

MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS OF

**PACIFIC ONLINE SYSTEMS CORPORATION**

May 30, 2019 at 2:00 P.M.

at Taft Ballroom Conrad Manila, Seaside Boulevard corner Coral Way, Mall of Asia Complex,  
Pasay City, Metro Manila

TOTAL NUMBER OF SHARES OUTSTANDING	447,665,473
TOTAL NUMBER OF SHARES PRESENT/REPRESENTED AND ENTITLED TO VOTE	350,187,114

Before the start of the meeting, the following members of the Board of Directors present were introduced:

WILLY N. OCIER  
MA. VIRGINIA V. ABO-HAMDA  
ARMIN ANTONIO B. RAQUEL SANTOS  
TARCISIO M. MEDALLA  
HENRY N. OCIER  
JERRY C. TIU (Independent Director)  
JOSEPH C. TAN (Independent Director)

The presence of the following officers of the Corporation was likewise acknowledged:

A. BAYANI K. TAN (Corporate Secretary)  
JASON C. NALUPTA (Assistant Corporate Secretary)

The other executive officers of the Corporation and of its subsidiaries were likewise in attendance:

CARMELITA D.L. CHAN (Head of Online Lottery Division; Pacific Online Systems Corporation; President - Total Gaming Technologies, Inc.; Chairman - Lucky Circle Corporation)  
MA. CONCEPCION T. SANGIL (Vice President - Human Resources Management)  
CHRISTOPHER C. VILLAFLORES (Vice President- Central System and Network Management Online Lottery Division)  
GRACE L. GATDULA (Assistant Vice President - Administration and Compliance Officer)  
ANNA JOSEFINA G. ESTEBAN (Assistant Vice President - Internal Audit)  
MA. MELIZA C. ROMILLO (Assistant Vice President - MIS/IT and Data Protection Officer)  
LUCILA A. TAGUBA (President - Lucky Circle Corporation)  
ANTONIO P. REYES (Chief Operating Officer - Total Gaming Technologies, Inc.)

Representatives of R.G. Manabat & Co., the Corporation's external auditor, were also in attendance. Likewise in attendance were representatives of Alberto, Pascual and Associates, an independent party engaged to validate the results of the voting by poll for the 2019 Annual Stockholders' meeting.

**CALL TO ORDER**

The Chairman, Mr. Willy N. Ocier, called the meeting to order and presided over the same. The Corporate Secretary, Mr. A. Bayani K. Tan, recorded the minutes of the proceedings.

**CERTIFICATION OF QUORUM**

Upon the request of the Chairman, the Corporate Secretary certified that, based on the certification of mailing, notices of the meeting were sent to all stockholders of record as of 26 April 2019 in accordance with the provisions of the By-Laws. The Chairman instructed the Corporate Secretary to append the Certificate attesting to the mailing of notices to the original Minutes of the Meeting.

The Corporate Secretary certified that, based on the register of attendees and proxies as tabulated by the Corporation’s Stock Transfer Agent, out of the Four Hundred Forty-Seven Million Six Hundred Sixty-Five Thousand Four Hundred Seventy-Three (447,665,473) shares of the total outstanding capital stock of the Corporation, Three Hundred Fifty Million One Hundred Eighty-Seven Thousand One Hundred Fourteen (350,187,114) shares, representing 78.23% of the total outstanding capital stock of the Corporation, were present in person or otherwise represented by proxy. Accordingly, the Secretary certified that a quorum existed for the transaction of business at hand.

**APPROVAL OF THE PREVIOUS MINUTES**

Upon motion duly made and seconded, the reading of the minutes of the previous Stockholder’s Meeting held on September 25, 2018 was dispensed with as the same had been previously distributed to stockholders. The Chairman opened the floor for questions about the minutes of the last stockholders’ meeting but none were raised.

The Minutes of the said meeting was thereafter approved as circulated, with the stockholders voting as follows:

AGENDA ITEM	VOTES IN FAVOR	VOTES AGAINST	ABSTAIN
Approval of Minutes of the Previous Stockholders’ Meeting	350,187,114	0	0

The following resolution was likewise approved:

“**RESOLVED**, that the minutes of the last meeting of the Stockholders of Pacific Online Systems Corporation held on September 25, 2018 be approved.”

**MANAGEMENT REPORT ON 2018  
OPERATIONS AND RESULTS**

At the request of the Chairman, Ms. Carmelita Chan, the Head of the Online Lottery Division, presented the highlights of the Corporation’s operations for Year 2018 and reported as follows:

Equipped with more than two decades of experience and expertise, Pacific Online Systems Corporation (Pacific Online) lays the tracks in providing a reliable and respectable gaming platform for lottery customers in the country.

In partnership with state-run Philippine Charity Sweepstakes Office (PCSO), our Company paves a path of hope for PCSO’s agents and players by bridging gaming technologies that create business opportunities and generate funds for charity.

Recent fiscal years saw a trend towards a steady rise in net income. In 2018, however, the growth was derailed by the imposition of a twenty percent (20%) Documentary Stamp Tax (DST) on ticket price, coupled with the taxation on lottery winnings above ₱10,000 brought about by the Tax Reform for Acceleration and Inclusion (TRAIN) Act. This resulted with players that are faced with higher ticket prices and further penalized upon winning the game to have their prizes slashed by 20%. Lotto digit sales were also hit by the aggressive expansion of Small Town Lottery (STL) which are prevalent in the Company’s traditional territories.

Expectedly, our Company’s revenues dipped from ₱2.31 Billion in 2017, to ₱1.93 Billion in 2018, representing a 17% decline. Operating income likewise dropped from ₱668 Million in 2017, to ₱321 Million in 2018, creating a 52% drop from the previous year. Net income decreased by ₱188 Million, 38% lower from ₱493 Million in 2017 versus ₱304 Million in 2018.

Although Lotto remains a key source of revenues, Pacific Online’s subsidiaries contributed around 59% of our Company’s consolidated total gross revenues in



2018. Total Gaming Technologies, Inc. (TGTI) rolled out 2,454 Keno (Lotto Express) terminals in 2018, an increase of 44 terminals over 2,410 terminals the previous year. Pacific Online’s retail network arm, Lucky Circle Corporation, increased its sales by ₱316 Million versus the previous year.

In July, Pacific Online was recognized by the Institute of Corporate Directors (ICD) as one of the top-performing publicly-listed companies under the ASEAN Corporate Governance Scorecard (ACGS). Scoring above 80 points, Pacific Online is the only company providing support to the government’s role in lotteries and its role in providing charity. Our company also retained its ISO/IEC 27001:2013 Information Security Management certification, and upgraded its Quality Management System Certification to the ISO 9001:2015 series. Pacific Online was also officially accepted as a member of the World Lottery Association (WLA), and is currently securing its WLA Security Standards Certification.

At its core, Pacific Online is a technology company. Through the years, its strategy, structure, systems, and staff have adapted to the demands and standards of a technology company that revolves on gaming. The accretion of accolades is a testament that as much as we thrive in the business of luck, we do not take chances. We laid the groundwork necessary to take our strategy further as we wait for the PCSO’s final Terms of Reference for the bidding of its Nationwide Online Lottery System (NOLS). Our Company is well-positioned to become a front-runner if the bidding proceeds this year.

Our Company also acknowledges that we owe our durability to the stakeholders and shareholders that share in our success and setbacks. From 2014 to 2018, Pacific Online returned a total of ₱1.3 Billion in cash dividends to its stockholders. In 2016, our Company declared a 50% stock dividend per share worth ₱149 million.

Moving forward in 2019, we reiterate that Pacific Online’s network is the most transparent and the most efficient avenue for raising revenues for PCSO, and for remitting the proper taxes to the government. The strategy and logistics of responsible gaming is consistent with the full transparency and accountability that a legitimate system can offer as it has the proper monitoring and auditing procedures in tow. We believe the online gaming sector will provide the benefits and the backbone of a sustainable program for the government’s charity work.

In spite of the rigors of the current lottery climate, Pacific Online postures itself to rise up to the challenge and remains optimistic it will resume its path towards market ascendancy.

The Chairman then thanked the Board of Directors for its valuable guidance, the employees for their tireless dedication, and the shareholders for their continued trust and support in the corporation and the management.

Thereafter, the Chairman opened the floor for questions to be raised on the report on the Corporation’s operations.

No questions having been raised, the President’s Report for the year ended December 31, 2018, together with the Audited Financial Statements for the Fiscal Year ended December 31, 2018, upon motion duly made and seconded, was approved as follows:

AGENDA ITEM	VOTES IN FAVOR	VOTES AGAINST	ABSTAIN
Approval of 2018 Operations and Results and 2018 Audited Financial Statements	350,187,114	0	0

The following resolution was likewise approved:

“**RESOLVED**, that the President’s Report on Pacific Online Systems Corporation’s Operations and Results for 2018, together with the Audited Financial Statements for the year ended December 31, 2018 be approved.”

**RATIFICATION OF CORPORATE ACTS**

The next item in the agenda was the ratification of corporate acts.

After the motion to confirm, ratify, and approve all the acts of the Board of Directors and Officers of the Corporation from the date of the last meeting up to date of the present meeting was duly made and seconded, the Chairman opened the floor for issues to be taken up pertaining to the ratification of all corporate acts. No questions or issues, however, were raised about the corporate acts. Accordingly, the motion was then approved as follows:

AGENDA ITEM	VOTES IN FAVOR	VOTES AGAINST	ABSTAIN
Ratification of Corporate Acts	350,187,114	0	0

The following resolution was likewise unanimously approved:

“**RESOLVED**, that all acts of the Board of Directors and Officers of Pacific Online Systems Corporation from the date of the last meeting of the shareholders on May 31, 2018 up to the date of this meeting, are hereby confirmed, ratified, and approved.”

**ELECTION OF DIRECTORS**

The Chairman announced that the next item in the agenda is the election of the members of the Board of Directors for the ensuing year. He requested the Chairman of the Corporate Governance Committee, Mr. Joseph C. Tan, to announce the names of those nominated for election as members of the Board. Mr. Tan likewise informed the Body that the profiles of those nominated for election as members of the Board were included in the Company’s Information Statement, as well as in the Annual Report. The information included their age, nationality, qualifications, dates of first appointment and other directorships in publicly-listed companies.

After their nominations were duly made and seconded from the floor, the following stockholders, receiving the votes indicated opposite their names, were elected as directors for the year 2019-2020, to serve as such until their successors shall have been duly elected and qualified:

NOMINEE	VOTES IN FAVOR	VOTES AGAINST	ABSTAIN
WILLY N. OCIER	350,187,114	0	0
MA. VIRGINIA V. ABO-HAMDA	350,187,114	0	0
ARMIN ANTONIO B. RAQUEL-SANTOS	350,187,114	0	0
TARCISIO M. MEDALLA	350,187,114	0	0
HENRY N. OCIER	350,187,114	0	0
REGINA O. REYES	350,187,114	0	0
JERRY C. TIU	350,187,114	0	0
LAURITO E. SERRANO	350,187,114	0	0
JOSEPH C. TAN	350,187,114	0	0

Messrs. Tiu, Serrano, and Tan were elected to serve as the Corporation’s Independent Directors.

**APPOINTMENT OF EXTERNAL AUDITOR**

The Body next considered the appointment of the Corporation’s external auditors for Year 2019-2020. The Chairman announced that the Corporation’s Audit Committee has recommended, and the Board of Directors has endorsed for the consideration of the stockholders, the re-appointment of R.G. Manabat & Co. as the Corporation’s external auditor for Year 2019-2020.



No questions or objections having been raised by the shareholders present despite opportunity having been given by the Chairman, the proposal to re-appoint R.G. Manabat & Co. as the Corporation’s external auditor for Year 2019-2020 was approved by the shareholders as follows:

AGENDA ITEM	VOTES IN FAVOR	VOTES AGAINST	ABSTAIN
Re-Appointment of R.G. Manabat & Co. as External Auditor for 2019-2020	350,187,114	0	0

The stockholders likewise unanimously approved the following resolution:

“**RESOLVED**, that the auditing firm of R.G. Manabat & Co., be appointed as the Company's external auditor for the year 2019-2020.”


**OTHER MATTERS**

Mr. Alfredo Abueg, Jr., a stockholder, inquired about the remuneration of the Board of Directors as well as the audit fees paid to R.G. Manabat & Co. He was advised that all the information requested were fully disclosed in the Corporation’s reports to its stockholders like the Annual Report and the Information Statement. Nevertheless, the Chairman invited Mr. Abueg to get in touch with Ms. Ma. Virginia Abo-Hamda, the Corporation’s Chief Financial Officer and Investor Relations Officer,so his questions may be addressed in greater detail after the meeting.

**ADJOURNMENT**

There being no other matter to discuss, the meeting was thereupon adjourned.

Attested by:

  
**WILLY N. OCIER**  
Chairman

  
**A. BAYANI K. TAN**  
Corporate Secretary