total Equity
January 1, 2020	P895,330,946	P257,250,677	(P285,267,558)	(P396,801,971)	(P17,614,609)	P855,178,424	P1,308,075,910	P5,343,443	P1,313,419,353
Other comprehensive income (loss)	-	-	-	(134,836,005)	-	-	(134,836,005)	-	(134,836,005)
Net income (loss) for the period	-	-	-	-	-	(163,138,488)	(163,138,488)	(797,077)	(163,935,565)
Total comprehensive income (loss) for the period	-	-	-	(134,836,005)	-	(163,138,488)	(297,974,493)	(797,077)	(298,771,570)
Sale of subsidiaries	-	-	-	-	6,682,576	23,603,846	30,286,421	-	30,286,421
Total transactions with owners in their capacity as owners	-	-	-	(134,836,005)	6,682,576	(139,534,643)	(267,688,072)	(797,077)	(268,485,149)
June 30, 2020	P895,330,946	P257,250,677	(P285,267,558)	(P531,637,976)	(P10,932,033)	P715,643,782	P1,040,387,838	P4,546,366	P1,044,934,204
January 1, 2021	P895,330,946	P257,250,677	(P285,267,558)	(P462,610,486)	(P14,014,805)	P469,987,087	P860,675,861	P2,464,691	P863,140,553
Other comprehensive income (loss)	-	-	-	(22,208,720)	-	-	(22,208,720)	-	(22,208,720)
Net income (loss) for the period	-	-	-	-	-	(44,551,566)	(44,551,566)	(149,097)	(44,700,663)
Total comprehensive income (loss) for the period	-	-	-	(22,208,720)	-	(44,551,566)	(66,760,286)	(149,097)	(66,909,383)
Dividends paid	-	-	-	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	(22,208,720)	-	(44,551,566)	(66,760,286)	(149,097)	(66,909,383)
June 30, 2021	P895,330,946	P257,250,677	(P285,267,558)	(P484,819,206)	(P14,014,805)	P425,435,521	P793,915,575	P2,315,594	P796,231,169

PACIFIC ONLINE SYSTEMS CORPORATION
Attachments to Unaudited Financial Statements
Trade and Other Receivables
As of June 30, 2021

1.) Aging of Trade and Other Receivables

	Neither Past Due nor Impaired	Impaired	Total
a.) Trade and Nontrade Receivables			
1.) Trade receivables	P37,920,017	P -	P37,920,017
2.) Nontrade receivable	58,385,504	-	58,385,504
3.) Accrued license fee income-current	17,309,904	-	17,309,904
	113,615,425	-	113,615,425
b.) Other Receivables			
1.) Advances to officers and employees	854,390	-	854,390
2.) Advances Contractors and suppliers	2,154,132	-	2,154,132
3.) Other receivables	172,250	-	172,250
	3,180,772	-	3,180,772
Total	P116,796,197	P -	P116,796,197

2.) Description of receivables

<i>Types of Receivables</i>	<i>Nature and Description</i>	<i>Collection / Liquidation Period</i>
1.) Advances to officers and employees	Company loan and other advances granted to officers and employees	Within one (1) year
2.) Advances to contractors and suppliers	Receivables from / advances to contractors and suppliers	Within one (1) year
3.) Other receivables	Other advances	Within one (1) year

3.) Normal operating cycle: 365 days

PACIFIC ONLINE SYSTEMS CORPORATION
Attachments to Unaudited Financial Statements
Segment Information
For the period ended June 30, 2021

The primary segment reporting format is presented based on business segments in which the Group's risks and rates of return are affected predominantly by differences in the products and services provided. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group is engaged in the business of leasing lottery equipment to PCSO (leasing activity) and sale of lottery tickets (distribution and retail activities), which was discontinued during the first half of the year.

Financial information about the Group's business segments are shown below:

	For the Six Months ended June 30, 2021			
	Equipment Leasing Activities	Distribution and Retail Activities	Eliminations	Consolidated
Revenue				
Equipment rental	P205,374,674	P	-	P205,374,674
Commission and distribution income	-	-	-	-
Total revenue	P205,374,674	P	-	P205,374,674
Segments Results				
Income (loss) before income tax	(26,719,342)	-	(17,981,321)	(44,700,663)
Income tax expense (benefit)	-	-	-	-
Net income (loss)	(26,719,342)	-	(17,981,321)	(44,700,663)
Segment assets	P1,156,949,840	P83,230,447	(P248,729,812)	P991,450,474
Deferred tax assets – net	81,738,151	-	676,408	82,414,559
Segments assets (excluding deferred tax assets - net)	1,075,211,689	83,230,447	(249,406,221)	909,035,915
Segment liabilities	242,722,583	-	(47,503,278)	195,219,305
Other Information				
Capital expenditures	2,079,149	-	-	2,079,149
Depreciation and amortization	72,930,168	-	-	72,930,168
Finance charges	(420,232)	-	-	(420,232)
Interest income	46,767	-	-	46,767

End of Report