

**From:** Philippine Stock Exchange <no-reply@pse.com.ph>  
**Sent:** Thursday, May 30, 2024 1:42 PM

**Subject:** [Amend-1]Information Statement

Dear Sir/Madam:

Your disclosure was approved as Company Report. Details are as follows:

Company Name: Pacific Online Systems Corporation  
Reference Number: 0018294-2024  
Date and Time: Thursday, May 30, 2024 13:41 PM  
Template Name: [Amend-1]Information Statement  
Report Number: CR03881-2024

Best Regards,  
PSE EDGE

This e-mail message, including any attached file, is confidential and legally privileged. It is solely for the intended recipient. If you received this e-mail by mistake, you should immediately notify the sender and delete this message from your system.

If you are not the intended recipient, you are prohibited from disseminating, distributing or copying this e-mail and its contents. Unauthorized or unlawful access, processing, use, misuse, alteration, interception, interference, communication, disclosure, distribution, downloading, uploading, copying, storage, reproduction and/or replication of any or all information, including personal and sensitive personal information ("Personal Data"), data, file(s), text, numbers, figures, images and/or graphics provided herein is punishable by law in accordance with Republic Act No. 10173, otherwise known as the Data Privacy Act of 2012, Republic Act No. 10175, otherwise known as the Cybercrime Prevention Act of 2012, and other applicable laws and regulations.

This e-mail cannot be guaranteed to be secure and error-free as it could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses or other malicious programs. Therefore, the sender does not accept liability for any errors or omissions in the contents of this e-mail, which arise as a result of the transmission.

Unless it relates to business discharged by officials of the PSE, any views, opinions or factual assertions contained are those of the author and not necessarily of the PSE. The PSE prohibits unofficial use of its e-mail and consequently disclaims and accepts no liability for any damage caused by any libelous and defamatory statements transmitted via this e-mail.

If verification is required, please request for a hard copy.

To know about your rights as a data subject under the Data Privacy Act of 2012 and how the PSE processes and protects the Personal Data it collects and stores, you may visit the Privacy Policy page of PSE's website at <https://www.pse.com.ph/stockMarket/content.html?sec=privacypolicy>

The Philippine Stock Exchange, Inc., 6th to 10th Floors, PSE Tower, 5th Avenue corner 28th Street, Bonifacio Global City, Taguig City, Philippines 1634

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 20-IS

### INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

- ☐ Preliminary Information Statement  
☒ Definitive Information Statement

2. Name of Registrant as specified in its charter

Pacific Online Systems Corporation

3. Province, country or other jurisdiction of incorporation or organization

Metro Manila, Philippines

4. SEC Identification Number

AS093008809

5. BIR Tax Identification Code

003-865-392-000

6. Address of principal office

28F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila  
Postal Code  
1605

7. Registrant's telephone number, including area code

(+632) 8584-1700

8. Date, time and place of the meeting of security holders

June 28, 2024, 2:00 p.m., to be conducted virtually/electronically

9. Approximate date on which the Information Statement is first to be sent or given to security holders

May 28, 2024

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

N/A

Address and Telephone No.

N/A

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	895,330,946

13. Are any or all of registrant's securities listed on a Stock Exchange?

☒ Yes ☐ No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange, Inc./Common Stock

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



## Pacific Online Systems Corporation LOTO

### PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting *References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules*

Date of Stockholders' Meeting	Jun 28, 2024
Type (Annual or Special)	Annual
Time	2:00 p.m.
Venue	to be conducted virtually/electronically
Record Date	May 15, 2024

#### Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

#### Other Relevant Information

This disclosure is being amended to replace the file attachment changing the ASM registration portal link from [www.asmregister.loto.com.ph](http://www.asmregister.loto.com.ph) to <https://asmregister.loto.com.ph>

#### Filed on behalf by:

Name	JASON NALUPTA
Designation	CORPORATE SECRETARY

# COVER SHEET

AS09308809  
SEC Registration Number

PACIFIC ONLINE SYSTEMS  
CORPORATION

(Company's Full Name)

28 F EAST TOWER, PSE CENTRE  
EXCHANGE RD. ORTIGAS, PASIG

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

JASON C. NALUPTA

8632-0905  
Company Telephone Number

1 2 3 1  
Month Day  
Fiscal Year

Month Day  
Annual Meeting

## Amended Definitive Information Statement (SEC Form 20-IS)

Form Type

Secondary License Type, if applicable

Department Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings  
Domestic Foreign

To be Accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes



## **NOTICE OF ANNUAL STOCKHOLDERS' MEETING**

**TO: ALL STOCKHOLDERS**

NOTICE is hereby given that there will be an annual meeting of the stockholders of **PACIFIC ONLINE SYSTEMS CORPORATION** on 28 June 2024 (Friday), at 2:00p.m. The meeting will be conducted virtually via Zoom Webinar and more information regarding the meeting, registration and voting can be accessed at the link provided in the Company's website at <https://www.loto.com.ph/notice-annual-or-special-stockholders-meeting/>

Items in the agenda of the meeting are as follows:

### **AGENDA**

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the Previous Annual Stockholders' Meeting
5. Approval of 2023 Operations and Results (including Audited Financial Statements)
6. Ratification of All Acts of the Board of Directors and Management
7. Election of Directors for 2024-2025
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

The close of business on **15 May 2024** has been fixed as the record date for the determination of the stockholders entitled to notice of and vote at said meeting and any adjournment thereof.

The Company will conduct its annual stockholders' meeting virtually through an online webinar platform for stockholders to attend by remote communication. Stockholders can join by registering online at <https://asmregister.loto.com.ph> on or before 5:00 p.m. on 21 June 2024. The identities of those registering to participate online will be going through a process of verification, after which an email from the Company will be sent to them giving instructions as to how they will be able to watch the livestream of the annual stockholders' meeting

The stockholders are likewise encouraged to participate in the meeting by either of the following:

- (i) by submitting duly accomplished proxies to the Office of the Corporate Secretary at 2704 East Tower, Teklite Towers, Ortigas Center, Pasig City or via electronic copy by emailing [corporatesecretary@pacificonline.com.ph](mailto:corporatesecretary@pacificonline.com.ph) on or before 5:00 p.m. on 20 June 2024.

For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

- (ii) by registering your votes on the matters to be taken up during the meeting through the e-voting platform set up for the purpose which can be accessed at <https://asmregister.loto.com.ph>. The e-voting portal will be open until 9:00 in the morning of 28 June 2024.

Validation of proxies is set on 24 June 2024 at 2:00 p.m. The votes already cast using the e-voting platform by that time will also be verified on said date.

Stockholders who successfully registered can cast their votes *in absentia* through the Company's secure online voting facility for this meeting. In order to participate remotely, they will also be provided with access to the meeting that will be held virtually. The "Guidelines for Participation via Remote Communication and Voting *in Absentia*" as appended to the Information Statement labeled as "Schedule A" together with the Information Statement, Annual Report on SEC Form 17-A and other pertinent materials for the Annual Stockholders' Meeting, are posted in the Company's website and PSE Edge.

City of Pasig, Metro Manila, 22 May 2024.

**JASON C. NALUPTA**  
Corporate Secretary

## **RATIONALE FOR AGENDA ITEMS**

### **Agenda Item No. 4. Approval of the Minutes of the Previous Meeting of Stockholders held on 26 May 2023**

Copies of the Minutes of the 26 May 2023 Annual Stockholders' Meeting is currently posted on the Corporation's website (please see link here: <https://www.loto.com.ph/wp-content/uploads/MINUTES-OF-ASM-2023-DRAFT-May-29-2023.pdf>) and can be viewed at any time. Stockholders will be asked to approve the Minutes of the 2023 Annual Stockholders' Meeting.

### **Agenda Item No. 5. Approval of 2023 Operations and Results (and AFS 2023)**

A report on the highlights of the financial performance of the Corporation for the year ended December 31, 2023 will be presented to the Stockholders. A summary of the Corporation's performance for the year is also provided in the "Management Discussion and Analysis of Operating Performance and Financial Condition" section on page 27 hereof.

The Corporation's Audited Financial Statements, for which the external auditors have issued an unqualified opinion, have likewise been reviewed by the Audit Committee and the Board of Directors. A summary of the 2023 AFS shall also be presented to the Stockholders.

### **Agenda Item No. 6. Ratification of all Acts of the Board of Directors and Management from the date of the last Annual Stockholders' Meeting to the date of this meeting**

All actions, proceedings and contracts entered into, as well as resolutions made and adopted by the Board of Directors and of Management from the date of the Stockholders Meeting held on 26 May 2023 to the date of this meeting shall be presented for confirmation, approval, and ratification. The items covered with respect to the ratification of the acts of the Board of Directors and Officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business, with those of significance having been covered by the appropriate disclosures.

### **Agenda Item No. 7. Election of Directors for 2024 to 2025**

The current members of the Board of Directors, as reviewed, qualified and recommended by the Corporate Governance Committee, have been nominated for re-election. The profiles of the candidates for election as directors are available in the Company website, as well as in this Information Statement. If elected, they shall serve as Directors for a period of one (1) year from June 28, 2024 or until their successors shall have been duly elected and qualified.

### **Agenda Item No. 8. Appointment of External Auditors**

The Audit Committee has pre-screened and recommended, and the Board has endorsed for consideration of the stockholders the re-appointment of Reyes Tacandong & Co. as the Corporation's External Auditor for 2024. The Stockholders will also be requested to delegate to the Board the authority to approve the appropriate audit fee for 2024.

Stockholders are given the opportunity to raise questions regarding the operations and report of the Corporation as well as other concerns, by emailing [corporatesecretary@pacificonline.com.ph](mailto:corporatesecretary@pacificonline.com.ph) (Subject: Questions for ASM 2024) on or before 9:00 am on 28 June 2024. Questions will be responded to during the question and answer portion of the annual stockholders' meeting before the end of the proceedings. Due to the limited time, however, not all questions may be responded to during the livestream of the annual stockholders' meeting. Questions not addressed at the meeting proper, including those that may be received after the livestream, will be responded to via email by the corporate officers concerned.

## **PROXY FORM**

The undersigned stockholder of Pacific Online Systems Corporation (the "Company") hereby appoints the Chairman of the meeting, as attorney and proxy, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on 28 June 2024 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Election of Directors.

\_\_\_\_\_ 1.1. Vote for all nominees listed below:

- 1.1.1. Willy N. Ocier
- 1.1.2. Armin Antonio B. Raquel Santos
- 1.1.3. Tarcisio M. Medalla
- 1.1.4. Henry N. Ocier
- 1.1.5. Raul B. De Mesa
- 1.1.6. Mischel Gabrielle O. Mendoza
- 1.1.7. Joseph T. Chua (Independent Director)
- 1.1.8. Maria Gracia M. Pulido Tan (Independent Director)
- 1.1.9. Roberto V. Antonio (Independent Director)

\_\_\_\_\_ 1.2. Withhold authority for all nominees listed above

\_\_\_\_\_ 1.3. Withhold authority to vote for the nominees listed below:

\_\_\_\_\_

2. Approval of minutes of previous Annual Stockholders' Meeting.

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_ Abstain

3. Approval of 2023 Operations and Results (including the 2023 Audited Financial Statements)

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_ Abstain

4. Ratification of all acts and resolutions of the Board of Directors and Management from the date of the last Stockholders' Meeting to June 28, 2024.

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_ Abstain

5. Appointment of external auditors.

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_ Abstain

6. At their discretion, the proxy named above are authorized to vote upon such other matters as may be properly come before the meeting.

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_ Abstain

\_\_\_\_\_  
Printed Name of Stockholder

\_\_\_\_\_  
Signature of Stockholder /  
Authorized Signatory

\_\_\_\_\_  
Date

**THIS PROXY FORM SHOULD BE RECEIVED BY THE CORPORATE SECRETARY (IN HARDCOPY TO THE OFFICE OF THE CORPORATE SECRETARY AT 2704, EAST TOWER, TEKTITE TOWERS, ORTIGAS CENTER PASIG CITY OR EMAILED TO [CORPORATESECRETARY@PACIFICONLINE.COM.PH](mailto:CORPORATESECRETARY@PACIFICONLINE.COM.PH) AT LEAST SIX (6) BUSINESS DAYS BEFORE THE DATE SET FOR THE ANNUAL MEETING, AS PROVIDED IN THE BY-LAWS.**

**WE ARE NOT SOLICITING PROXIES.**



## SECRETARY'S CERTIFICATE

I, \_\_\_\_\_, Filipino, of legal age and with office address at \_\_\_\_\_, do hereby certify that:

1. I am the duly elected and qualified Corporate Secretary of \_\_\_\_\_ (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at \_\_\_\_\_;

2. Based on the records, during the lawfully convened meeting of the Board of Directors of the Corporation held on \_\_\_\_\_, the following resolution was passed and approved:

"RESOLVED, that \_\_\_\_\_ be authorized and appointed, as he is hereby authorized and appointed, as the Corporation's Proxy (the "Proxy") to attend all meetings of the stockholders of Pacific Online Systems Corporation (Pacific Online) whether the meeting is regular or special, or at any meeting postponed or adjourned therefrom, with full authority to vote the shares of stock of the Corporation held in Pacific Online and to act upon all matters and resolution that may come before or presented during meetings, or any adjournments thereof, in the name, place and stead of the Corporation.

"RESOLVED, FINALLY, That Pacific Online be furnished with a certified copy of this resolution and Pacific Online may rely on the continuing validity of this resolution until receipt of written notice of its revocation."

3. The foregoing resolution has not been modified, amended or revoked in accordance with the records of the Corporation presently in my custody.

IN WITNESS WHEREOF, I have signed this instrument on \_\_\_\_\_ at \_\_\_\_\_.

\_\_\_\_\_  
Printed Name and Signature of the  
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME on \_\_\_\_\_ in \_\_\_\_\_. Affiant exhibited to me his Competent Evidence of Identity by way of \_\_\_\_\_ issued on \_\_\_\_\_ at \_\_\_\_\_.

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of 2024.



## **PACIFIC ONLINE SYSTEMS CORPORATION 2024 ANNUAL STOCKHOLDERS' MEETING**

### **Guidelines for Participating via Remote Communication and Voting *in Absentia***

The 2024 Annual Stockholders' Meeting (**ASM**) of Pacific Online Systems Corporation (the "**Company**") will be held on June 28, 2024 at 02:00 P.M. and the Board of Directors of the Corporation has fixed the end of trading hours of the Philippine Stock Exchange, Inc. on **May 15, 2024** ("**Record Date**") as the record date for the determination of stockholders entitled to notice of, to attend, and to vote at such meeting and any adjournment thereof.

The Board of Directors of the Company has decided to continue allowing stockholders to participate in the ASM via remote communication and to exercise their right to vote *in absentia* or by proxy.

### **REGISTRATION**

The conduct of the meeting will be streamed live, and stockholders may attend the meeting by registering from 07 June 2024 until 21 June 2024, 5:00 p.m. <https://asmregister.loto.com.ph> and by submitting the following requirements and documents, subject to verification and validation:

1. Individual Stockholders
  - 1.1. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others in order to validate the registration of the shareholder (up to 2MB)
  - 1.2. Stock certificate number
  - 1.3. Active e-mail address/es
  - 1.4. Active contact number/s, with area and country codes
2. Multiple Stockholders or with joint accounts
  - 2.1. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others in order to validate the registration of the shareholders (up to 2MB)
  - 2.2. Stock certificate number/s
  - 2.3. Active e-mail addresses of the stockholders
  - 2.4. Active contact numbers, with area and country codes
  - 2.5. Digital copy of an authorization letter executed by all named holders, authorizing a holder to vote for and on behalf of the account
3. Corporate Stockholders
  - 3.1. Digital copy of the Secretary's Certificate (or equivalent for non-resident) attesting to the authority of the representative to vote for and on behalf of the corporation
  - 3.2. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others to validate the registration of the authorized representative (no more than 2MB)
  - 3.3. Active e-mail address/es of the authorized representative
  - 3.4. Active contact number of an authorized representative, with area and country

codes

4. PCD Participants/Brokers
  - 4.1. Digital copy of the Secretary's Certificate (or equivalent for non-resident) attesting to the authority of the representative to vote for and on behalf of the PCD participant/broker
  - 4.2. Digital copy of the certificate of shareholdings issued by the PCD/broker
  - 4.3. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others to validate the registration of the authorized representative (no more than 2MB)
  - 4.4. Active e-mail address/es of the authorized representative
  - 4.5. Active contact number of the authorized representative, with area and country codes

**Important Reminders:**

- Please refrain from sending duplicate and inconsistent information/documents as these can result in failed registration. All documents/information shall be subject to verification and validation by the Company.
- Please be informed that by providing us with the above documents, you consent to the Company's processing of your personal data in accordance with the Data Privacy Act for the purpose of validating your credentials and registration to participate and vote at the Company's annual stockholders' meeting.

**ONLINE VOTING**

1. Log-in to the voting portal by clicking the link, and using the log-in credentials, sent to the email address of the shareholder to the Company.
2. Upon accessing the portal, the stockholder can vote on each agenda item. A brief description of each item for stockholders' approval are appended to the Notice of Meeting.
  - 2.1 A stockholder has the option to vote "Yes", "No", or "Abstain" on each agenda item for approval.
  - 2.2 For the election of directors, the stockholder has the option to vote for all nominees, withhold vote for any of the nominees, or vote for certain nominees only.

*Note: A stockholder may vote such number of his/her shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected (9 directors) multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder.*

3. Once the stockholder has finalized his vote, he can proceed to submit his vote by clicking the "Submit" button.
4. The stockholder can still change and re-submit votes, provided, such new votes are submitted within the Voting Period using the same log-in credentials. Previous votes will be automatically overridden and replaced by the system with the new votes cast.

### **ASM LIVESTREAM**

The ASM will be broadcasted live and stockholders who have successfully registered will be provided access to participate via remote communication. Instructions on how to access the livestream will be sent to their emails upon registration.

### **OPEN FORUM**

During the virtual meeting, after all items in the agenda have been discussed, the Company will have the Question and Answer Portion, during which, the meeting's moderator will read and where representatives of the Company shall answer questions and comments received from stockholders, as time will allow.

Stockholders may send their questions in advance by sending an email bearing the subject "Questions for ASM 2024" to [corporatesecretary@pacificonline.com.ph](mailto:corporatesecretary@pacificonline.com.ph) on or before 9:00 am on 28 June 2024. A section for stockholder comments/questions or a "chatbox" shall also be provided in the livestreaming platform.

Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by the Company via email.

***For any concerns, please email us at [corporatesecretary@pacificonline.com.ph](mailto:corporatesecretary@pacificonline.com.ph).***

***For complete information on the annual meeting, please visit <https://www.loto.com.ph/notice-annual-or-special-stockholders-meeting/>***

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS**

**Information Statement Pursuant to Section 20  
of the Securities Regulation Code**

1. Check the appropriate box  
[ ] Preliminary Information Statement  
[☒] Definitive Information Statement
2. Name of Registrant as specified in its charter: **PACIFIC ONLINE SYSTEMS CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization: **Pasig City, Metro Manila, Philippines**
4. SEC Identification Number: **AS093-008809**
5. BIR Tax Identification Number: **003-865-392-000**
6. Address of principal office: **28th Floor, East Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City 1605 Philippines**
7. Registrant's telephone number, including area code: **(632) 8584-1700**
8. Date, time, and place of the meeting of security holders:  
  
Date : **28 June 2024 (Friday)**  
Time : **02:00 o'clock in the afternoon**  
Place/Platform : **Videoconferencing via Zoom Webinar**  
To vote at and attend the 2024 ASM, please register at  
<https://asmregister.loto.com.ph>
9. Approximate date on which the Information Statement is to be sent or given to security holders:  
**28 May 2024**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b><u>Common Stock</u></b>	<b><u>₱1.00 par value</u></b> <b><u>895,330,946 shares (as of April 30, 2024)</u></b>

11. Are any or all of Registrant's securities listed on a Stock Exchange?

Yes [☒]      No [ ]

If so disclose name of the Exchange	:	<b><u>The Philippine Stock Exchange, Inc.</u></b>
Class of securities listed	:	<b><u>Common Shares</u></b>

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT REQUESTED  
TO SEND US A PROXY.**

## A. GENERAL INFORMATION

### **Item 1. Date, time and place of meeting of security holders**

- (a) Date - **28 June 2024 (Friday)**  
*While the Company's By-Laws states that the annual meeting shall be scheduled every 2<sup>nd</sup> Friday of April, the company scheduled its 2024 annual meeting on June 28, 2024. This is in adherence to its policy and in compliance with the SEC's recommended practice that ASM notices and financial report shall be distributed at least 28 days prior to the meeting date. This schedule was based on the Company's submission to the SEC of its 2023 SEC Form 17A and Sustainability Report on April 12, 2024*
- Time - **02:00 o'clock in the afternoon**  
Place/Platform - **Videoconferencing via Zoom Webinar**

To vote at and attend the 2024 ASM, please register at <https://asmregister.loto.com.ph>

The approximate date on which the Information Statement will be sent or given to security holders is on 28 May 2024.

- (b) The complete mailing address of the principal office of Pacific Online Systems Corporation ("the Company") is:

**28th Floor, East Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City  
1605 Philippines**

### **Item 2. Dissenters' Right of Appraisal**

The matters to be voted upon in the Annual Stockholders' Meeting on **28 June 2024** are not among the instances enumerated in Sections 41 and 80 of the Revised Corporation Code whereby the right of appraisal (defined as the right of any stockholder to dissent and demand payment of the fair value of his shares) may be exercised. The instances where the right of appraisal may be exercised are as follows:

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the Company's property and assets;
3. In case the Company decides to invest its funds in another corporation or business outside of its primary purpose; and
4. In case of merger or consolidation.

In case the right of appraisal may be exercised, Section 81 of the Revised Corporation Code provides for the appropriate procedure, viz:

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares; Provided, that the failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made; Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; Provided further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

- (a) No person who has been a director or officer or any nominee for election as director of the Company or associate of such persons, have substantial interest, direct or indirect, in any matter to be acted upon, other than the election of directors for the year 2024-2025.
- (b) The Company is not aware of any director or security holder who intends to oppose any action to be taken by the Company during the stockholders' meeting.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting Securities and Principal Holders Thereof**

- (a) As of 30 April 2024, the Company has **895,330,946** common shares outstanding and each share is entitled to one vote.
- (b) The record date with respect to the determination of the stockholders entitled to notice of and vote at the Annual Stockholders' Meeting is **15 May 2024**.
- (c) With respect to the election of nine (9) directors, each stockholder may vote such number of shares for as many as Nine (9) persons he may choose to be elected from the list of nominees, or he may cumulate the said shares and give one candidate as many votes as the number of his shares multiplied by Nine (9) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by Nine (9).
- (d) Security ownership of certain record and beneficial owners and management.
  - (1) Security Ownership of Certain Record and Beneficial Owners

The following persons or group are known to the Company as direct owners of more than five percent (5%) of the Company's voting securities as of 30 April 2024:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	<b>PREMIUM LEISURE CORP.</b> <sup>(1)</sup> 5/F Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City Parent Company	PREMIUM LEISURE CORP.	Filipino	448,560,806	50.10

Common	<b>PCD NOMINEE CORPORATION</b> <sup>(2)</sup> G/F Makati Stock Exchange 6767 Ayala Avenue, Makati City Filipino/Non-Filipino N/A	Various	Filipino and Non-Filipino	327,819,776	36.61
Common	<b>WILLY N. OCIER</b> 28/F East Tower, Tektite Towers Exchange Road, Ortigas Center, Pasig City Filipino Chairman	Willy N. Ocier	Filipino	71,819,350	8.02

<sup>(1)</sup> The majority shareholder of Premium Leisure Corp. is Belle Corporation.

<sup>(2)</sup>PCD Nominee Corporation ("PCDNC") is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares; instead, the participants have the power to decide how the PCD shares in POSC are to be voted. The participants of PCD who own more than 5% of the Company's outstanding capital are:

- a. Eastern Securities Development Corporation; and
- b. Papa Securities Corporation

The shares held by Premium Leisure Corp. shall be voted or disposed of by the persons who shall be duly authorized the corporation. The natural person/s who has/have the power to vote on the shares of PLC shall be determined upon the submission of its proxy form to the Company, which shall be not later than six (6) business days before the date of the meeting.

The PCD Participants, like Eastern Securities and Development Corporation and Papa Securities Corporation, on the other hand, issue proxies in favor of the beneficial owners of the Company's shares recorded under their names. The identities of these beneficial owners, who will then exercise the right to vote the shares beneficially-owned by them, shall be known to the Company only when the proxies are submitted before the date of the meeting.

## (2) Security Ownership of Directors and Management

The following table shows the shares beneficially owned by the directors and executive officers of the Company as of 30 April 2024:

Title of Class	Name of Beneficial Owner	Amount and nature of beneficial ownership			Citizenship	Percent of Class
		Direct	Indirect	Total		
Common	Willy N. Ocier	71,819,550	8,983,950	80,803,500	Filipino	9.02
Common	Jackson T. Ongsip	100	0	100	Filipino	0
Common	Tarcisio M. Medalla	200	100	300	Filipino	0
Common	Amin B. Raquel-Santos	200	0	200	Filipino	0
Common	Henry N. Ocier	6,000	1,203,000	1,209,000	Filipino	0.14
Common	Joseph T. Chua	1	289,049	289,050	Filipino	0.03
Common	Maria Gracia M. Pulido Tan	1,000	0	1,000	Filipino	0
Common	Roberto V. Antonio	20,000	0	10,000	Filipino	0
Common	Raul B. de Mesa	300	0	300	Filipino	0
Common	Maria Neriza C. Banaria	0	0	0	Filipino	0
Common	Jason C. Nalupta	0	0	0	Filipino	0
Common	Ann Margaret K. Lorenzo	0	0	0	Filipino	0
Common	Christopher C. Villaflor	0	0	0	Filipino	0
Common	Mischel Gabrielle O. Mendoza	390,000	195,000	585,000	Filipino	0.07
Common	Anna Josefina G. Esteban	0	0	0	Filipino	0
Common	Michelle T. Hernandez	0	0	0	Filipino	0
	<b>All Directors and Executive Officers as a group</b>	<b>72,237,351</b>	<b>10,671,099</b>	<b>82,898,450</b>		<b>9.26</b>

## (3) Voting Trust Holders of 5% or More



The following persons or group are known to the Company as direct owners of more than five percent (5%) of the Company's voting securities as of 30 April 2024:

Shareholder	Number of Shares	Percent	Beneficial Owner
<b>PREMIUM LEISURE CORP.</b> 5/F Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City	448,560,806	50.10	<b>PREMIUM LEISURE CORP.</b>
<b>PCD NOMINEE CORPORATION</b>	327,819,776	36.61	<b>VARIOUS</b>
<b>WILLY N. OCIER</b> 28/F East Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City	71,819,350	8.02	<b>WILLY N. OCIER</b>

### Changes in Control

There is no arrangement known to the Company which may result in a change in control of the Company.

### Item 5. Directors and Executive Officers

#### Directors and Executive Officers

The following are the current Directors and Executive Officers of the Company:

Name	Position with the Company
Willy N. Ocier	Chairman
Armin Antonio B. Raquel Santos	Director
Tarcisio M. Medalla	Director
Henry N. Ocier	Director
Raul B. De Mesa	Director
Mischel Gabrielle O. Mendoza	Director; Business Development Head, Integrated Management Systems Representative and Chief Risk Officer
Maria Gracia M. Pulido Tan	Lead Independent Director
Roberto V. Antonio	Independent Director
Joseph T. Chua	Independent Director
Maria Neriza C. Banaria	Chief Financial Officer
Jason C. Nalupta	Corporate Secretary
Ann Margaret K. Lorenzo	Assistant Corporate Secretary
Christopher C. Villaflor	Head, Online Lottery Division
Ann Josefina G. Esteban	Chief Audit Executive
Michelle T. Hernandez	Compliance Officer

The following are the Members of the Corporate Governance Committee, whose functions include the nomination of the Candidates for Board of Directors:	
Name	Position
Roberto V. Antonio	Chairman
Maria Gracia M. Pulido Tan	Member
Joseph T. Chua	Member

## Board of Directors

The present members of the Board of Directors (“BOD”) were elected during the annual stockholders’ meeting held on 26 May 2023. The term of the current members of the BOD shall be until the next stockholders’ meeting on 28 June 2024.

**Willy Ocier**, Filipino, 67, is the Chairman and Director of the Company since July 29, 1999. He served as the Company’s President until October 2021. He is an Executive Director and Chairman of Premium Leisure Corp. He is also the Chairman and Director of Belle Corporation, APC Group, Inc., Total Gaming and Technologies, Inc. and Premium Leisure and Amusement, Inc. and Vice Chairman of Highlands Prime, Inc. He is the Chairman and Director of Tagaytay Midlands Golf Club, Inc., Vice Chairman of Tagaytay Highlands International Golf Club, Inc. Mr. Ocier is also the Chairman, President, and Chief Executive Officer of Philippine Global Communications, Inc., He is a Director of DigiPlus Interactive Corporation (formerly Leisure and Resorts World Corporation). He also sits as a Director to the following unaffiliated corporations, IVantage Equities, Philequity Management, Inc., Abacore Capital Holdings, Inc. and Toyota Corporation Batangas. He was formerly President and Chief Operating Officer of Eastern Securities Development Corporation. Mr. Ocier graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics. In recognition of Mr. Ocier’s corporate leadership and role in providing employment opportunities to Filipinos, the University of Batangas conferred him a degree in Doctor of Humanities, *honoris causa*.

**Tarcisio M. Medalla**, Filipino, 75, is a director of the Company since December 2001. He also is a Director and President of the Paxys, Inc. He is concurrently a Director of UT Global Services Limited, a privately held company with an RHQ in Manila and affiliated with All Asia Customer Services Holdings Ltd., an investment holding company that owns the controlling equity interest in Paxys. He has been connected with the Group since 1983. He graduated with a BSC degree, major in Accounting, from De La Salle University. He attended the Advanced Management Program (AMP) at the Harvard Business School. He is a Certified Public Accountant.

**Henry N. Ocier**, Filipino, 66, is a Director of the Company since June 29, 2009. He currently holds the position of President & General Manager of Guatson International Travel and Tours, Inc. He graduated with a Bachelor of Science degree in Business Economics from De La Salle University.

**Raul B. De Mesa**, Filipino, 81, is a Director of the Company since June 9, 2022. He is the Chairman, President and CEO of AbaCore Capital Holdings, Inc. He is a distinguished banker and has gained a wealth of experience in the financial industry. He previously served as the President and Chief Executive Officer of Bank of Commerce which was preceded by about 37 years of service in the banking industry, specifically in institutions like the Security Bank, Manila Banking Corporation, and Far East Bank and Trust Company. He graduated from De La Salle University with a Bachelor of Arts in Business degree, and from the University of Asia and the Pacific with a degree in Strategic Business Economics.

**Armin Antonio B. Raquel Santos**, 56, Filipino, became the President and Chief Executive Officer in May 2024 and has been a Director of the Company since May 2017. He is a member of the Executive Committee of the Company. He is the President and Chief Executive Officer of both Premium Leisure Corp. and its subsidiary PremiumLeisure and Amusement, Inc. He is also a Director of Belle Corporation, Pinoy Lotto Technologies Corporation, Sagittarius Mines, Inc., Tagaytay Highlands International Golf Club, Inc., Manila Golf and Country Club and member of the Board of Trustees of Melco Resorts (Philippines) Foundation Corporation. Formerly, he was Chief Finance Officer of Aboitizland, Inc., Cebu Industrial Park, Inc. and Mactan Economic Zone II and First Philippine Electric Company. He was also former Governor of the Board of Investments (BOI), served as Assistant Secretary with the Department of Trade and Industry (DTI), Vice Chairman and CEO of Philippine Retirement Authority (PRA), Executive Vice President of Philippine International Trading Corporation (PITC), and Deputy Administrator of Subic Bay Metropolitan Authority (SBMA). His experience includes stints with multinational companies; Securities 2000 Inc. (Singapore Technologies Group) and First Chicago Trust Company of New York. Mr. Raquel Santos holds a Master of Arts in Liberal Studies from Dartmouth College, U.S.A. and Bachelor of Science in Business Administration Major in Finance from Iona College, U.S.A.

**Mischel Gabrielle O. Mendoza**, Filipino, 37, became a director in May 2024 and was appointed the Head of Business Development starting 2022. Apart from strategic planning and business development, she is in charge of monitoring the company's sustainability efforts and corporate image. She concurrently holds the position of Integrated Management Representative (IMR) and Risk Officer of the corporation. Prior to this, she served as Marketing, Corporate Planning Specialist, then Administration Division Head until her recent appointment back in Corporate Planning. Ms. Mendoza is also a director of Total Gaming Technologies, Inc., a subsidiary of Pacific Online, as well as director and co-founder of private company JIM Weaver Designs Corporation. She holds a Bachelor's Degree in Management Engineering from Ateneo de Manila University and took certificate courses abroad in both Tsinghua University in China and Josai International University in Japan.

### ***Independent Directors***

Pursuant to the requirements of Section 38 of the SRC, the Company's Board of Directors and stockholders approved the amendment of the Company's By-Laws adopting the requirement on the nomination and election of independent directors. In line with this, Ms. Ma. Gracia M. Pulido Tan and Messrs Roberto V. Antonio and Mr. Joseph T. Chua were elected as the Company's independent directors.

**Atty. Maria Gracia M. Pulido Tan**, Filipino, 68, is a director of the Company since May 28 2021 and is currently the Lead Independent Director. Ms. Tan is likewise an independent director of Belle Corporation and Premium Leisure Corporation. She is a director of Trifels, Inc., She is currently a Trustee of the Justice George A. Malcolm Foundation, Inc., and Philippine Institute of Construction Arbitrator and Mediators. She is also a member of the Tax Faculty of the Philippine Judicial Academy. She is also an arbitrator for the Philippine Center for Dispute Resolution, Inc., a professional lecturer of the University of the Philippines College of Law, a member of the Society of Construction Law Philippines, Dispute Resolution Board Foundation, Office of Alternative Dispute Resolution, International Tax Specialist Group, Philippine Institute of Arbitrators.

Atty. Tan is the former Chairperson of the Commission on Audit, Undersecretary of Finance and Commissioner of the Presidential Commission on Good Government. She served as Chairman of the United Nations Independent Audit Advisory Committee, the first Filipino to have been elected to this 5-member Committee. She is also a professor at the University of the Philippines for Mandatory Continuing Legal Education.

Backed by four decades of professional work in the Philippines and abroad as a private law and accounting practitioner, government official, arbitrator and international consultant. She is an expert in the fields of legal, finance, audit, governance, dispute resolution and administration.

She graduated from the University of the Philippines in 1976 with a degree in Bachelor of Science in Business Administration and Accountancy and in 1981 with Bachelor of Laws. In 1987, she obtained her Master of Laws (Tax) from the New York University. She is a Certified Public Accountant.

**Roberto V. Antonio**, Filipino, 62, is an Independent Director of the Company since September 2022. He is also an independent Director of Premium Leisure Corp., the Development Bank of the Philippines and is connected in different capacities with the following private entities: President of Kalimera, Inc., RVA & Sons, Inc., and RVA International Trading Corporation; Chairman of RVA Hatch, Inc.; Vice Chairman of Right Eight Security Agency, Inc.; Consultant of Mustang Holdings, Inc.; as well as former President of the La Salle Greenhills Foundation and former Board Member of the La Salle Greenhills Alumni. Mr. Antonio served as one of the Department of Tourism's Undersecretaries from 1998-2000 and Senior Consultant from 2004-2010. He graduated from De La Salle University with a degree in Economics major in Marketing Management in 1984. Candidate of Juris Doctor at the Ateneo De Manila University Law School in 1989. He finished his Master's in Business Economics at the University of Asia and the Pacific in 1997.

**Joseph T. Chua**, Filipino, 67, is an independent director of the Company since May 2023. He is also an Independent Director and chairman of the Corporate Governance Committee and Related Party Transactions Committee of Belle Corporation. He is currently the Chairman of the Board of JF Rubber Philippines Corporation. He was a director of Macroasia Corporation since 1997 and was its President and COO from December 2015 until his retirement in 2021. He was also a director of PAL Holdings, Inc., LTG, Inc., Eton Properties Philippines, Inc., Philippine National Bank and PNB General Insurers Co., Inc. He was likewise the President of Goodwind Development Corporation (Guam) from 2013 to 2021. He graduated from the Dela Salle University with double degrees in AB Economics and BS Business Management in 1978. He completed his Masters in Business Administration at the University of Southern California in 1981.

### **Procedure for the Nomination of Directors**

The procedure for the nomination of directors is as follows:

1. Nomination of directors shall be pre-screened by the Corporate Governance Committee or such other committee of the Board of Directors tasked to review and evaluate nominations for election to the Board of Directors prior to a stockholders' meeting.
2. All nominations shall be submitted to the Corporate Governance Committee by any stockholder of record to assess and evaluate the qualifications of the nominees.
3. All recommendations for the nomination of independent directors shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.
4. After the nomination, the Corporate Governance Committee shall prepare a List of Candidates which shall contain all the information about all the nominees for election as members of the Board of Directors, which list shall be made available to the SEC and to all stockholders through the filing and distribution of the Information Statement or Proxy Statement, or in such other reports as the Corporation will be required to submit to the SEC.
5. The name of the person or group of persons who recommended the nomination of the independent director(s) shall be identified in such report including any relationship with the nominee.
6. Only nominees whose names appear on the List of Candidates shall be eligible for election as directors. No other nominations for election as director shall be entertained after the List of Candidates shall have been prepared and finalized. No further nominations for election as director shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
7. Any vacancy occurring in the Board of Directors by reason of death, resignation, retirement or disqualification may be filled by the affirmative vote of a majority of the remaining directors constituting a quorum, upon the nomination of the Corporate Governance Committee, provided, that specific slots for independent directors shall not be filled by unqualified nominees. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

### **Orientation and Continuing Education**

All new directors undergo an orientation program soon after date of election. This is intended to familiarize the new directors on their statutory / fiduciary roles and responsibilities in the Board and its Committees, Belle's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics and the Revised Manual on Corporate Governance.

All directors are also encouraged to participate in continuing education programs annually, at the Corporation's expense, to promote relevance and effectiveness and to keep them abreast of the latest developments in corporate directorship and good governance.

Name			Training Date	Training Provider	Topics
Ocier	Willy	N.	16-Oct-23	Institute of Corporate Directors	Global Economic and Geopolitical Outlook / Business Trends and Insights / Generative A.I. and Cybersecurity
Ongsip	Jackson	T.			
Chua	Joseph	T.			
Raquel Santos	Armin Antonio	B.			
Tan	Maria Gracia	P.			
Antonio	Roberto	V.			
Ocier	Henry	N.	3-Aug-23	ROAM, Inc.	Corporate Governance
Medalla	Tarcisio	M.			
De Mesa	Raul	B.	13-Dec-23	Institute of Corporate Directors	Risk Management in the Post-Covid Age
Banaria	Maria Neriza	C.	16-Oct-23	Institute of Corporate Directors	Global Economic and Geopolitical Outlook / Business Trends and Insights / Generative A.I. and Cybersecurity
Nalupta	Jason	C.			
Mendoza	Mischel Gabrielle	O.			
Lorenzo	Ann Margaret	K.			
Esteban	Anna Josefina	G.			
Hernandez	Michelle	T.			

## Executive Officers

Aside from the President listed above, the executive officers of the Company include the following:

**Maria Neriza C. Banaria**, Filipino, 41, is the Chief Finance Officer (CFO) of the corporation since December 2021. She is concurrently the Chief Finance Officer and Treasurer of Belle Corporation. As a Certified Public Accountant, her strong background in accounting, audit and finance have been accumulated through extensive experience and exposure to various industries. She holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines.

**Atty. Jason C. Nalupta**, Filipino, 52, is the Corporate Secretary of the Company since May 2021. He is also currently the Corporate Secretary of listed firms A. Brown Company, Inc., Asia United Bank, Belle Corporation, and Crown Asia Chemicals Corporation. He is also a Director and/ or Corporate Secretary or Assistant Corporate Secretary of private companies, Mercury Ventures, Inc., Total Gaming Technologies, Inc., Parallax Resources, Inc., SLW Development Corporation, Belle Infrastructure Holdings, Inc. (Formerly: Metropolitan Leisure & Tourism Corporation), Belle Bay Plaza Corporation, Glyphstudios, Inc., Grabagility, Inc., Loto Pacific Leisure Corporation, Stage Craft International, Inc., FHE Properties, Inc., Stanley Electric Philippines, Inc., Sta. Clara International Corporation and PinoyLotto Technologies Corp. He is a Partner at Tan Venturanza Valdez Law Offices specializing on corporate, securities, and business laws. Atty. Nalupta earned his Juris Doctor degree, as well as his Bachelor of Science degree in Management (major in Legal Management), from the Ateneo de Manila University in 1996 and 1992, respectively. Atty. Nalupta was admitted to the Philippine Bar in 1997.

**Atty. Ann Margaret K. Lorenzo**, Filipino, 35, is the Assistant Corporate Secretary of the Corporation since May 2021. She is concurrently the Corporate Secretary of the following companies: Repower Energy Development Corporation, Coal Asia Holdings, Inc., Arquee Corp., Green Asia Resources Corp., and GGO Realty Holdings, Inc. She is also the Assistant Corporate Secretary of Asia United Bank Corporation, Crown Asia Chemicals Corporation, Tagaytay Highlands International Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., Tagaytay Midlands Golf Club, Inc., The Spa and Lodge at Tagaytay Highlands, Inc., Joy-Nostalg Corporation, Jin Natura Resources Corp., Jin Navitas Resource, Inc., Catmon Felix, Inc., Yeoj Commoditas, Inc., Yeoj Socialis, Inc., Yeoj Turbulentus, Inc., Yeoj Universalis, Inc., Bayby Earth, Inc., Jaman Boracay Corporation, Jaman Cebu Corporation, Jaman Hari Corporation, Jaman Reyna Corporation, Jaman Tagaytay Corporation, Corellia Ventures Incorporated, Sacareen Ventures Incorporated, Iridium Ventures Incorporated, and Bluepanel Equities and Development Inc. Ms. Lorenzo is a Senior Associate at Tan Venturanza Valdez where she specializes in securities law, special projects, and data privacy. She also lectures at the Paralegal Training

Program of the UP Law Center on corporate housekeeping and data privacy. She obtained her Bachelor of Arts degree in English Studies (cum laude) and Juris Doctor degree from the University of the Philippines in 2010 and 2014, respectively. She was admitted to the Philippine bar in April 2015.

**Christopher C. Villaflor**, Filipino, 48, is the Online Lottery Division Head since December 2021 and became the Chief Operating Officer in May 2024. He joined the Company in March 2000 as a Bench Engineer. From June 2004 to October 2009, he served as the Systems Administrator for the Data Center Operations overseeing the lottery administration and maintenance for the Visayas and Mindanao regions. In 2009 he was promoted as Senior Manager of the Data Center Operations and in August 2017, he moved up as Vice President overseeing the Central System & Network Management Department of the Online Lottery Division. Mr. Villaflor has extensive experience in the area of system design, development and testing on both the UNIX (OpenVMS, SunOS/Solaris) environment and Microsoft Windows. He has formal trainings from the Project Management Institute (Philippines) for Project Management Fundamentals Tools and Techniques, Oracle 10g Programming PL/SQL and Data Administration, AIX Unix System Administration and Operational Planning using Software Engineering for SDLC. He graduated with a degree in Bachelor of Science in Computer Engineering from the University of San Carlos in 1998.

**Anna Josefina G. Esteban**, 56, Filipino, is the Chief Audit Executive of the corporation since September 2016. She is also the Chief Audit Executive of the following publicly listed companies such as Belle Corporation, Premium Leisure Corp., and APC Group, Inc. Prior to joining the Belle Group, she served as Treasurer and Chief Finance Officer of Miriam (formerly Maryknoll) College Foundation, Inc. and worked at the Asian Development Bank for 18 years as Senior Officer at the Office of the Treasurer, Office of the Auditor General and Operations Evaluation Office. Earlier on, she was the Head of the Finance Systems and Audit Unit of Magnolia Nestle Corporation (a joint venture of San Miguel Corporation and Nestle S.A.). She was an auditor and management consultant at Carlos J. Valdes & Co. and was an accounting/finance professor at the College of St. Benilde and the Graduate School of Business of De La Salle University (DLSU). Ms. Esteban is a Certified Public Accountant, Certified Information Systems Auditor and Certified Data Privacy Auditor. She earned her Bachelor of Science degree in Accounting at the College of the Holy Spirit, Manila and her Master in Business Administration (with distinction) at DLSU.

**Michelle Angeli T. Hernandez**, 53, Filipino, is the Compliance Officer of the corporation since September 13, 2022. Likewise, she is the Compliance Officer and Chief Risk Officer and Vice President for Governance of Belle Corporation. She is mainly responsible for developing, implementing and managing various strategies, processes and policies related to Corporate Governance, Enterprise Risk Management and Corporate Affairs for the Company and its subsidiaries. Likewise, she is the Compliance Officer of Premium Leisure Corp. and the Chief Risk Officer of APC Group, Inc. She has a bachelor's degree in Tourism (Cum Laude) from the University of Sto. Tomas.

#### **Nomination of Regular and Independent Directors for 2024-2025**

The nomination, pre-screening and election of the Corporation's regular and independent directors for 2024-2025 were made in compliance with the requirements of the Code of Corporate Governance and the SEC's Guidelines on the Nomination and Election of Independent Directors which have been adopted and made part of the Company's By-Laws.

The Corporate Governance Committee, composed of Messrs. Roberto V. Antonio (Chairman) and Joseph T. Chua, and Atty. Maria Gracia P. Tan, is tasked to determine that the nominees for election as Directors, including the Independent Directors, possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Company's Revised Manual on Corporate Governance and Rule 38 of the Implementing Rules of the Securities Regulation Code (SRC).

The Corporate Governance Committee has endorsed the nominations for election of the following as regular and independent directors of the Company for 2024-2025:

#### Regular Directors

1. Willy N. Ocier
2. Armin Antonio B. Raquel Santos
3. Raul B. De Mesa
4. Tarcisio M. Medalla
5. Henry N. Ocier
6. Mischel Gabriel O. Mendoza

#### Independent Directors

1. Maria Gracia M. Pulido Tan
2. Roberto V. Antonio
3. Joseph T. Chua

Mr. Jackson T. Ongsip nominated Mr. Joseph T. Chua and Mr. Antonio, and Mr. Frederic DyBuncio nominated Atty. Gracia P. Tan. The nominees are not related to their respective nominating stockholder.

#### **Family Relationships**

Henry N. Ocier and Willy N. Ocier are brothers. Mischel Gabrielle O. Mendoza is the daughter of Willy N. Ocier

#### **Significant Employees**

The Company is not dependent on the services of any particular employee. It does not have any special arrangements to ensure that any employee will remain with the Company and will not compete upon termination.

#### **Stock Option Plan**

The Company's Board ("BOD") approved the proposed Stock Option Plan ("the Plan") on December 12, 2006. The Company's Stock Option Plan provides an incentive and mechanism to employees and officers to become stockholders of the Company, as well as to qualified directors, officers and employees, who are already stockholders, to increase their equity in the Company and thereby increase their concern for the Company's well-being. All such full-time and regular employees of the Company, its subsidiaries and affiliates, their officers and directors, and such other qualified persons who may be recommended from time to time by the Executive Committee or the Board to the Committee as qualified, are eligible to participate in the Plan. Shares of stock subject to the Plan amount to five per cent (5%) of the Company's total outstanding common stock.

The purchase price of the shares shall not in any case be less than the Fair Market Value of the Company's shares at the time of grant, and, in no case, be less than the Offer Price at which the Company's shares are initially offered for sale to the public. Further, the purchase price shall be subject to adjustment for subsequent stock dividends or splits. The shares covered by any one grant shall be offered for subscription over a period of Three (3) years from and after the effectivity date of each grant that may be determined by the Committee. The Participants may exercise their right to subscribe to shares under the Plan in accordance with the following schedule:

- 1/3 of total grant within One (1) year from the effectivity date of each grant
- 1/3 of total grant within Two (2) years from the effectivity date of each grant
- 1/3 of total grant within Three (3) years from the effectivity date of each grant

On February 15, 2008, SEC approved the Company's application requesting that its proposed issuance of 9,954,900 common shares be exempt from the registration requirements of the Securities Regulation Code.

On May 6, 2008, the BOD approved the allocation of 2,174,000 shares to its executives and employees and to the officers of Lucky Circle under the Plan which is exercisable over a period of three years from May 6, 2008 until May 6, 2011. The purchase price upon exercise of the option was fixed at P8.88 per share. At the grant date, the fair value of the Company's share amounted to P9.20 per share.

On May 19, 2008, grantees of the stock options exercised 617,000 shares of the Company's stock at P8.88 per share.

In 2011 and 2010, certain grantees of the stock options exercised 495,000 shares and 455,000 shares, respectively, of the Company's stock at P 8.88 per share.

As at December 31, 2023, 2022 and 2021, there were no options outstanding or granted upon expiration of the exercisable options on May 6, 2011.

### **Involvement in Certain Legal Proceedings**

As of the date of the report, to the best of the Company's knowledge, there has been no occurrence of any of the following events that are material to an evaluation of the ability or integrity of any Director, any nominee for election as director or executive officer of the Company:

- any bankruptcy petition filed by or against any business of which the incumbent Directors or senior management of the Company was a general partner or executive officer, either at the time of the bankruptcy or within five years prior to that time;
- any conviction by final judgment in a criminal proceeding, domestic or foreign, pending against any of the incumbent Directors or senior management of the Company;
- any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the incumbent Directors or senior management of the Company in any type of business, securities, commodities or banking activities; and
- any finding by domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or said regulatory organization, that any of the incumbent Directors or senior management of the Company has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

### **Certain Relationships and Related Transactions**

The transactions and balances with related parties are as follows:

The financial assets at FVOCI pertains to the Group's investment in shares of the Ultimate Parent Company and Parent Company totaling P237.6 million and P179.1 million as at December 31, 2023 and 2022, respectively (see Note 11).

Compensation of the Group's key management personnel are as follows:

	2023	2022	2021
Salaries and wages	<b>₱9,187,230</b>	₱9,319,577	₱22,746,801
Professional fees	-	-	1,333,333
Retirement benefits	<b>881,108</b>	1,565,098	90,291
	<b>₱10,068,338</b>	₱10,884,675	₱24,170,425

### **Compensation of Directors and Executive Officers**



**a. Executive Compensation**

The following table shows the aggregate compensation received by the directors and executive officers of the Company for calendar years 2023 and 2022, as well as the estimated aggregate compensation for calendar year 2024.

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Willy N. Ocier Chairman of the Board				
Jackson T. Ongsip President & CEO				
Christopher C. Villaflor Online Lottery Head				
Mischel O. Mendoza Business Dev't Head & Risk Officer				
Grace L. Gatdula Administration Head, Data Privacy Officer & Contact for Investor Relations				
Total for President and 4 most highly compensated Executive Officers	2024 (Estimate)			Php 8,800,563
	2023			8,800,563
	2022			6,891,156
All other executive officers and directors as a Group	2024 (Estimate)			Php 5,574,746
	2023			5,652,524
	2022			7,993,283

Compensation of the Group's key management personnel are as follows:

	2023	2022	2021
Salaries and wages	<b>₱9,187,230</b>	₱9,319,577	₱22,746,801
Professional fees	-	-	1,333,333
Retirement benefits	<b>881,108</b>	1,565,098	90,291
	<b>₱10,068,338</b>	₱10,884,675	₱24,170,425

The compensation of the Group's key management personnel is included in the "Personnel costs" as disclosed in Note 16 and 21 of the audited consolidated financial statements.

**b. Per Diem for Meetings Attended by Director**

Per the Corporation's By-Laws, except for reasonable per diems, directors, as such, shall be entitled to receive only such compensation as may be granted to them by a vote of the stockholders representing a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

In 2023, all Audit Committee members received a per diem of Fifty Thousand Pesos (₱50,000.00) each per Audit Committee meeting attended while other directors received a per diem of Ten Thousand Pesos (₱10,000.00) each. For Board and Board Committee meetings, each director is given a per diem of ₱10,000.00 per day regardless of the number of meetings during the same day. The following Board of Directors received gross per diem and compensation for their attendance to Board and Committee meetings in 2023, and other responsibilities undertaken for the Company:

NAME	POSITION	TOTAL (Php)
Willy N. Ocier	Chairman	386,667

Jackson T. Ongsip	President and Executive Director	408,235
Tarcisio M. Medalla	Non-Executive Director	597,778
Armin Antonio B. Raquel Santos	Non-Executive Director	386,667
Henry N. Ocier	Non-Executive Director	397,778
Laurito E. Serrano <sup>1</sup>	Lead Independent Director	77,778
Ma. Gracia M. Pulido Tan	Lead Independent Director	597,778
Raul B. De Mesa	Non-Executive Director	386,667
Roberto V. Antonio	Independent Director	586,667
Joseph T. Chua <sup>2</sup>	Independent Director	453,333
	<b>TOTAL</b>	<b>P4,279,348</b>

\*Notes:

<sup>1</sup> term ended on May 26, 2023

<sup>2</sup> elected on May 26, 2023

## **Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

Compensation of the Group's key management personnel are as follows:

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Salaries and wages	<b>₱9,187,230</b>	₱9,319,577	₱22,746,801
Professional fees	-	-	1,333,333
Retirement benefits	<b>881,108</b>	1,565,098	90,291
	<b>₱10,068,338</b>	₱10,884,675	₱24,170,425

The compensation of the Group's key management personnel is included in the "Personnel costs" as disclosed in Note 17 of the audited consolidated financial statements.

Other than those disclosed above, there are no other standard or other arrangements wherein directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

There is no compensatory plan or arrangement, including payments to be received from the Company, with respect to any of its executive officer, which will result from the resignation, retirement or any other termination of any of its executive officer's employment with the Company and its subsidiaries or from a change-in-control of the Company or in any of its executive officer's responsibilities, following a change-in-control and the amount involved, including all periodic payments or installments, which exceeds ₱ 2.5 million.

## **Warrants and Options Outstanding**

### **Warrants**

The Corporation has not issued any form of warrants.

### **Stock Option Plan**

The Company's Board ("BOD") approved the proposed Stock Option Plan ("the Plan") on December 12, 2006. The Company's Stock Option Plan provides an incentive and mechanism to employees and officers to become stockholders of the Company, as well as to qualified directors, officers and employees, who are already stockholders, to increase their equity in the Company and thereby increase their concern for the Company's well-being. All such full-time and regular employees of the Company, its subsidiaries and affiliates, their officers and directors, and such other qualified persons who may be recommended from time to time by the Executive Committee or the Board to the Committee as qualified, are eligible to participate in the Plan. Shares of stock subject to the Plan amount to five per cent (5%) of the Company's total outstanding common stock.

The purchase price of the shares shall not in any case be less than the Fair Market Value of the Company's shares at the time of grant, and, in no case, be less than the Offer Price at which the Company's shares are initially offered for sale to the public. Further, the purchase price shall be subject to adjustment for subsequent stock dividends or splits. The shares covered by any one grant shall be offered for subscription over a period of Three (3) years from and after the effectivity date of each grant that may be determined by the Committee. The Participants may exercise their right to subscribe to shares under the Plan in accordance with the following schedule:

- 1/3 of total grant within One (1) year from the effectivity date of each grant
- 1/3 of total grant within Two (2) years from the effectivity date of each grant
- 1/3 of total grant within Three (3) years from the effectivity date of each grant

On February 15, 2008, SEC approved the Company's application requesting that its proposed issuance of 9,954,900 common shares be exempt from the registration requirements of the Securities Regulation Code.

On May 6, 2008, the BOD approved the allocation of 2,174,000 shares to its executives and employees and to the officers of Lucky Circle under the Plan which is exercisable over a period of three years from May 6, 2008 until May 6, 2011. The purchase price upon exercise of the option was fixed at P8.88 per share. At the grant date, the fair value of the Company's share amounted to P9.20 per share.

On May 19, 2008, grantees of the stock options exercised 617,000 shares of the Company's stock at P8.88 per share.

In 2011 and 2010, certain grantees of the stock options exercised 495,000 shares and 455,000 shares, respectively, of the Company's stock at P 8.88 per share.

As at December 31, 2023, 2022 and 2021, there were no options outstanding or granted upon expiration of the exercisable options on May 6, 2011.

## **Item 7. Independent Public Accountants**

The Corporation's Audit Committee has recommended, and the Board of Directors has endorsed the recommendation for approval by the shareholders, that the auditing firm of Reyes Tacandong & Co. (RTC) be engaged and appointed as the Corporation's External Auditor for 2023-2024. The Stockholders will also be requested to delegate to the Board the authority to approve the appropriate audit fee for 2024.

Representatives of Reyes Tacandong & Co., the Company's external auditors for the most recently completed fiscal year, are expected to be present at the Annual Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire.

Reyes Tacandong & Co. audited the Company's statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in stockholders' equity and statement of cash flows for the same period, together with the summary of significant accounting policies and other explanatory notes. Reyes Tacandong & Co.'s responsibility is to express an opinion on these financial statements based on their audit. The audits were conducted in accordance with Philippine Standards on Auditing. The partner who handled the Company's external audit was Ms. Belinda Fernando.

In the Company's three (3) most recent fiscal years, there was no event where the previous external auditor and Reyes Tacandong & Co. and the Company had disagreement on accounting principles or practices, and disclosures of financial statements or auditing scope of procedure.

The Company's Board of Directors in the annual shareholders' meeting on 28 June 2024 will recommend for shareholders' approval the appointment of Reyes Tacandong & Co. as the Company's independent public accountant for the fiscal year ending 31 December 2024.

The aggregate fees for each of last two (2) fiscal years for professional services rendered by the external auditors are as follows:

	<b>2023</b>	<b>2022</b>
Audit fee	P1,100,000	P1,100,000
Tax services	-	-
Other fees	-	-
<b>TOTAL</b>	<b>P1,100,000</b>	<b>P1,100,000</b>

It is the policy of the Company that any draft audit report must first be reviewed by the Audit Committee prior to said report being endorsed to the Board of Directors for approval. The Audit Committee members are: Mr. Joseph T. Chua (Chairman) Atty. Maria Gracia P. Tan, Mr. Roberto V. Antonio, and Mr. Tarcisio M. Medalla. The final draft of the Company's audited financial statements was discussed and reviewed by said Committee. Whereupon said Committee resolved to recommend to the Company's Board of Directors that said financial statements be approved for issuance and disclosure to the public, the PSE and all related governmental agencies. Said audited financial statements were approved by the Company's Board of Directors during its meeting held on February 28, 2024.

#### **Item 8. Compensation Plans**

Please see the previous discussion on the Corporation's Stock Option Plan.

#### **Item 9. Authorization or Issuance of Securities other than for Exchange**

No action is to be taken during the 2024 ASM with respect to this item.

#### **Item 10. Modification or Exchange of Securities**

No action is to be taken during the 2024 ASM with respect to this item.

#### **Item 11. Financial and Other Information**

No action is to be taken during the 2024 ASM with respect to this item.

#### **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

No action is to be taken during the 2024 ASM with respect to any transaction involving: (i) merger or consolidation into or with any other person or of any other person into or with the Company; (ii) acquisition by the Company or any of its security holders of securities of another person; (iii) acquisition of any other going business or of the assets thereof; (iv) sale or other transfer of all or any substantial portion of the assets of the Company; or (v) liquidation or dissolution of the Company.

#### **Item 13. Acquisition or Disposition of Property**

No action is to be taken during the 2024 ASM with respect to this item.

#### **Item 14. Restatement of Accounts**

No action is to be taken during the 2024 ASM with respect to the restatement of any asset, capital or surplus account of the Company.

### **OTHER MATTERS**

#### **Item 15. Action with Respect to Reports**

The Company will seek the approval by the stockholders of the Minutes of the Annual Stockholders' Meeting held on 26 May 2023 during which the following were taken up: (1) Call to Order, (2) Proof of Notice of Meeting, (3) Certification of Quorum, (4) Approval of the Minutes of the previous Special Stockholders' Meeting, (5) Approval of 2022 Operations and Results, (6) Ratification of All Acts of the Board of Directors and Officers, (7) Election of Directors, (8) Appointment of External Auditors, (9) Other Matters, and (10) Adjournment.

The Company will also seek approval by the stockholders of the 2023 Operations and Results contained and discussed in the annual report attached and made part of this Information Statement. Approval of the reports will constitute approval and ratification of the acts of management and of the Board of Directors for the past year.

There is no action to be taken with respect to any report of the Corporation or of its directors, officers, or committees, except for the approval of the minutes of the previous annual meeting of the Corporation.

At the annual meeting on 28 June 2024, shareholders will be asked to approve and ratify the following:

1. Minutes of the Annual Stockholders' Meeting (ASM) held on 26 May 2023 as appended to this Information Statement as "Annex C". The minutes of the said ASM was posted on the Company's website: <https://www.loto.com.ph/wp-content/uploads/MINUTES-OF-ASM-2023-DRAFT-May-29-2023.pdf>
2. These minutes reflect the proceedings during the meeting in accordance with Section 49 of the Revised Corporation Code, including:
  - a. Voting procedure used and the tabulation for each agenda item during the 26 May 2023 and the engagement of Ms. Cristina Castro Naguit as the Company's third party validator of votes during the said meeting;
  - b. Opportunities presented to the stockholders to participate by asking questions; questions and responses have been included in the minutes of the 26 May 2023 ASM;
  - c. List of directors and officers who attended the meeting, as well as description of the stockholders who attended, verified by the Company's stock transfer agent and validated by Ms. Cristina Castro Naguit.

The office of the Corporate Secretary has in its full custody the list and names of the stockholders who participated in the 26 May 2023 ASM.

3. All acts of the Board of Directors, its Committees, and the Management during their term of office, commencing from the date of the last annual stockholders' meeting up to the date of this year's meeting.

These are covered by Resolutions of the Board of Directors and were entered into or made in the ordinary course of business. The significant acts or transactions which are covered by appropriate disclosures with the Securities

and Exchange Commission and Philippine Stock Exchange, Inc., include:

- 1) Execution of Agreement with PCSO on Web-Based Application Betting Platform
  - 2) Treasury matters related to opening of accounts and transactions with banks;
  - 3) Appointments of signatories and amendments thereof;
  - 4) Approval of financial statements;
  - 5) Appointment of officers; and
  - 6) Reorganization of board committees.
4. 2023 Operations and Results are included in the Company's Annual Report to be sent to the stockholders together with this Information Statement. Accordingly, approval of the Annual Report will constitute approval and ratification of the acts of Management stated in the Management Report during the period covered thereby.

There are no other matters that would require approval of the stockholders.

For the period ended 31 December 2023, there were no self-dealings or related party transactions by any director which require disclosure.

There is likewise no material information on the current stockholders and their voting rights requiring disclosure.

Two inspectors, who are officers or employees of the Company, shall be appointed by the Board of Directors to count the votes to be cast before or at each meeting of the stockholders, if no such appointment shall have been made or if the inspectors appointed by the Board of Directors refused to act or fail to attend when the appointment shall be made by the presiding officer of the meeting.

Ms. Cristina Castro Naguit shall be present during the 28 June 2024 Annual Stockholders' Meeting for the purpose of validating and tallying the votes cast.

#### **Item 16. Matters Not Required to be Submitted**

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

#### **Item 17. Amendment of Charter, By-Laws or Other Documents**

No action will be taken with respect to any amendment to the Corporation's Articles of Incorporation or By-Laws.

#### **Item 18. Other Proposed Actions**

The following are to be proposed for approval during the stockholders' meeting:

1. Minutes of the Annual Stockholders' Meeting held on 26 May 2023;
2. 2023 Operations and Results (with AFS 2023);
3. Ratification of All Acts of the Board of Directors and Officers;
4. Election of Directors for 2024-2025;
5. Appointment of External Auditors; and,
6. Other Matters.

The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business, with those of significance having been covered by appropriate disclosures such as:

1. Execution of the Agreement with PCSO for the Web-Based Online Betting Platform
2. Organization of the relevant board committees;
3. Approval of financial statements, annual and quarterly;
4. Appointment of officers; and
5. Appointment of signatories for various transactions.

Management reports which summarize the acts of management for the year 2023 are included in the Company's Annual Report to be made available to the stockholders together with this Information Statement and shall be submitted for approval by the stockholders at the meeting. Accordingly, approval of the Annual Report will constitute approval and ratification of the acts of Management stated therein during the period covered thereby.

#### **Item 19. Voting Procedures**

- (a) Actions to be taken at the Annual Stockholders' Meeting shall require the vote of the stockholders representing at least a majority of the Company's outstanding capital stock.
- (b) Two inspectors shall be appointed by the Board of Directors before or at each meeting of the stockholders, at which an election of directors shall take place. If no such appointment shall have been made or if the inspectors appointed by the Board of Directors refused to act or fail to attend, then the appointment shall be made by the presiding officer of the meeting. For purposes of the Annual Stockholders' Meeting on 28 June 2024, the Corporate Secretary and/or his representative, together with the representative from the stock transfer agent, have been designated as inspectors who have been tasked to oversee the counting of votes.
- (c) Stockholders may vote at all meetings either in person or by proxy duly given in writing in favor of any person of their confidence and each stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the corporation; provided, however, that in the election of directors, each stockholder shall be entitled to cumulate his votes in the manner provided for by law. For the purpose of this year's annual stockholders' meeting, which will be held only in a virtual format, the stockholders may only vote through proxies or by remote communication (in absentia). The stockholders are encouraged to participate in the meeting by either of the following:
  - i. by submitting duly accomplished proxies to the Office of the Corporate Secretary at 2704 East Tower, Philippine Stock Exchange Centre, Ortigas Center, Pasig City or via electronic copy by emailing [corporatesecretary@pacificonline.com.ph](mailto:corporatesecretary@pacificonline.com.ph) on or before 5:00 p.m. on 20 June 2024.  
  
For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.
  - ii. by registering your votes on the matters to be taken up during the meeting through the e-voting platform set up for the purpose which can be accessed at [asmregister.loto.com.ph](http://asmregister.loto.com.ph). The e-voting portal will be open until 9:00 in the morning of 28 June 2024.
- (d) The method of counting votes shall be in accordance with the general provisions of the Revised Corporation Code. The counting shall be done by the inspectors abovementioned, witnessed and the results verified by a duly appointed independent third-party validator, Ms. Cristina Castro Naguit

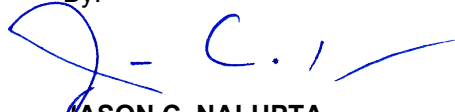
## **SIGNATURES**

After reasonable inquiry and to the best of our knowledge and belief, we hereby certify that the information set forth in this report is true, complete, and correct.

This report is signed in the City of Pasig, Metro Manila on 22 May 2024.

### **PACIFIC ONLINE SYSTEMS CORPORATION**

By:



**JASON C. NALUPTA**  
Corporate Secretary



## PACIFIC ONLINE SYSTEMS CORPORATION

### BUSINESS AND GENERAL INFORMATION

#### **BUSINESS**

Pacific Online Systems Corporation (“POSC”, “Pacific Online” or “Parent Company”) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 6, 1993. The Parent Company is a public company under Section 17.2 of the Revised Securities Regulation Code (SRC) and its shares are listed on the Philippine Stock Exchange, Inc. (PSE) starting on April 12, 2007.

The Parent Company’s registered office address is at 28th Floor, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila.

The Parent Company is a 50.1%-owned subsidiary of Premium Leisure Corp. (PLC or the “Immediate Parent Company”). The ultimate parent company is Belle Corporation (Belle). Belle and PLC are corporations with shares listed on the PSE, incorporated and domiciled in the Philippines.

The subsidiaries of the Parent Company and its interest in a joint operation, which are all incorporated and domiciled in the Philippines, are as follows:

As at December 31, the subsidiaries of the Parent Company and its interest in a joint operation, which are all incorporated and domiciled in the Philippines, are as follows:

		Percentage of Ownership		
	Industry	2023	2022	2021
<b>Subsidiaries</b>				
Total Gaming Technologies, Inc. (TGTI)	Gaming	<b>98.9</b>	98.9	98.9
Loto Pacific Leisure Corporation (LotoPac)	Gaming	<b>100.0</b>	100.0	100.0
Falcon Resources Inc. (FRI) <sup>(a)</sup>	Gaming	<b>100.0</b>	100.0	100.0
Futurelab Interactive Corp. (FIC) <sup>©</sup>	Gaming	<b>100.0</b>	100.0	100.0
TGTI Services, Inc. (TGTISI) <sup>(a)(b)</sup>	Gaming	—	—	100.0

#### **Interest in Joint Operation**

PinoyLotto Technologies Corp. (PinoyLotto)	Gaming	<b>50.0</b>	50.0	50.0
--	--------	-------------	------	------

*(a) Indirect ownership through TGTI*

*(b) Sold in 2022*

*© 50% owned by POSC and 50% owned by TGTI*

#### **POSC**

The Parent Company is engaged in the development, design and management of online computer systems, terminals and software for the gaming industry. The Parent Company can also engage in any lawful arrangement for sharing profits, union of interest, unitization or formal agreement, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person on governmental, municipal or public authority, domestic or foreign.

POSC has an Equipment Lease Agreement (ELA) with the Philippine Charity Sweepstakes Office (PCSO) for the lease of lotto terminals, which includes central computer, communications equipment and the right to use the application software and manuals for the central computer system and draw equipment. The ELA has been concluded on September 30, 2023.

POSC remains committed to looking for opportunities in industry. Such opportunities include the Web-based Application Betting Platform (WABP) or “E-Lotto”. The Parent Company was granted by the PCSO authority to conduct a one-year trial period for E-Lotto which was launched on December 15, 2023.

#### LotoPac

LotoPac was incorporated in March 2007, primarily to acquire, establish, operate and manage amusement, recreational and gaming equipment facilities, as well as places for exhibitions, recreational, gaming amusement and leisure of the general public, and to acquire, hold and operate any and all privileges, rights, franchises and concessions as may be proper, necessary, advantageous, or convenient in the conduct of its business.

In 2020, LotoPac ceased its operations as an investment holding entity.

#### TGTI

TGTI was incorporated and registered with the SEC on October 23, 2002. The primary purpose of the TGTI is to lease gaming equipment and provide consultancy services relative to online gaming to those engaged in gaming business among others, non-profit institutions, and other entities.

Previously, TGTI's primary source of revenue was its ELA with PCSO which covered the lease of the online lottery equipment for PCSO's Online KENO games. The term of the ELA ended on April 1, 2022, and was no longer renewed. The Company is still evaluating its future operating plans, and management continues to actively look for viable opportunities within the gaming industry.

#### FRI

FRI was incorporated on May 25, 1999 primarily to engage in the business of trading or selling of goods on wholesale or retail basis, such as sweepstakes, instant game tickets, and other lottery and gaming tickets, including, but not limited to, those introduced by PCSO as well as tickets of shows, concerts and other events.

In 2020, FRI ceased its scratch ticket distribution operations with the intention to diversify to projects that are more aligned with the Parent Company's strategy and to focus on technology driven games and related support services that will be more viable and sustainable in the long term.

#### TGTISI

TGTISI was incorporated on August 31, 2011 primarily to engage in, conduct and carry on the business of providing logistical, technical support, and consultancy services, and providing end-to-end solutions to entities in the gaming industry in all aspects.

On June 9, 2022, TGTI's Board of Directors (BOD) approved the sale of all its common shares in TGTISI to a third party.

#### FIC

FIC was incorporated on April 4, 2016 primarily to acquire, establish, own, hold, lease, except financial leasing, sell, conduct, operate and manage amusement, recreational, and gaming equipment facilities, and enterprises of any kind and nature, as well as places for exhibitions, recreation, gaming, amusement and leisure for the general public, and to acquire, hold and operate any and all privileges, rights, franchises and concessions.

#### PinoyLotto

On June 21, 2021 PinoyLotto, a joint venture corporation owned by POSC, Philippine Gaming Management Corp. (PGMC) and International Lottery & Totalizator Systems, Inc. (ILTS), was incorporated and registered with the SEC primarily to provide support and online lottery equipment service.

PinoyLotto was awarded the five-year lease of the customized PCSO Lottery System (PLS Project) at a contract price of P5,800.0 million. PinoyLotto commenced commercial operations on October 1, 2023, and pursuant to the requirements of PCSO, 6,500 terminals have been installed and are in operation nationwide.

The Company's interest in PinoyLotto was accounted for as a joint operation.

The Parent Company, its subsidiaries and interest in joint operation are collectively referred herein as "the Group"

## **Recent Developments**

Pacific Online achieved two “game-changing” milestones in 2023.

On October 1, 2023, PinoyLotto Technologies Corp. (PinoyLotto), the joint venture of Pacific Online, Philippine Gaming Management Corporation, and International Lottery & Totalizator Systems, Inc., successfully launched the Philippine Lottery System (PLS), resulting in a new unified and centralized lottery operations from the decades old legacy system. PinoyLotto completed the migration to PLS and installed 6,500 terminals nationwide.

On August 30, 2023, Pacific Online signed a Memorandum of Agreement with Philippine Charity Sweepstakes Office (PCSO) for a 1-year Test-run of a web-based application betting platform (WABP). It was launched successfully on December 15, 2023, a first-ever official PCSO E-Lotto project.

## **Agreements with the PCSO**

PCSO is the principal government agency for “raising and providing funds for health programs, medical assistance and services, and charities of national character” by means of holding and conducting charity sweepstakes, races, and lotteries. It also engages in health and welfare-related investments, projects, and activities to provide for permanent and continuing sources of funds for its programs.

## **ELA between POSC and PCSO**

Until September 30, 2023, POSC, The Parent Company, had an ELA with the PCSO for the lease of lotto terminals, which included central computer, communications equipment, and the right to use the application software and manuals for the central computer system and draw equipment of PCSO. This also included the supply of betting slips and ticket paper rolls.

PCSO is the principal government agency for raising and providing funds for health programs, medical assistance and services, and charities of national character through holding and conducting charity sweepstakes, races, and lotteries.

Pursuant to the ELA, the Parent Company was required to deposit cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. As at December 31, 2023 and 2022, the total cash bond, included under “Other current assets” or “Other noncurrent assets” in the consolidated statement of financial position amounted to P91.0 million and P14.5 million, respectively.

Since July 31, 2019, the term of the ELA was extended over several periods mainly to allow PCSO to complete the bidding process for the Philippine Lottery System (PLS) under Republic Act No. 9184, as amended, and until a new lottery system is fully realized and to ensure unhampered and uninterrupted operations of the online lottery and to avoid the loss of funds to PCSO. The final extension in 2023 extended the term of the ELA until September 30, 2023 and the contract was concluded thereafter.

The rental fee, presented as “Equipment rental” in the consolidated statements of comprehensive income is based on a percentage of gross sales of lotto ticket from PCSO’s Luzon and VISMIN operations. The number of installed lotto terminals totaled 3,716 and 3,605 as at September 30, 2023 and December 31, 2022, respectively. The Parent Company’s rental income amounted to P469.8 million, P512.7 million and P390.8 million in 2023, 2022, and 2021, respectively.

On August 30, 2023, POSC was granted a one-year trial period to provide a WABP for PCSO. Under the arrangement, POSC will be acting as PCSO’s exclusive agent and generates fees based on a certain percentage of revenues. This was launched in December 15, 2023

## **ELA between TGTI and PCSO**

TGTI had an ELA with PCSO which provided for the lease of the equipment for PCSO's Online KENO games. This covered PCSO's online keno lottery operations. The lease included online keno equipment and accessories. The rental fee, presented as "Equipment rental" in the consolidated statements of comprehensive income, is based on a percentage of the gross sales of the "Online KENO" terminals. The minimum price per keno bet was reduced from P12 to P10, inclusive of documentary stamp tax.

The ELA required TGTI to post a cash bond and performance security bond with an aggregate amount of P2.5 million. The cash bond is included under "Other current assets" in the consolidated statements of financial position.

The ELA concluded and was not renewed in 2022.

The number of installed online KENO terminals totaled 57 and 569 as at December 31, 2022 and 2021, respectively. TGTI's revenue from equipment rental amounted to nil, P6.3 million, P35.6 million in 2023, 2022 and 2021, respectively.

## **Brand and Trademark Agreement with PMLC**

In January 2018, POSC entered into a Brand and Trademark License Agreement (BTLA) with Powerball Marketing and Logistics Corporation (PMLC) granting the latter a non-assignable, non-transferable and exclusive right to use POSC's instant scratch tickets' brand and trademarks. The agreement has an initial term of five (5) years effective on January 1, 2018, subject to adjustment to conform to and coincide with term of the PMLC's agreement with PCSO for the supply and distribution of its instant scratch tickets. In consideration of the BTLA, PMLC agreed to pay POSC a guaranteed fixed monthly fee of P4.0 million starting January 2018. The agreement with PMLC was accounted for as sale of right to use the brand and trademark. POSC already transferred the control over the brand and trademark to PMLC starting January 1, 2018 and there are no other performance obligation to be provided to PMLC.

Due to the suspension of PCSO games on July 27, 2019, for two months, and on March 17, 2020, for four and a half months, PMLC was not able to supply and distribute instant scratch tickets to its customers. As a result, impairment losses amounting to P26.0 million were recognized in 2020. Consequently, this was reversed in 2021 and was subsequently collected in 2022.

POSC has entered into a new contract with Diamond Powerwinners for Trademark Assignment with a total fee of P30.0 million (inclusive of VAT). The contract terms are for ten months starting November 2023 to August 2024.

## **Government Regulation and Environmental Compliance**

The Company does not need any government approval for its principal products or services since its business is in the development, design and management of online computer systems, terminals and software for the PCSO and not in the operation of the lottery business.

The Company has been fully compliant with environmental regulations and ordinances issued by the concerned Local Government Units (LGU) and by the Department of Natural Resources (DENR) in so far as disposal of used computer hardware, office equipment and other bulky operating supplies are concerned, pursuant to the Republic Act 9003: Ecological Solid Waste Management Act of 2000.

## **Technology Development, Supply and Service Contracts**

### **Scientific Games**

As at December 31, 2023 and 2022, POSC has a contract with Scientific Games, a company incorporated under the laws of the Republic of Ireland, for the supply of Visayas-Mindanao Online Lottery System. In consideration, POSC shall pay Scientific Games a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operation using the computer hardware and operating system provided by Scientific Games. The contract shall continue as long as the POSC's ELA with PCSO is in effect.

In 2021, the contract with Scientific Games was extended until July 31, 2022 and subsequently extended again until September 30, 2023.

#### Intralot

As at December 31, 2022 and 2021, POSC and TGTI have contracts with Intralot Inc., a company subsidiary domiciled in Atlanta, Georgia, for the supply of hardware, operating system software and terminals and the required training required to operate the system. In consideration, POSC and TGTI shall pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operations. The Contract shall continue as long as POSC's and TGTI's ELA with PCSO are in effect.

The contract with POSC was extended until September 30, 2023 and was no longer renewed.

The contract with TGTI ended in March 31, 2022.

### **The Philippine Lottery Sector**

The Philippine lottery sector is regulated by the PCSO, a government-owned and controlled corporation that was created primarily to raise funds for health and charity programs of the government. It regulates the lottery and other games of chance in order to protect certain sectors of society, especially the youth. It is estimated that the gaming market in the Philippines is worth over P100 billion per year, and illegal gaming accounts for half of the country's gaming industry revenues.

For over 60 years, since the inception of PCSO, the traditional Sweepstakes had been the lone source of funds for the PCSO. This changed in 1995, when PCSO launched the very first online lotto in the Philippines. This innovation brought in a new dimension of fun and excitement for the betting public.

Although there are many types of lottery games worldwide, the Philippine government-authorized lotteries can generally be categorized into these groups: traditional sweepstakes, instant scratch tickets, online lotto, online keno (Lotto Express) and Small-Town Lottery (STL). The Company has partnered with PCSO in all its lottery products except for STL.

The PCSO online lotto games are basically two (2) types; i.e., jackpot draw and digit games. The winning numbers for jackpot draw and digit games are determined by a draw machine. For these lotto games, players purchase tickets from PCSO authorized retail outlets and wait for the future drawing of prizes. The jackpot draw games have three draws a week, while digit games have three draws daily. Draw lotto jackpot prizes are generally pari-mutuel or based on the number of winners and amount of total sales generated per game at the time of draw. Lotto digit games and keno prizes are based on a fixed odds payout structure, which does not rely on the number of players and winners per draw. For online keno, winning numbers are drawn via a Random Number Generator (RNG) program and has draws every ten (10) minutes on a daily basis. Keno draw frequency has been changed to five (5) minutes daily on November 6, 2020. KENO has been discontinued effective April 1, 2022.

Currently, the PCSO online lotto portfolio consists of five (5) jackpot draw games and four (4) digit games. The jackpot draw games are: 6/42 Lotto, 6/45 Mega Lotto, 6/49 Super Lotto, 6/55 Grand Lotto and 6/58 Ultra Lotto; while the digit games are: 2D, 3D, 4D and 6D. All of the nine (9) lotto games operated by the PCSO are played nationwide. Modifications and enhancements of existing games and/or the introduction of new games are directed by the PCSO.

Instant scratch tickets, on the other hand, are typically played by scratching off the surface of a latex coated ticket to reveal a specific pattern of numbers, characters, pictures, or symbols that correspond to a prize amount if ticket is a winner. The player will know immediately if the ticket wins a prize or not. Instant scratch tickets like the Traditional Sweepstakes have a fixed-odds prize structure.

### **The Group's Online Lottery Operations and Products**

As of December 31, 2023, the Company, through its joint operation company Pinoylotto Technologies Corp., had 6,500 terminals installed nationwide. All online lottery terminals located in PCSO authorized retail outlets are continuously connected to PCSO's central computer system that enables real time recording and monitoring of lottery sales and validation of winning tickets.

The next table shows the minimum jackpot amounts and the draw frequencies of the different lotto games supported by the Company.

---

<u>Lotto Game</u>	<u>Minimum Jackpot</u>	<u>Draw Frequency</u>
6/42 Lotto .....	P 6,000,000	3x a week - Tuesdays, Thursdays & Saturdays
6/45 Mega Lotto ...	P 9,000,000	3x a week - Mondays, Wednesdays & Fridays
6/49 Super Lotto ...	P 16,000,000	3x a week - Tuesdays, Thursdays & Sundays
6/55 Grand Lotto...	P 30,000,000	3x a week - Mondays, Wednesdays & Saturdays
6/58 Ultra Lotto.....	P 50,000,000	3x a week - Tuesdays, Fridays & Sundays
6D Lotto.....	P 150,000	3x a week – Tuesdays, Thursdays & Saturdays
4D Lotto.....	P 10,000	3x a week - Mondays, Wednesdays & Fridays
3D Lotto .....	P 4,500	Thrice daily
2D Lotto .....	P 4,000	Thrice daily

The Company did not spend on development activities in both 2023 and 2022.

### **Market Profile**

As of December 31, 2021, Pacific Online gross lotto sales amounted to P6.512B of which P1.430B (22%) is the share of Luzon Sales. It is noted that while in Luzon, the jackpot games account for 53% of total lottery sales, the VisMin area shows that it is digit games that dominates the sales of the region, accounting for 47% of total lottery sales. While previous years showed higher sales for digit games, the drop in Digit Games particularly with 3D Lotto may be due to the shift of bettors to other Gaming Products like STL, Peryahan ng Bayan, or esabong.

The Company's total terminal deployment in VISMIN Territory covered 69 cities out of 73 total cities and 530 municipalities out of total 791. In Luzon, the Company's lotto terminal deployment covered 52 Cities and 71 municipalities. The Company covers 100% of the VisMin sales and only 15% in Luzon due to its restricted entry since 2012 up to 2021.

### **Competition**

The Company expects the aggressive push for Small Town Lottery (STL) and the prevalence of illegal gambling particularly in interior towns and remote areas to continue to provide competition to its online lotto revenues. This mostly affects the VisMin region due to the popularity of the digit games, which are very similar to STL games. In terms of the online and mobile front, the Company is also competing with the providers of mobile games such as DigiPlus Interactive Corp.

### **Organization and Manpower**

As of December 31, 2023, the Group had a total of 42 employees, of which, 18 belong to Operations and 24 were administrative and other support personnel. None of the employees of the Company have organized themselves into any labor union. The Company also provides its employees additional benefits such as health care, life and accident insurance, retirement plan, training and development programs, and wellness programs, among others.

The Company believes that it has maintained balanced relationships with the rank and file and does not anticipate any labor-management issues to arise in the near term. The Company believes that its relationships with its employees have been consistently good and productive.

## **Risks**

Some of the risks that the Company and its subsidiaries may be exposed to are the following:

### **1. General Risks**

#### **a. Regulator/Government Risk**

Changes in the government and PCSO administration may result to changes in policies and the way that such policies are implemented, which may be favorable or unfavorable to the Company. New legislation rules regarding taxes on lottery products have an impact in sales as well.

#### **b. Environmental Risk**

Environmental and natural disasters can also affect the operations in a particular area.

### **2. Risks Relating to the Company and its Subsidiaries**

#### **a. Dependence on Suppliers**

The Company's lottery operations is anchored on a two-system network. The Company has existing contracts, each distinct and entered into separately, with two global leaders in the lottery industry, namely Scientific Games and Intralot, for the supply of computer supported lottery gaming systems. In the event that the contracts, whether collectively or individually, are terminated or suspended, operations and business of the Company may be impaired.

#### **b. Business Interruption Risk**

The operations of the Company, its subsidiaries and joint operation are dependent on the reliability of its central computer system and the communications infrastructure needed to run it. Any breakdown or failure in the system provided by its suppliers, or failure in the communication infrastructure may negatively affect the Company's financial performance. The communications infrastructure is being provided mainly by the two biggest telco providers in the country, namely: PLDT/Smart and Globe.

#### **c. Investment Risk**

The Company's ROI on its joint venture investment is dependent on the milestone achievements of the joint venture and the acceptance of PCSO. Non-compliance or delays in the implementation of the joint venture operations may result to additional cost or contract cancellation by PCSO.

## **PROPERTIES**

The Company Head Office is located in Pasig City.

There are no real properties owned and there are no plans to acquire them in the next twelve (12) months. The Company, together with its subsidiaries, lease all of its business offices. These properties are not mortgaged nor are there any liens and encumbrances that limit ownership or usage of the same. The leased properties were reduced to 323 sqm for the year ended Dec. 31, 2023 from the previous 1,622 sqm by year end 2022.

The Company's major assets under Pinoylotto are lottery equipment, which consists mainly of lottery terminals, data center equipment, software and operating systems.

## **LEGAL PROCEEDINGS**

### **“TMA Australia Pty. Ltd. And TMA Group Philippines, Inc. v. Pacific Online.” RTC 66, Pasig City-Civil Case No. R-PSG-17-02130 [321-108]**

This refers to a complaint for Tortious Interference and payment of Damages filed by TMA Australia Pty. Ltd. and TMA Philippines (the “TMA Group”) against Pacific Online in August 2017. The TMA Group alleged that Pacific Online wrongfully interfered with the implementation of the Contractual Joint Venture Agreement (CJVA) between the TMA Group and PCSO when it entered into several equipment lease agreements with the latter that included a supply of paper provision. The TMA Group also applied for a writ of preliminary injunction (WPI) against Pacific Online and prayed for damages in the amount of at least One Million Pesos (P1,000,000.00).

On 21 March 2018, the RTC granted the TMA Group’s application for WPI, enjoining Pacific Online from continuing to deliver lotto paper to PCSO. During the pendency of this case, the Supreme Court issued a decision in Philippine Charity Sweepstakes Office v. TMA Group of Companies (G.R. Nos. 212143, 225457, and 236888, 28 August 2019), stating that the WPI issued by RTC Makati against PCSO directing it to source its paper from TMA was improperly issued, and that the CJVA – the same CJVA in this case before RTC Pasig – could not have been a valid source of rights against PCSO. TMA filed a Motion for Reconsideration, but this was denied by the Supreme Court in a Resolution dated 04 March 2020. Pacific Online then filed a Manifestation and a Supplemental Manifestation asking for the dismissal of the tortious interference case by the TMA Group.

On 08 February 2021, the court dismissed the case against Pacific Online. TMA Group’s subsequent motion for reconsideration was denied but they filed a Notice of Appeal with the Court of Appeals. The case is still pending resolution by the Court of Appeals.

## **DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES**

There have been no disagreements with any accountant on any matter of accounting principles or practices, financial statement disclosures or auditing scope of procedure. During the two (2) most recent fiscal years or any subsequent interim period, no principal accountant or independent accountants of the registrant has resigned, was dismissed, or has ceased to perform services (except for the change in external auditors from R.G. Manabat & Co., to Reyes Tacandong & Co. in 2021).



## **MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING PERFORMANCE AND FINANCIAL CONDITION**

### **RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

#### **Results of Operations**

##### **Revenues**

Pacific Online Systems Corporation (the “Company”) consolidated with its subsidiaries (the “Group”), generated total revenues of P601.6 million for the year ended December 31, 2023. Revenues increased by P82.5 million (16%) from revenues of the same period in 2022 amounting to P519.1 million mainly because of the improvement in lotto sales during the first nine months of the year due to the more open economy for 2023 with the return of normal face-to-face activities and easing of quarantine restrictions.

##### **Cost of services**

Cost of services increased by P13.1 million (5%) to P260.7 million in 2023 from P247.5 million in 2022 due to higher costs of software license fees in line with the higher lotto sales from January to September 2024. In addition, with the commencement of nationwide operations effective October 1, 2024 of Pacific Online’s joint operation, PinoyLotto, higher costs for repairs and maintenance, depreciation, and travel and accommodation have been incurred in relation to the - new lottery system.

##### **General and administrative expenses**

General and administrative expenses increased by P28.4 million (30%) to P124.1 million in 2023 from P95.8 million in 2022 mainly due to higher expenses in relation to the start of operations of Pinoylotto.

##### **Other Income (Charges)**

The Company’s Other Income increased by P75.5 million (192%), from P39.4 million in 2022 to P114.9 million in 2023. This is mainly due to the following: higher mark-to-market gains on the Company’s investments held for trading because of higher market share prices for 2023, gain on sale of trademark in 2023 and higher interest income for the year as a result of better cash management and investment decisions, offset by higher interest expense as PinoyLotto pay for finance charges on its loans.

#### **Financial Condition**

##### **2023 Compared to 2022**

##### **TOTAL ASSETS**

The Group’s total assets of P1,901.8 million as at December 31, 2023 increased by P785.8 million or 70% from P1,116.0 million as at December 31, 2022.

##### **Cash and cash equivalents**

Cash and cash equivalents increased by P42.3 million (14%) to P343.9 million as at December 31, 2023 from P301.7 million as at December 31, 2022 due to the following: higher revenues and collections from increased Lotto sales for the year and additional cash from loan drawdowns of PinoyLotto, offset by the payment of dividends amounting to P89.5 million during the first quarter of the year.

Pinoylotto is a joint venture operation owned by Pacific Online, Philippine Gaming Management Corp (PGMC) and International Lottery & Totalizator Systems, Inc. (ILTS). Pinoylotto won the bid for the Philippine Lottery System (PLS) of the Philippine Charity Sweepstakes Office, and has started nationwide operations on October 1, 2023. Loan drawdowns are being used to fund equipment purchases for the said project.

##### **Investments held for trading**

Investments held for trading of the Group consists of investments in listed shares of stock of DigiPlus Interactive Corp (PLUS) (formerly Leisure and Resorts World Corporation), Vantage Equities, Inc. and APC Group, Inc. The amount of the Group’s investments held for trading increased by P28.7 million (40%) as at December 31, 2023 due to the net increase in the share prices of the investments for 2023.

**Trade and other receivables**

Trade and other receivables increased by P83.2 million (41%) to P284.4 million as at December 31, 2023 from P201.2 million as at December 31, 2022 due to higher receivable from PCSO in relation to the PLS joint venture.

**Creditable withholding taxes (CWTs)**

Creditable withholding taxes decreased by P27.8 million (21%) to P101.8 million as at December 31, 2023 from P129.6 million as at December 31, 2022 due to application of income tax due for 2023

**Other current assets**

Other current assets of the Group increased by P98.9 million (509%) to P118.3 million as at December 31, 2023 from P19.4 million as at December 31, 2022 due mainly to the guarantee deposit made by Pacific Online pursuant to the agreement with PCSO and the additional input taxes for 2023.

**Financial assets at fair value through other comprehensive income (FVOCI)**

The financial assets at FVOCI pertains to the investment in shares of Premium Leisure Corp (PLC). The account increased by P58.5 million (33%) to P237.6 million as at December 31, 2023 from P179.1 million as at December 31, 2022 due to unrealized valuation gains for 2023.

**Property and equipment**

The Company's property and equipment is composed of lottery equipment, leasehold improvements, office furniture, fixtures and equipment and transportation equipment. This account increased by P704.2 million (34973%) to P706.2 million as at December 31, 2023 from P2.0 million as at December 31, 2022 mainly due to the new lottery system of Pinoylotto, net of depreciation expense recognized for the period.

**Right of use assets (ROU)**

Right of use assets decreased by P1.3 million (70%) to P0.5 million as at December 31, 2023 from P1.8 million as at December 31, 2022 because of the amortization of ROU assets for 2023.

**Other noncurrent assets**

Other noncurrent assets decreased by P205.3 million (98%) to P4.5 million as at December 31, 2023 from P209.8 million as at December 31, 2022. The decrease is mainly because of a reclassification of advances to suppliers (under other noncurrent assets) to the property and equipment account as PinoyLotto started nationwide operations and put the property and equipment to use.

**LIABILITIES**

The Group recorded total liabilities at P726.1 million as at December 31, 2023, higher by P546.2 million (304%) compared to the total liabilities of P179.9 million as at December 31, 2022. The increase was mainly because of the drawdown of loan for the capital expenditure requirements of the PLS Project. Loans payable as at December 31, 2023 is at P470.6 million, increasing by P403.1 million (597%) from P67.5 million as at December 31, 2022. In addition, trade payables increased as PinoyLotto started operating and incurring operational expenses.

**EQUITY**

Total equity of the Company increased by P239.6 million (26%) to P1,175.7 million as at December 31, 2023 from P936.1 million as at December 31, 2022. The increase is mainly brought about by the net income earned for 2023, offset with the cash dividends declared and paid during the first quarter of the year.

As of December 31, 2023, except for what has been noted in the preceding, 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

- Any Known Trends, Events or Uncertainties (Material Impact on Liquidity) Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures:
- Any Known Trends, Events or Uncertainties (Material Impact on Sales)
- Any Significant Elements of Income or Loss (from continuing operations)

### **Key Performance Indicators**

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

	As of	
	Dec. 31, 2023	Dec. 31, 2022
Current Ratio	3.01:1.00	6.49:1.00
Asset-to-Equity Ratio	1.62:1.00	1.19:1.00
Return on Equity	26%	23%
Return on Assets	18%	19%
Solvency Ratio	0.43:1.00	1.25:1.00

The above performance indicators are calculated as follows:

Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Asset-to-equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$
Return on Stockholders' Equity	$\frac{\text{Net Income}}{\text{Total Equity}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$

### **2022 Compared to 2021**

Pacific Online realized consolidated net income amounting to P191.1 million for 2022, increasing significantly by Php331.8 million or more than 200% from the net loss of Php140.7 million incurred in 2021. The considerable improvement in the Company's financial results was brought about by a combination of higher revenues and better control on costs.

### **Revenues**

In line with the economic recovery from the effects of the COVID-19 pandemic and despite the termination of KENO operations after the first quarter of 2022, the Group generated total revenues from operating sources amounting to P519.1 million for the year ended December 31, 2022, recording an increase of P92.7 million (22%) over total revenues of P426.3 million for the year ended December 31, 2021. Aside from the more robust economy in 2022, the high jackpot prizes of the Lotto games throughout the year helped drive sales volume.

## **Cost of services**

Cost of services decreased by P131.1 million (35%) from P378.6 million in 2021 to P247.5 million in 2022. This decrease was mainly due to lower depreciation expense because of property and equipment being fully depreciated in 2022 as well as the savings on costs in line with the termination of the KENO operations during the year. Aside from this, the Company is also reaping the effects of cost efficiency measures to rationalize manpower and telecommunication lines and optimize office and warehouse space. The decreases mentioned above were partially offset by higher software license fees paid to suppliers and higher cost of operating supplies that both increased in line with the higher sales.

## **General and administrative expenses**

General and administrative expenses of the Company decreased by P69.7 million (42%) from P165.5 million in 2021 to P95.8 million in 2022. This was mainly brought about by the cost reduction efforts extended at the backoffice level.

## **Financial Condition**

### **2022 Compared to 2021**

#### **TOTAL ASSETS**

Total assets of the Company increased by P260.2 million (30%) from P855.2 million as at December 31, 2021 to P1,115.4 million as at December 31, 2022.

#### **Cash**

Cash increased by P203.0 million (206%) due to the higher revenues from the Lotto segment in line with higher Lotto sales as well as the better collections for the year.

#### **Marketable securities**

The Company's marketable securities increased by P9.7 million (16%) from P61.6 million as at December 31, 2021 to P71.3 million as at December 31, 2022 because of the increase in market value of listed shares held by the Company. As at December 31, 2022, this account consists of investments in listed shares of Leisure and Resorts World Corporation, Vantage Equities, Inc, and APC Group, Inc.

#### **Trade and other receivables**

Trade and other receivables decreased by P28.1 million (12%) from P229.4 million as at December 31, 2021 to P201.2 million as at December 31, 2022. The decrease is due mainly to the collection of accrued license fee income.

#### **Other current assets**

Other current assets of the Company is composed of advances to supplier, creditable withholding taxes, spare parts and supplies and prepayments. It increased by P198.8 million (126%) from P157.3 million as at December 31, 2021 to P356.1 million as at December 31, 2022 due mainly to the additional advances to suppliers that the joint venture operation, PinoyLotto Technologies Corp. (Pinoylotto) made as down payment for the purchase of equipment as it gears towards the start of nationwide lottery operations by the end of 2023

#### **Financial assets at fair value through other comprehensive income (FVOCI)**

The Company's financial assets at FVOCI is mainly composed of the Company's shares of stock in its parent and ultimate parent companies. This account decreased by P73M (29%) from P252.2 million as at December 31, 2021 to P179.1 million as at December 31, 2022 due to the sale of the Company's shares of stock in Belle Corporation.

## **Property and equipment**

The Company's property and equipment is composed of lottery equipment, leasehold improvements, office furniture, fixtures and equipment and transportation equipment. This account decreased by P21.4 million (91%) from P23.4 million as at December 31, 2021 to P2.0 million as at December 31, 2022 mainly because of the depreciation recognized for the Company's assets.

## **Right of use assets (ROU)**

Right of use assets declined by P4.9 million (73%) from P6.7 million as at December 31, 2021 to P1.8 million as at December 31, 2022 mainly because of the amortization of ROU assets during the period.

## **Other noncurrent assets**

Other noncurrent assets mainly pertains to refundable deposits. This account decreased by P1.9 million (40%) from P4.6 million as at December 31, 2021 to P2.8 million as at December 31, 2022. The decrease is mainly because of the collection of refundable deposits by the Company during the year.

## **LIABILITIES**

Total liabilities of the Company increased by P24.0 million (18%) from P135.9 million as at December 31, 2021 to P179.3 million as at December 31, 2022. The increase was mainly brought about by the loan payable of Pinoylotto that was consolidated in the books of the Company amounting to P67.5 million. The overall increase was partially offset by the lower trade and other current liabilities that decreased due to payment of accruals made during the year.

## **EQUITY**

Total equity of the Company increased by P216.8 million (30%) from P719.3 million as at December 31, 2021 to P936.1 million as at December 31, 2022. The increase is mainly brought about by the net income earned in 2022.

As of December 31, 2022, except for what has been noted in the preceding, 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:

- Any Known Trends, Events or Uncertainties (Material Impact on Liquidity) Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures:
- Any Known Trends, Events or Uncertainties (Material Impact on Sales)
- Any Significant Elements of Income or Loss (from continuing operations)

## **Key Performance Indicators**

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

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Current Ratio	8.35:1.00	4.64:1.00
Asset-to-Equity Ratio	1.19:1.00	1.19:1.00

	For the year ended	
	Dec. 31, 2021	Dec. 31, 2020
Return on Equity	20%	-17%
Return on Assets	17%	-14%
Solvency Ratio	1.25:1.00	(2.13):1.00

The above performance indicators are calculated as follows:

Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Asset-to-equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$
Return on Stockholders' Equity	$\frac{\text{Net Income}}{\text{Total Equity}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$

### **2024 Plan of Operations**

PinoyLotto, the joint venture operation for the nationwide lottery system, has commenced commercial operations in the last quarter of 2023. POSC owns 50% of the joint venture operation, assuring the Company with steady income for the next 5 years.

The Company will focus its operations on the recent launch of PCSO's first-ever official web-based application betting platform (WABP). Pacific Online aims to constantly improve the system in order to achieve a successful test run.

Pacific Online continues to remain open and is actively seeking opportunities for growth through profitable investments that will increase shareholder value for its various stakeholders.

## FINANCIAL STATEMENTS

The audited Financial Statements and Supplementary Schedules as of and for the year ended December 31, 2023 listed in the accompanying index to Financial Statements and Supplementary Schedules are filed as part of this Form 20-IS. The Interim Unaudited Financial Statements for First Quarter 2024 are likewise included with this Form 20-IS Report.

## MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

### Market Information

The Company became a listed company with the listing of its shares with the Philippine Stock Exchange on April 12, 2007.

### **Dividends**

No cash or stock dividends were declared and paid in 2021 and 2020.

There is no provision in the Company's charter or by-laws that would delay, deter, or prevent a change in control of the Company.

### **Stock Prices**

As of the trading date May 21, 2024, the stocks of the Company closed at P 4.06 per share. The Company's stock price was pegged at a high of P4.18 and at a low of P3.95 as of the same date.

The high and low sales prices for each quarter within the last two (2) fiscal years of the registrant's common shares as quoted on the PSE, are as follows:

<u>2023</u>	<u>High</u>	<u>Low</u>
First Quarter	1.90	1.60
Second Quarter	1.71	1.90
Third Quarter	1.75	4.16
Fourth Quarter	2.77	4.95
<u>2022</u>	<u>High</u>	<u>Low</u>
First Quarter	1.84	1.75
Second Quarter	1.79	1.30
Third Quarter	1.51	1.37
Fourth Quarter	1.35	1.65

As of 14 May 2024, the Company's market capitalization amounted to ₱2,900,872,265.04 based on the closing price of P3.24 per share.

### **Security Holders**

As of 30 April 2024, Pacific Online had 61 shareholders, corresponding to total common shares outstanding of 895,330,946. The top 20 stockholders as of the same date are listed below:

Name	No. of Shares Held	% to Total
1. PREMIUM LEISURE CORP.	448,560,806	50.1000
2. PCD NOMINEE CORPORATION Filipino = 287,625,957 Non- Filipino = 40,193,819	327,819,776	36.61
3. OCIER, WILLY N.	71,819,350	8.02

4. ABACUS CONSOLIDATED RESOURCES & HOLDINGS, INC.	43,761,630	4.89
5. OCIER WILLY &/OR GERALDINE E.Y. OCIER	1,439,000	0.16
6. SY, HANS TAN	800,000	0.09
7. OCIER, MISCHEL GABRIELLE E.Y.	390,000	0.04
8. KILAYKO, GREGORIO U.	200,000	0.02
9. LIM, MAURICE D.	100,000	0.01
10. BENITEZ, ALFREDO B.	68,200	0.01
11. CHAN, CARMELITA	66,000	0.01
12. VILLANUEVA, MYRA P.	23,400	0.00
13. CHAN, CARMELITA D.L.	33,300	0.00
14. TAGUBA, LUCILA A.	20,000	0.00
15. SY, CAROLINE TANCUAN	20,000	0.00
16. SY, HANS JR. TANCUAN	20,000	0.00
17. SY, HARVEY CHRISTOPHER TANCUAN	20,000	0.00
18. SY, HOWARD CONRAD TANCUAN	20,000	0.00
19. PEREZ, JOSE DEXTER F.	18,000	0.00
20. LOMARQUEZ, MA. AIMEE R.	12,000	0.00

### **Recent Sale of Unregistered Securities**

There have been no sales of unregistered securities since 2012.

### **Voting Rights**

At each meeting of the shareholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one vote for each share of stock standing in his name in the books of the Company at the time of closing of the transfer books for such meeting.

### **Dividend Rights of Common Shares**

The Company's board of directors is authorized to declare cash, property, or stock dividends or a combination thereof. A cash dividend declaration requires the approval of the Board and no shareholder approval is necessary. A stock dividend declaration requires the approval of the Board and shareholders representing at least two-thirds of the Company's outstanding capital stock. Holders of outstanding shares on a dividend record date for such shares will be entitled to the full dividend declared without regard to any subsequent transfer of share. Other than statutory limitations, there are no restrictions that limit the Company from paying dividends on common equity.

### **Appraisal Rights**

As provided for by law, any stockholder shall have a right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case any amendment of the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code of the Philippines and;
3. In case of merger or consolidation.



## COMPLIANCE WITH THE MANUAL ON CORPORATE GOVERNANCE

The Company remains focused on ensuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders. With this in mind, the Board of Directors has established corporate governance principles to ensure accountability, fairness and transparency in the organization.

### Board Attendance

Regular meetings of the Board are scheduled at the beginning of the year and are held at least six (6) times annually. Special meetings may also be called by the Chairman, the President or Corporate Secretary. A director's absence or non-participation in more than fifty percent (50%) of all meetings in a year is a ground for temporary disqualification in the succeeding election. During 2023, each of the Company's directors have complied with the requirements.

Below table shows the attendance of each board member in the meetings conducted during the year:

Name	Position	Date of Last Election	No. of 2023 Meetings Held During Term	No. of Meetings Attended	% Attendance
Willy N. Ocier	Chairman	26-May-23	9	9	100%
Jackson T. Ongsip	President	26-May-23	9	9	100%
Armin Antonio B. Raquel Santos	Director	26-May-23	9	9	100%
Tarcisio M. Medalla	Director	26-May-23	9	8	89%
Henry N. Ocier	Director	26-May-23	9	8	89%
Laurito E. Serrano*	Independent Director	27-May-22	4	2	50%
Ma. Gracia M. Pulido Tan	Independent Director	26-May-23	9	9	100%
Raul B. De Mesa	Director	26-May-23	9	7	78%
Roberto V. Antonio	Independent Director	26-May-23	9	9	100%
Joseph T. Chua**	Independent Director	26-May-23	5	4	80%

Note: \*Laurito E. Serrano – term ended on May 26, 2023

\*\*Joseph T. Chua - elected on May 26, 2023

In adherence to good governance practice, the schedule of meetings of the Board and Board Committees for the full year of 2023 was discussed and approved during the February 2023 Board of Directors meeting. On the other hand, the schedules of the Board and Board Committee Meetings in 2024 were discussed and approved by the Board of Directors in November 2023.

### Board Performance Evaluation

The Company, through its Corporate Governance Committee, conducts annual performance evaluations of the Board of Directors, its individual members and Board Committees to ensure optimum Board performance. The evaluation seeks to assess the effectiveness and collective performance of the Board through a self-assessment in this evaluation process. In this evaluation process, the directors identify the areas for improvement, such as:

- the timelines and integrity of information given to them,
- Directors' access to management, the Corporate Secretary and Board Advisors, and
- Other form of assistance as needed. The Board reviews the results of these evaluations and agrees on clear action plans to address any issues raised.

The details Board Evaluation Form can be found in the Company's website. Directors are asked to rate the performance of the collective Board, the Board, Committees, themselves as directors, the Company's Chairman of the Board, the Chief Executive Officer, and key officers.

Criteria for Board and Management ratings are as follows:

1. Collective Board Rating – relates to:

- Board Composition – related to how the Board members assess the Board as a whole based on their balance/diversity, knowledge/competencies, qualifications/background and experience;
- Board Efficiency and Importance – related to how the Board members assess the Board's overall performance, oversight over Management's activities, discussion on short- and long-term goals, business strategies and plans, risk and regulation, follow up of business plan and strategy, objective and budget, promotion of good governance principles, policies and mechanisms, and promotion of continuing education and/or training;
- Board Meetings and Participation – relates to how Board members assess frequency of Board meetings, if they were given chance to fully and positively participate, were provided quality materials and sufficient time for study, provided easy and timely access to information or inputs and whether there is efficient use of the time allocated for each meeting.

2. Board Committee Rating – relates to how the Committee members and Management rate the performance of the following Committees for the past year;

- Executive Committee
- Audit Committee
- Risk Oversight Committee
- Corporate Governance Committee
- Related Party Transactions Committee

3. Individual Directors' Self-rating – related to how the Directors assess their independence, participation and expertise

4. Officers Rating – relates to how well the Chairman of the Board and the President/CEO demonstrates leadership, integrity, diligence and adherence to corporate governance principles and practices as well as the assessment of the following key officers for their over-all performance:

- a. Chief Audit Executive
- b. Chief Risk Officer
- c. Compliance Officer

The Board reviews the results of this evaluation and agreed on clear action plans to address any issues raised.

The annual Board performance evaluation for 2023 was conducted within the first quarter of 2024. The results of the evaluation, which found the Board to be functioning well to its mandate, will be discussed and presented to the Board through the Corporate Governance Committee

### Continuing Education Programs

The Board identifies areas of continuing education on corporate governance topics they require. To keep the Board and key officers well-informed of governance-related developments, regular annual education programs are conducted in coordination with SM Investments Corporation and training providers duly accredited by the SEC. Below is the list of trainings in 2023 attended by the members of our Board of Directors.

	Name of Participants	Training Provider	Date of Training	Topic
1	Ocier, Willy N.	Institute of Corporate Directors.	16-Oct-23	Corporate Governance
2	Ongsip, Jackson T.			
3	Raquel Santos, Armin Antonio B.			
4	Ocier, Henry N.			
5	Tan, Maria Gracia P.			
6	Antonio, Roberto V.			
7	Chua, Joseph T.	Risks, Opportunities, Assessment and Management, Inc.	03-Aug-23	Corporate Governance
8	Medalla, Tarcisio M.			
9	De Mesa, Raul B.	Institute of Corporate Directors	13-Dec-23	Risk Management in the Post-Covid Age

A review of the various established Board level committees and its respective charters were done for the year 2023. Short descriptions of the committees are as follows:

**Executive Committee** - acts on behalf of the Board in the management and direction of the business and conduct of the affairs of the Company.

**Audit Committee** - has general oversight of the Company's accounting and financial reporting processes, audits of the financial statements, and internal control and audit functions.

**Board Risk Oversight Committee** - assists the Board in overseeing the Company's practices and processes relating to risk assessment and risk management; maintaining an appropriate risk culture, reporting of financial and business risks and associated internal controls,

**Corporate Governance Committee** - tasked with ensuring compliance with, and proper observance of, corporate governance principles and practices. Folded in are the nomination and remuneration oversight functions as well.

**Related Party Transactions Committee** - assists the Board in overseeing the Company's practices and processes relating to related party transactions (RPTs). Reviews all material related party transactions of the Company and ensures that all RPTs are conducted on a fair and arms-length basis.

Members of various committees are expected to serve for a term of one (1) year. Below is the attendance of the members of the Board Committees for 2023.

#### Attendance of Audit Committee 2023

Name	Position	Date of Last Election	No. of 2023 Meetings Held During Term	No. of Meetings Attended	% Attendance
Laurito E. Serrano*	Chairman (NED)	27-May-22	4	2	50%
Tarcisio M. Medalla	Member (NED)	26-May-23	4	4	100%
Ma. Gracia M. Pulido Tan	Member (NED)	26-May-23	4	4	100%
Roberto V. Antonio	Member (NED)	26-May-23	4	4	100%
Joseph T. Chua**	Chairman (NED)	26-May-23	2	2	100%

Note: \*Laurito E. Serrano – term ended on May 26, 2023

\*\*Joseph T. Chua - elected on May 26, 2023

#### Attendance of Corporate Governance Committee 2023

Name	Position	Date of Last Election	No. of 2023 Meetings Held During Term	No. of Meetings Attended	% Attendance
Roberto V. Antonio	Chairman (NED)	26-May-23	3	3	100%
Laurito E. Serrano*	Member (NED)	27-May-22	1	1	100%
Ma. Gracia M. Pulido Tan	Member (NED)	26-May-23	3	3	100%
Joseph T. Chua**	Member (NED)	26-May-23	2	2	100%

Note: \*Laurito E. Serrano – term ended on May 26, 2023

\*\*Joseph T. Chua - elected on May 26, 2023

#### Attendance of Related Party Transactions Committee 2023

Name	Position	Date of Last Election	No. of 2023 Meetings Held During Term	No. of Meetings Attended	% Attendance
Roberto V. Antonio	Chairman (NED)	26-May-23	2	2	100%
Ma. Gracia M. Pulido Tan	Member (NED)	26-May-23	2	2	100%
Laurito E. Serrano*	Member (NED)	27-May-22	1	1	100%
Henry N. Ocier	Member (NED)	26-May-23	2	2	100%
Raul B. De Mesa	Member (NED)	26-May-23	2	2	100%
Joseph T. Chua**	Member (NED)	26-May-23	1	1	100%

Note: \*Laurito E. Serrano – term ended on May 26, 2023

\*\*Joseph T. Chua - elected on May 26, 2023

#### Attendance of Board Risk Oversight Committee 2023

Name	Position	Date of Last Election	No. of 2023 Meetings Held During Term	No. of Meetings Attended	% Attendance
Ma. Gracia M. Pulido-Tan	Chairman (NED)	26-May-23	2	2	100%
Tarcisio M. Medalla	Member (NED)	26-May-23	2	2	100%
Laurito E. Serrano*	Member (NED)	27-May-22	1	1	100%
Roberto V. Antonio	Member (NED)	26-May-23	2	2	100%
Joseph T. Chua**	Member (NED)	26-May-23	1	1	100%

Note: \*Laurito E. Serrano – term ended on May 26, 2023

\*\*Joseph T. Chua - elected on May 26, 2023

## **Risk Oversight Committee**

The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.

The Risk Oversight Committee (ROC) evaluates the effectiveness of the Company's risk management system on an annual basis. The Board of Directors, through the ROC, has reviewed the Company's risk management system for 2023 and has found the same effective and adequate.

## **The Audit Committee**

The Audit Committee reviews annually the effectiveness of the Company's internal control system, including information technology security and controls. To facilitate their review, the Committee understands and evaluates the scope of the internal and external auditors' review of internal controls over financial reporting, and obtains regular reports on significant findings and recommendations, together with management's responses, to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.

The Board of Directors, through the Audit Committee, has reviewed the effectiveness of the Company's internal control system, including the information technology security controls. Effective and adequate internal control mechanisms are in place, implemented and properly complied with for the year 2023.

## **Manual on Corporate Governance**

In compliance with the initiative of the SEC, Pacific Online submitted its Manual on Corporate Governance (the "Manual") to the SEC. The Manual institutionalizes the principles of good corporate governance in the entire Company. Pacific Online believes that corporate governance, the framework of rules, systems and processes governing the performance of the Board and Management of their respective duties and responsibilities, and from which the organization's values and ethics emerge, is of utmost importance to the Company's shareholders and other stakeholders, which include, among others, clients, employees, suppliers, financiers, government and community in which it operates. The Company undertakes every effort possible to create awareness throughout the entire organization.

The Company, through its Chief Compliance Officer, stresses full compliance with applicable laws and adherence to ethical practices as stated in the Code of Business Conduct and Ethics (CBCE) and the Manual. Pacific Online is not aware of any non-compliance with the Manual by any of its directors, officers or employees.

The Board approved on April 25, 2022 the Company's Revised Manual on Corporate Governance: <https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf>

## **Code of Business Conduct and Ethics**

The Company remains committed to align with the best corporate governance practices following the release of the 2016 Code of Corporate Governance for Publicly-Listed Companies. In addition to the Manual, the Company's Code of Business Conduct and Ethics (CBCE) defines good governance, ethics and compliance practices expected throughout the organization. The Manual and CBCE are communicated to directors, officers and employees to ensure familiarity and adherence. These documents are also made public through the Company's website: <https://www.loto.com.ph/wp-content/uploads/CODE-OFBUSINESS-CONDUCT-AND-ETHICS-2019.pdf>.

## Governance Policies

Corporate policies on governance were developed, submitted to and approved by the Board to protect the interests and rights of the shareholders and stakeholders and to promote transparency and accountability. Such governance related policies are shown below and may be viewed through the Pacific Online corporate website <https://www.loto.com.ph/corporate-policies/> These policies and procedures are initially cascaded throughout the organization via email blast, and annual corporate governance trainings. The Board, through its various Board Committees, ensures that adequate internal control mechanisms are implemented and properly complied in all levels.

1. Whistle-Blowing Policy
2. Policy for Purchase of Goods and Services
3. Accreditation and Performance Evaluation of External Providers Policy
4. Insider Trading Policy
5. Information Technology Policy
6. Dividend Policy Statement
7. Policy on Conflict of Interest
8. Related Party Transactions Policy

## Board Diversity

The Corporate values and promotes a diversity policy in the composition of our Board to reinforce its effectiveness in providing strategic direction, oversight and compliance with laws and regulations.

Diversity in age, gender, ethnicity, experience, field expertise, and personal qualities shall be considered by the Board as it installs a process of selection to ensure a mix of competent directors and key officers. Diversity will foster critical discussion and promote balanced decisions by the Board by utilizing the difference in perspective of its directors.

POSC Board Skill Set Matrix as of December 31, 2022				INDUSTRY / EXPERIENCE / EXPERTISE / COMPETENCIES																		
NAME and DESIGNATION	AGE	GENDER	EDUCATIONAL BACKGROUND	Accounting/ Audit	Anti-Money Laundering	Banking	Corp. Gov	Economics	Finance	Hospitality /Leisure	IT / Comms.	Insurance	Investments	Internal Control	Law	Management	Manufacturing	Mining	Real Estate	Retail	Risk Management	Sales & Mktg.
<b>Willy Ocier</b> Chairman Non-Executive Director	66	M	Bachelor of Arts in Economics			✓	✓	✓	✓	✓	✓		✓			✓			✓	✓	✓	✓
<b>Jackspon T. Ongsip</b> President & CEO Executive Director	49	M	Bachelor of Science in Accountancy Certified Public Accountant	✓			✓		✓		✓		✓			✓			✓	✓	✓	
<b>Armin Antonio B. Raquel Santos</b> Non-Executive Director	55	M	Bachelor of Science Degree in Business Administration and Finance Master of Arts in Liberal Studies				✓	✓	✓	✓			✓			✓			✓		✓	
<b>Tarcisio M. Medalla</b> Non-Executive Director	74	M	Bachelor of Science in Commerce; Major in Accounting Advance Management Program Certified Public Accountant	✓			✓						✓	✓		✓					✓	
<b>Henry N. Ocier</b> Non-Executive Director	65	M	Bachelor of Science in Business Economics				✓			✓						✓			✓			✓
<b>Raul B. De Mesa</b> Non-Executive Director	79	M	Bachelor of Arts in Business Strategic Business Economics			✓	✓	✓	✓				✓			✓						
<b>Laurito E. Serrano</b> Lead Independent Director	62	M	Masters in Business Administration Certified Public Accountant	✓			✓	✓	✓				✓	✓		✓					✓	
<b>Ma. Gracia M. Pulido-Tan</b> Independent Director	67	F	Bachelor of Science in Business Administration and Accounting and Bachelor of Laws Masters in Law (Tax)	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓	✓					✓	
<b>Roberto V. Antonio</b> Independent Director	60	M	Bachelor of Science in Economics Major in Marketing Management Masters in Business Economics				✓	✓		✓				✓		✓					✓	✓

Pacific Online Systems Corporation prohibits its directors, officers, and employees from using privileged corporate information for personal gain. Trading/ownership of Company shares as of April 30, 2024 is shown below:

Name of Director / Officer	Position	Number of Shares held as of 12.31.2023	Acquisition (+) (as of 30 April 2024)	Disposition (-)		% of Ownership
Willy N. Ocier	Chairman	80,803,500	0	0	80,803,500	9.02%
Jackson T. Ongsip	Director & President	100	0	0	100	0.00%
Tarcisio M. Medalla	Director	300	0	0	300	0.00%
Armin Antonio B. Raquel Santos	Director	200	0	0	200	0.00%
Henry N. Ocier	Director	1,209,000	0	0	1,209,000	0.14%
Ma. Gracia M. Pulido Tan	Independent Director	1,000	0	0	1,000	0.00%
Roberto V. Antonio	Independent Director	10,000	10,000	0	20,000	0.00%
Raul B. De Mesa	Director	300	0	0	300	0.00%
Joseph T. Chua	Independent Director	289,050	0	0	289,050	0.03%
Mischel Gabrielle O. Mendoza	Head, Business Devt.	585,000	0	0	585,000	0.06%
	Other Officers	0	0	0	0	0.00%
	<b>TOTAL</b>	<b>82,898,450</b>	<b>0</b>	<b>0</b>	<b>82,898,450</b>	<b>9.25%</b>

The Company is not aware of any non-compliance with its Manual of Corporate Governance, by any of its officers or employees.

**For governance related issues or concerns, stakeholders may refer to:**

Mischel O. Mendoza  
Business Development Head & Risk Officer  
2803 A&B Tektite Towers, Ortigas Center, Pasig City 1605  
Tel.No.:(632) 8584-1700  
Email: [momendoza@pacificonline.com.ph](mailto:momendoza@pacificonline.com.ph)

**For Investor Relations, stakeholders may contact:**

Michelle T. Hernandez  
Compliance Officer  
2803 A&B Tektite Towers, Ortigas Center, Pasig City 1605  
Tel.No.:(632) 8584-1700  
Email: [michelle.hernandez@bellecorp.com](mailto:michelle.hernandez@bellecorp.com)

**UNDERTAKING TO PROVIDE COPIES OF THE ANNUAL REPORT  
UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND  
VOTE AT THE MEETING, THE COMPANY SHALL FURNISH SUCH SHAREHOLDER WITH A COPY  
OF THE COMPANY'S INFORMATION STATEMENT (SEC FORM 20-IS) AND ANNUAL REPORT  
(SEC FORM 17-A) FREE OF CHARGE. ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED  
TO:**

**JASON C. NALUPTA  
CORPORATE SECRETARY**  
PACIFIC ONLINE SYSTEMS CORPORATION  
28<sup>th</sup> FLOOR EAST TOWER, PSE CENTRE  
EXCHANGE ROAD, ORTIGAS CENTER, PASIG CITY  
Fax. No. : 85717464  
Email Address : [contactus@pacificonline.com.ph](mailto:contactus@pacificonline.com.ph)



# COVER SHEET

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

SEC Registration Number

[illegible]

(Company's Full Name)

[illegible][illegible]

**Maria Neriza C. Banaria**

(Contact Person)

**8584-1700**


(Company Telephone Number)

1 2  
Month  
(Fiscal Year)

3 1  
Day

1	7	-	A	
---	---	---	---	--

(Form Type)


  
 Month Day
   
 (Annual Meeting)

(Secondary License Type, If Applicable)

## CFD

Dept. Requiring this Doc.

--

Amended Articles Number/Section

### Total Amount of Borrowings

<b>61</b>			
Total No. of Stockholders		Domestic	Foreign

To be accomplished by SEC Personnel concerned

[illegible]

Document ID

LCU

Cashier

## STAMPS

Remarks: Please use BLACK ink for scanning purposes.

# SECURITIES AND EXCHANGE

## COMMISSIONSEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2023**
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**  
Only) Province, Country or other jurisdiction of  
Incorporation or organization
6. \_\_\_\_\_ (SEC Use)  
Industry Classification Code
7. **28/F, East Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City, Metro Manila**  
Address of principal office **1605**  
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 and Amount of Debt Outstanding
<b>Common Stock, P1.00 par value</b>	<b>895,330,946</b>
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 [ ☐ ]
13. Aggregate market value of voting stock held by non-affiliates: **₱1.58 billion**  
This was computed by multiplying the number of voting stocks held by non-affiliates by the stock's closing price on December 31, 2023.

## **TABLE OF CONTENTS**

<b>PART I - BUSINESS AND GENERAL INFORMATION</b>	<b>Page No.</b>
Item 1. Business	1
Item 2. Properties	6
Item 3. Legal Proceedings	7
Item 4. Submission of Matters to a Vote of Security Holders	7
 <b>PART II - OPERATIONAL AND FINANCIAL INFORMATION</b>	
Item 5. Market for Registrant's Common Equity and Related Stockholder Matters	8
Item 6. Management Discussion and Analysis of Operating Performance and Financial Condition	9
Item 7. Financial Statements	18
Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	18
 <b>PART III - CONTROL AND COMPENSATION INFORMATION</b>	
Item 9. Directors and Executive Officers of the Registrant	19
Item 10. Executive Compensation	23
Item 11. Security Ownership of Certain Beneficial Owners and Management	25
Item 12. Certain Relationships and Related Transactions	26
 <b>PART IV - CORPORATE GOVERNANCE</b>	27
 <b>PART V - EXHIBITS AND SCHEDULES</b>	
Item 13. Exhibits and Reports on SEC Form 17-C	33
 <b>SIGNATURES</b>	34
 <b>INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES</b>	
 <b>ANNEX I – SUSTAINABILITY REPORT</b>	

## PART I - BUSINESS AND GENERAL INFORMATION

### **Item 1. Business**

Pacific Online Systems Corporation (“POSC”, “Pacific Online” or “Parent Company”) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 6, 1993. The Parent Company is a public company under Section 17.2 of the Revised Securities Regulation Code (SRC) and its shares are listed on the Philippine Stock Exchange, Inc. (PSE) starting on April 12, 2007.

The Parent Company’s registered office address is at 28th Floor, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila.

The Parent Company is a 50.1%-owned subsidiary of Premium Leisure Corp. (PLC or the “Immediate Parent Company”). The ultimate parent company is Belle Corporation (Belle). Belle and PLC are corporations with shares listed on the PSE, incorporated and domiciled in the Philippines.

The subsidiaries of the Parent Company and its interest in a joint operation, which are all incorporated and domiciled in the Philippines, are as follows:

As at December 31, the subsidiaries of the Parent Company and its interest in a joint operation, which are all incorporated and domiciled in the Philippines, are as follows:

		<b>Percentage of Ownership</b>		
	<b>Industry</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Subsidiaries</b>				
Total Gaming Technologies, Inc. (TGTI)	Gaming	<b>98.9</b>	98.9	98.9
Loto Pacific Leisure Corporation (LotoPac)	Gaming	<b>100.0</b>	100.0	100.0
Falcon Resources Inc. (FRI) <sup>(a)</sup>	Gaming	<b>100.0</b>	100.0	100.0
Futurelab Interactive Corp. (FIC) <sup>©</sup>	Gaming	<b>100.0</b>	100.0	100.0
TGTI Services, Inc. (TGTISI) <sup>(a)(b)</sup>	Gaming	—	—	100.0
<b>Interest in Joint Operation</b>				
PinoyLotto Technologies Corp. (PinoyLotto)	Gaming	<b>50.0</b>	50.0	50.0
<i>(a) Indirect ownership through TGTI</i>				
<i>(b) Sold in 2022</i>				
<i>© 50% owned by POSC and 50% owned by TGTI</i>				

### **POSC**

The Parent Company is engaged in the development, design and management of online computer systems, terminals and software for the gaming industry. The Parent Company can also engage in any lawful arrangement for sharing profits, union of interest, unitization or formal agreement, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign.

POSC has an Equipment Lease Agreement (ELA) with the Philippine Charity Sweepstakes Office (PCSO) for the lease of lotto terminals, which includes central computer, communications equipment and the right to use the application software and manuals for the central computer system and draw equipment. The ELA has been concluded on September 30, 2023.

POSC remains committed to looking for opportunities in industry. Such opportunities include the Web-based Application Betting Platform (WABP) or “E-Lotto”. The Parent Company was granted by the PCSO authority to conduct a one-year trial period for E-Lotto which was launched on December 15, 2023.

### **TGTI**

TGTI was incorporated and registered with the SEC on October 23, 2002. The primary purpose of the TGTI is to lease gaming equipment and provide consultancy services relative to online gaming to those engaged in gaming business among others, non-profit institutions, and other entities.

Previously, TGTI’s primary source of revenue was its ELA with PCSO which covered the lease of the online lottery equipment for PCSO’s Online KENO games. The term of the ELA ended on April 1, 2022, and was no longer renewed. The Company is still evaluating its future operating plans, and management continues to actively look for viable opportunities within the gaming industry.

#### LotoPac

LotoPac was incorporated in March 2007, primarily to acquire, establish, operate and manage amusement, recreational and gaming equipment facilities, as well as places for exhibitions, recreational, gaming amusement and leisure of the general public, and to acquire, hold and operate any and all privileges, rights, franchises and concessions as may be proper, necessary, advantageous, or convenient in the conduct of its business.

In 2020, LotoPac ceased its operations as an investment holding entity.

#### FRI

FRI was incorporated on May 25, 1999 primarily to engage in the business of trading or selling of goods on wholesale or retail basis, such as sweepstakes, instant game tickets, and other lottery and gaming tickets, including, but not limited to, those introduced by PCSO as well as tickets of shows, concerts and other events.

In 2020, FRI ceased its scratch ticket distribution operations with the intention to diversify to projects that are more aligned with the Parent Company's strategy and to focus on technology driven games and related support services that will be more viable and sustainable in the long term.

#### TGTISI

TGTISI was incorporated on August 31, 2011 primarily to engage in, conduct and carry on the business of providing logistical, technical support, and consultancy services, and providing end-to-end solutions to entities in the gaming industry in all aspects.

On June 9, 2022, TGTI's Board of Directors (BOD) approved the sale of all its common shares in TGTISI to a third party.

#### FIC

FIC was incorporated on April 4, 2016 primarily to acquire, establish, own, hold, lease, except financial leasing, sell, conduct, operate and manage amusement, recreational, and gaming equipment facilities, and enterprises of any kind and nature, as well as places for exhibitions, recreation, gaming, amusement and leisure for the general public, and to acquire, hold and operate any and all privileges, rights, franchises and concessions.

#### PinoyLotto

On June 21, 2021 PinoyLotto, a joint venture corporation owned by POSC, Philippine Gaming Management Corp. (PGMC) and International Lottery & Totalizator Systems, Inc. (ILTS), was incorporated and registered with the SEC primarily to provide support and online lottery equipment service.

PinoyLotto was awarded the five-year lease of the customized PCSO LotterySystem (PLS Project) at a contract price of ₱5,800.0 million. PinoyLotto commenced commercial operations on October 1, 2023, and pursuant to the requirements of PCSO, 6,500 terminals have been installed and are in operation nationwide.

The Company's interest in PinoyLotto was accounted for as a joint operation.

The Parent Company, its subsidiaries and interest in joint operation are collectively referred herein as "the Group".

### **Recent Developments**

Pacific Online achieved two "game-changing" milestones in 2023.

On October 1, 2023, PinoyLotto successfully launched the Philippine Lottery System (PLS), resulting in a new unified and centralized lottery operations from the decades old legacy system. PinoyLotto completed the migration to PLS and installed 6,500 terminals nationwide.

On August 30, 2023, Pacific Online signed a Memorandum of Agreement with Philippine Charity

Sweepstakes Office (PCSO) for a 1-year Test-run of a web-based application betting platform (WABP). It was launched successfully on December 15, 2023, a first-ever official PCSO E-Lotto project.

### **Agreements with PCSO**

#### **ELA between POSC and PCSO**

Until September 30, 2023, POSC, The Parent Company, had an ELA with the PCSO for the lease of lotto terminals, which included central computer, communications equipment, and the right to use the application software and manuals for the central computer system and draw equipment of PCSO. This also included the supply of betting slips and ticket paper rolls.

PCSO is the principal government agency for raising and providing funds for health programs, medical assistance and services, and charities of national character through holding and conducting charity sweepstakes, races, and lotteries.

Pursuant to the ELA, the Parent Company was required to deposit cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. As at December 31, 2023 and 2022, the total cash bond, included under “Other current assets” or “Other noncurrent assets” in the consolidated statement of financial position amounted to P91.0 million and P14.5 million, respectively.

Since July 31, 2019, the term of the ELA was extended over several periods mainly to allow PCSO to complete the bidding process for the Philippine Lottery System (PLS) under Republic Act No. 9184, as amended, and until a new lottery system is fully realized and to ensure unhampered and uninterrupted operations of the online lottery and to avoid the loss of funds to PCSO. The final extension in 2023 extended the term of the ELA until September 30, 2023 and the contract was concluded thereafter.

The rental fee, presented as “Equipment rental” in the consolidated statements of comprehensive income is based on a percentage of gross sales of lotto ticket from PCSO’s Luzon and VISMIN operations. The number of installed lotto terminals totaled 3,716 and 3,605 as at September 30, 2023 and December 31, 2022, respectively. The Parent Company’s rental income amounted to P469.8 million, P512.7 million and P390.8 million in 2023, 2022, and 2021, respectively.

On August 30, 2023, POSC was granted a one-year trial period to provide a WABP for PCSO. Under the arrangement, POSC will be acting as PCSO’s exclusive agent and generates fees based on a certain percentage of revenues. This was launched in December 15, 2023.

#### **ELA between TGTI and PCSO**

TGTI had an ELA with PCSO which provided for the lease of the equipment for PCSO’s Online KENO games. This covered PCSO’s online keno lottery operations. The lease included online keno equipment and accessories. The rental fee, presented as “Equipment rental” in the consolidated statements of comprehensive income, is based on a percentage of the gross sales of the “Online KENO” terminals. The minimum price per keno bet was reduced from P12 to P10, inclusive of documentary stamp tax.

The ELA required TGTI to post a cash bond and performance security bond with an aggregate amount of P2.5 million. The cash bond is included under “Other current assets” in the consolidated statements of financial position.

The ELA concluded and was not renewed in 2022.

The number of installed online KENO terminals totaled 57 and 569 as at December 31, 2022 and 2021, respectively. TGTI’s revenue from equipment rental amounted to nil, ₱6.3 million, ₱35.6 million in 2023, 2022 and 2021, respectively.

## **Brand and Trademark Agreements**

In January 2018, POSC entered into a Brand and Trademark License Agreement (BTLA) with Powerball Marketing and Logistics Corporation (PMLC) granting the latter a non-assignable, non-transferable and exclusive right to use POSC's instant scratch tickets' brand and trademarks. The agreement has an initial term of five (5) years effective on January 1, 2018, subject to adjustment to conform to and coincide with term of the PMLC's agreement with PCSO for the supply and distribution of its instant scratch tickets. In consideration of the BTLA, PMLC agreed to pay POSC a guaranteed fixed monthly fee of P4.0 million starting January 2018. The agreement with PMLC was accounted for as sale of right to use the brand and trademark. POSC already transferred the control over the brand and trademark to PMLC starting January 1, 2018 and there are no other performance obligation to be provided to PMLC.

Due to the suspension of PCSO games on July 27, 2019, for two months, and on March 17, 2020, for four and a half months, PMLC was not able to supply and distribute instant scratch tickets to its customers. As a result, impairment losses amounting to P26.0 million were recognized in 2020. Consequently, this was reversed in 2021 and was subsequently collected in 2022.

POSC has entered into a new contract with Diamond Powerwinners for Trademark Assignment with a total fee of P30.0 million (inclusive of VAT). The contract terms are for ten months starting November 2023 to August 2024.

## **Government Regulation and Environmental Compliance**

The Company does not need any government approval for its principal products or services since its business is in the development, design and management of online computer systems, terminals and software for the PCSO and not in the operation of the lottery business.

The Company has been fully compliant with environmental regulations and ordinances issued by the concerned Local Government Units (LGU) and by the Department of Natural Resources (DENR) in so far as disposal of used computer hardware, office equipment and other bulky operating supplies are concerned, pursuant to the Republic Act 9003: Ecological Solid Waste Management Act of 2000.

## **Technology Development, Supply and Service Contracts**

### **Scientific Games**

As at December 31, 2023 and 2022, POSC has a contract with Scientific Games, a company incorporated under the laws of the Republic of Ireland, for the supply of Visayas-Mindanao Online Lottery System. In consideration, POSC shall pay Scientific Games a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operation using the computer hardware and operating system provided by Scientific Games. The contract shall continue as long as the POSC's ELA with PCSO is in effect.

In 2021, the contract with Scientific Games was extended until July 31, 2022 and subsequently extended again until September 30, 2023.

### **Intralot**

As at December 31, 2022 and 2021, POSC and TGTI have contracts with Intralot Inc., a company subsidiary domiciled in Atlanta, Georgia, for the supply of hardware, operating system software and terminals and the required training required to operate the system. In consideration, POSC and TGTI shall pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operations. The Contract shall continue as long as POSC's and TGTI's ELA with PCSO are in effect.

The contract with POSC was extended until September 30, 2023 and was no longer renewed.

The contract with TGTI ended in March 31, 2022.

## **The Philippine Lottery Sector**

The Philippine lottery sector is regulated by the PCSO, a government-owned and controlled corporation that was created primarily to raise funds for health and charity programs of the government. It regulates the lottery and other games of chance in order to protect certain sectors of society, especially the youth. It is estimated that the gaming market in the Philippines is worth over P100 billion per year, and illegal gaming accounts for half of the country's gaming industry revenues.

For over 60 years, since the inception of PCSO, the traditional Sweepstakes had been the lone source of funds for the PCSO. This changed in 1995, when PCSO launched the very first online lotto in the Philippines. This innovation brought in a new dimension of fun and excitement for the betting public.

Although there are many types of lottery games worldwide, the Philippine government-authorized lotteries can generally be categorized into these groups: traditional sweepstakes, instant scratch tickets, online lotto, online keno (Lotto Express) and Small-Town Lottery (STL). The Company has partnered with PCSO in all its lottery products except for STL.

The PCSO online lotto games are basically two (2) types; i.e., jackpot draw and digit games. The winning numbers for jackpot draw and digit games are determined by a draw machine. For these lotto games, players purchase tickets from PCSO authorized retail outlets and wait for the future drawing of prizes. The jackpot draw games have three draws a week, while digit games have three draws daily. Draw lotto jackpot prizes are generally pari-mutuel or based on the number of winners and amount of total sales generated per game at the time of draw. Lotto digit games and keno prizes are based on a fixed odds payout structure, which does not rely on the number of players and winners per draw. For online keno, winning numbers are drawn via a Random Number Generator (RNG) program and has draws every ten (10) minutes on a daily basis. Keno draw frequency has been changed to five (5) minutes daily on November 6, 2020. KENO has been discontinued effective April 1, 2022.

Currently, the PCSO online lotto portfolio consists of five (5) jackpot draw games and four (4) digit games. The jackpot draw games are: 6/42 Lotto, 6/45 Mega Lotto, 6/49 Super Lotto, 6/55 Grand Lotto and 6/58 Ultra Lotto; while the digit games are: 2D, 3D, 4D and 6D. All of the nine (9) lotto games operated by the PCSO are played nationwide. Modifications and enhancements of existing games and/or the introduction of new games are directed by the PCSO.

Instant scratch tickets, on the other hand, are typically played by scratching off the surface of a latex coated ticket to reveal a specific pattern of numbers, characters, pictures, or symbols that correspond to a prize amount if ticket is a winner. The player will know immediately if the ticket wins a prize or not. Instant scratch tickets like the Traditional Sweepstakes have a fixed-odds prize structure.

### **The Group's Online Lottery Operations and Products**

As of December 31, 2023, the Company, through its joint operation company Pinoylotto Technologies Corp., had 6,500 terminals installed nationwide. All online lottery terminals located in PCSO authorized retail outlets are continuously connected to PCSO's central computer system that enables real time recording and monitoring of lottery sales and validation of winning tickets.

The next table shows the minimum jackpot amounts and the draw frequencies of the different lotto games supported by the Company.

<u>Lotto Game</u>	<u>Minimum Jackpot</u>	<u>Draw Frequency</u>
6/42 Lotto .....	P 6,000,000	3x a week - Tuesdays, Thursdays & Saturdays
6/45 Mega Lotto ...	P 9,000,000	3x a week - Mondays, Wednesdays & Fridays
6/49 Super Lotto ...	P 16,000,000	3x a week - Tuesdays, Thursdays & Sundays
6/55 Grand Lotto...	P 30,000,000	3x a week - Mondays, Wednesdays & Saturdays
6/58 Ultra Lotto.....	P 50,000,000	3x a week - Tuesdays, Fridays & Sundays
6D Lotto.....	P 150,000	3x a week - Tuesdays, Thursdays & Saturdays
4D Lotto.....	P 10,000	3x a week - Mondays, Wednesdays & Fridays



3D Lotto .....	P	4,500	Thrice daily
2D Lotto .....	P	4,000	Thrice daily

The Company did not spend on development activities in both 2023 and 2022.

### Competition

The Company expects the aggressive push for Small Town Lottery (STL) and the prevalence of illegal gambling particularly in interior towns and remote areas to continue to provide competition to its online lotto revenues. This mostly affects the VisMin region due to the popularity of the digit games, which are very similar to STL games. In terms of the online and mobile front, the Company is also competing with the providers of mobile games such as DigiPlus Interactive Corp.

### Organization and Manpower

As of December 31, 2023, the Group had a total of 42 employees, of which, 18 belong to Operations and 24 were administrative and other support personnel. None of the employees of the Company have organized themselves into any labor union. The Company also provides its employees additional benefits such as health care, life and accident insurance, retirement plan, training and development programs, and wellness programs, among others.

The Company believes that it has maintained balanced relationships with the rank and file and does not anticipate any labor-management issues to arise in the near term. The Company believes that its relationships with its employees have been consistently good and productive.

### Risks

Some of the risks that the Company and its subsidiaries may be exposed to are the following:

#### 1. General Risks

- a. Regulator/Government Risk  
Changes in the government and PCSO administration may result to changes in policies and the way that such policies are implemented, which may be favorable or unfavorable to the Company. New legislation rules regarding taxes on lottery products have an impact in sales as well.
- b. Environmental Risk  
Environmental and natural disasters can also affect the operations in a particular area.

#### 2. Risks Relating to the Company and its Subsidiaries

- a. Dependence on Suppliers  
The Company's lottery operations is anchored on a two-system network. The Company has existing contracts, each distinct and entered into separately, with two global leaders in the lottery industry, namely Scientific Games and Intralot, for the supply of computer supported lottery gaming systems. In the event that the contracts, whether collectively or individually, are terminated or suspended, operations and business of the Company may be impaired.
- b. Business Interruption Risk  
The operations of the Company, its subsidiaries and joint operation are dependent on the reliability of its central computer system and the communications infrastructure needed to run it. Any breakdown or failure in the system provided by its suppliers, or failure in the communication infrastructure may negatively affect the Company's financial performance. The communications infrastructure is being provided mainly by the two biggest telco providers in the country, namely: PLDT/Smart and Globe.
- c. Investment Risk

The Company's ROI on its joint venture investment is dependent on the milestone achievements of the joint venture and the acceptance of PCSO. Non-compliance or delays in the implementation of the joint venture operations may result to additional cost or contract cancellation by PCSO.

## **Item 2. Properties**

The Company Head Office is located in Pasig City.

There are no real properties owned and there are no plans to acquire them in the next twelve (12) months. The Company, together with its subsidiaries, lease all of its business offices. These properties are not mortgaged nor are there any liens and encumbrances that limit ownership or usage of the same.

The leased properties were reduced to 323 sqm for the year ended Dec. 31, 2023 from the previous 1,622 sqm by year end 2022.

The Company's major assets under Pinoylotto are lottery equipment, which consists mainly of lottery terminals, data center equipment, software and operating systems.

## **Item 3. Legal Proceedings**

**“TMA Australia Pty. Ltd. And TMA Group Philippines, Inc. v. Pacific Online.”RTC 66, Pasig City-Civil Case No. R-PSG-17-02130 [321-108]**

This refers to a complaint for Tortious Interference and payment of Damages filed by TMA Australia Pty. Ltd. and TMA Philippines (the “TMA Group”) against Pacific Online in August 2017. The TMA Group alleged that Pacific Online wrongfully interfered with the implementation of the Contractual Joint Venture Agreement (CJVA) between the TMA Group and PCSO when it entered into several equipment lease agreements with the latter that included a supply of paper provision. The TMA Group also applied for a writ of preliminary injunction (WPI) against Pacific Online and prayed for damages in the amount of at least One Million Pesos (P1,000,000.00).

On 21 March 2018, the RTC granted the TMA Group's application for WPI, enjoining Pacific Online from continuing to deliver lotto paper to PCSO. During the pendency of this case, the Supreme Court issued a decision in *Philippine Charity Sweepstakes Office v. TMA Group of Companies* (G.R. Nos. 212143, 225457, and 236888, 28 August 2019), stating that the WPI issued by RTC Makati against PCSO directing it to source its paper from TMA was improperly issued, and that the CJVA – the same CJVA in this case before RTC Pasig – could not have been a valid source of rights against PCSO. TMA filed a Motion for Reconsideration, but this was denied by the Supreme Court in a Resolution dated 04 March 2020. Pacific Online then filed a Manifestation and a Supplemental Manifestation asking for the dismissal of the tortious interference case by the TMA Group.

On 08 February 2021, the court dismissed the case against Pacific Online.

## **Item 4. Submission of Matters to a Vote of Security Holders**

Except for matters taken up during the Annual Stockholders' Meeting, there were no other matters submitted to a vote of security holders during the period covered by this report.

## PART II - OPERATIONAL FINANCIAL INFORMATION

### **Item 5. Market for Registrant's Common Equity and Related Stockholder Matters Market Information**

#### 1. Market Information

The principal market where the registrant's common equity is traded is the Philippine Stock Exchange ("PSE").

The high and low sales prices for each quarter within the last two (2) fiscal years of the registrant's common shares as quoted on the PSE, are as follows:

<b><u>2023</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>
First Quarter	1.84	1.80
Second Quarter	1.86	1.85
Third Quarter	3.59	3.30
Fourth Quarter	5.20	4.68
<b><u>2022</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>
First Quarter	1.77	1.70
Second Quarter	1.44	1.37
Third Quarter	1.36	1.36
Fourth Quarter	1.70	1.56

As of December 31, 2023, the Company's market capitalization amounted to P4,431,888,183 based on the closing price of P4.95 per share.

#### 2. Security Holders

As of December 31, 2023, Pacific Online had 61 shareholders, corresponding to total common shares outstanding of 895,330,946. The top 20 stockholders as of the same date are listed below:

<b>Name</b>	<b>No. of Shares Held</b>	<b>% to Total</b>
1. PREMIUM LEISURE CORP.	448,560,806	50.1000
2. PCD NOMINEE CORPORATION Filipino = 287,522,957 Non- Filipino = 40,296,819	327,819,776	36.6144
3. OCIER, WILLY N.	71,819,350	8.0215
4. ABACORE CAPITAL HOLDINGS, INC	43,761,930	4.8878
5. OCIER WILLY &/OR GERALDINE E.Y. OCIER	1,439,000	0.1607
6. SY, HANS TAN	800,000	0.0894
7. OCIER, MISCHÉL GABRIELLE E.Y.	390,000	0.0436
8. KILAYKO, GREGORIO U.	200,000	0.0223
9. LIM, MAURICE D.	100,000	0.0112
10. BENITEZ, ALFREDO B.	68,200	0.0076
11. CHAN, CARMELITA	66,000	0.0074
12. VILLANUEVA, MYRA P.	23,400	0.0026
13. CHAN, CARMELITA D.L.	33,300	0.0037
14. TAGUBA, LUCILA A.	20,000	0.0022
15. SY, CAROLINE TANCUAN	20,000	0.0022
16. SY, HANS JR. TANCUAN	20,000	0.0022
17. SY, HARVEY CHRISTOPHER TANCUAN	20,000	0.0022
18. SY, HOWARD CONRAD TANCUAN	20,000	0.0022
19. PEREZ, JOSE DEXTER F.	18,000	0.0020
20. LOMARQUEZ, MA. AIMEE R.	12,000	0.0013

## **Dividends**

The Company has approved a dividend policy that would entitle stockholders to receive dividends based on prior year's net income after tax, subject to: (i) the availability of the unrestricted earnings, (ii) implementation of business plans, (iii) contractual obligations, and (iv) working capital requirements. The declaration and payment of dividends is subject to compliance annually or as often as the Board of Directors may deem appropriate, in cash or in kind/or in additional shares from its surplus profits. The ability of the Company to pay dividends will depend on its retained earnings level and financial condition. Dividends shall be paid within 30 days from the date of declaration.

On February 28 2023, POSC declared cash dividends of P0.10 per share, to shareholders as of record on March 15, 2023, and paid out on March 28, 2023.

On February 28, 2024, POSC declared cash dividends of P0.10 per share, to shareholders as of record on March 14, 2024, and to be paid out on March 26, 2024.

## **Recent Sale of Unregistered Securities**

There have been no sales of unregistered securities since 2012.

## **Voting Rights**

At each meeting of the shareholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one vote for each share of stock standing in his name in the books of the Company at the time of closing of the transfer books for such meeting.

## **Dividend Rights of Common Shares**

The Company's board of directors is authorized to declare cash, property, or stock dividends or a combination thereof. A cash dividend declaration requires the approval of the Board and no shareholder approval is necessary. A stock dividend declaration requires the approval of the Board and shareholders representing at least two-thirds of the Company's outstanding capital stock. Holders of outstanding shares on a dividend record date for such shares will be entitled to the full dividend declared without regard to any subsequent transfer of share. Other than statutory limitations, there are no restrictions that limit the Company from paying dividends on common equity.

## **Appraisal Rights**

As provided for by law, any stockholder shall have a right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case any amendment of the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code of the Philippines and;
3. In case of merger or consolidation.

## **Item 6. Management Discussion and Analysis of Operating Performance and Financial Condition**

### **Results of Operations**

#### **2023 Compared to 2022**

**Revenues**

Pacific Online Systems Corporation (the “Company”) consolidated with its subsidiaries (the “Group”), generated total revenues of P601.6 million for the year ended December 31, 2023. Revenues increased by P82.5 million (16%) from revenues of the same period in 2022 amounting to P519.1 million mainly because of the improvement in lotto sales during the first nine months of the year due to the more open economy for 2023 with the return of normal face-to-face activities and easing of quarantine restrictions.

**Cost of services**

Cost of services increased by P13.1 million (5%) to P260.7 million in 2023 from P247.5 million in 2022 due to higher costs of software license fees in line with the higher lotto sales from January to September 2024. In addition, with the commencement of nationwide operations effective October 1, 2024 of Pacific Online’s joint operation, PinoyLotto, higher costs for repairs and maintenance, depreciation, and travel and accommodation have been incurred in relation to the - new lottery system.

**General and administrative expenses**

General and administrative expenses increased by P28.4 million (30%) to P124.1 million in 2023 from P95.8 million in 2022 mainly due to higher expenses in relation to the start of operations of Pinoylotto.

**Other Income (Charges)**

The Company’s Other Income increased by P75.5 million (192%), from P39.4 million in 2022 to P114.9 million in 2023. This is mainly due to the following: higher mark-to-market gains on the Company’s investments held for trading because of higher market share prices for 2023, gain on sale of trademark in 2023 and higher interest income for the year as a result of better cash management and investment decisions, offset by higher interest expense as PinoyLotto pay for finance charges on its loans.

**Financial Condition****2023 Compared to 2022****TOTAL ASSETS**

The Group’s total assets of P1,901.8 million as at December 31, 2023 increased by P785.8 million or 70% from P1,116.0 million as at December 31, 2022.

**Cash and cash equivalents**

Cash and cash equivalents increased by P42.3 million (14%) to P343.9 million as at December 31, 2023 from P301.7 million as at December 31, 2022 due to the following: higher revenues and collections from increased Lotto sales for the year and additional cash from loan drawdowns of PinoyLotto, offset by the payment of dividends amounting to P89.5 million during the first quarter of the year.

Pinoylotto is a joint venture operation owned by Pacific Online, Philippine Gaming Management Corp (PGMC) and International Lottery & Totalizator Systems, Inc. (ILTS). Pinoylotto won the bid for the Philippine Lottery System (PLS) of the Philippine Charity Sweepstakes Office, and has started nationwide operations on October 1, 2023. Loan drawdowns are being used to fund equipment purchases for the said project.

**Investments held for trading**

Investments held for trading of the Group consists of investments in listed shares of stock of DigiPlus Interactive Corp (PLUS) (formerly Leisure and Resorts World Corporation), Vantage Equities, Inc. and APC Group, Inc. The amount of the Group’s investments held for trading increased by P28.7 million (40%) as at December 31, 2023 due to the net increase in the share prices of the investments for 2023.

**Trade and other receivables**

Trade and other receivables increased by P83.2 million (41%) to P284.4 million as at December 31, 2023 from P201.2 million as at December 31, 2022 due to higher receivable from PCSO in relation to the PLS joint venture.

**Creditable withholding taxes (CWTs)**

Creditable withholding taxes decreased by P27.8 million (21%) to P101.8 million as at December 31, 2023 from P129.6 million as at December 31, 2022 due to application of income tax due for 2023.

**Other current assets**

Other current assets of the Group increased by P98.9 million (509%) to P118.3 million as at December 31, 2023 from P19.4 million as at December 31, 2022 due mainly to the guarantee deposit made by Pacific Online pursuant to the agreement with PCSO and the additional input taxes for 2023.

**Financial assets at fair value through other comprehensive income (FVOCI)**

The financial assets at FVOCI pertains to the investment in shares of Premium Leisure Corp (PLC). The account increased by P58.5 million (33%) to P237.6 million as at December 31, 2023 from P179.1 million as at December 31, 2022 due to unrealized valuation gains for 2023.

**Property and equipment**

The Company's property and equipment is composed of lottery equipment, leasehold improvements, office furniture, fixtures and equipment and transportation equipment. This account increased by P704.2 million (34973%) to P706.2 million as at December 31, 2023 from P2.0 million as at December 31, 2022 mainly due to the new lottery system of Pinoylotto, net of depreciation expense recognized for the period.

**Right of use assets (ROU)**

Right of use assets decreased by P1.3 million (70%) to P0.5 million as at December 31, 2023 from P1.8 million as at December 31, 2022 because of the amortization of ROU assets for 2023.

**Other noncurrent assets**

Other noncurrent assets decreased by P205.3 million (98%) to P4.5 million as at December 31, 2023 from P209.8 million as at December 31, 2022. The decrease is mainly because of a reclassification of advances to suppliers (under other noncurrent assets) to the property and equipment account as PinoyLotto started nationwide operations and put the property and equipment to use.

**LIABILITIES**

The Group recorded total liabilities at P726.1 million as at December 31, 2023, higher by P546.2 million (304%) compared to the total liabilities of P179.9 million as at December 31, 2022. The increase was mainly because of the drawdown of loan for the capital expenditure requirements of the PLS Project. Loans payable as at December 31, 2023 is at P470.6 million, increasing by P403.1 million (597%) from P67.5 million as at December 31, 2022. In addition, trade payables increased as PinoyLotto started operating and incurring operational expenses.

**EQUITY**

Total equity of the Company increased by P239.6 million (26%) to P1,175.7 million as at December 31, 2023 from P936.1 million as at December 31, 2022. The increase is mainly brought about by the net income earned for 2023, offset with the cash dividends declared and paid during the first quarter of the year.

As of December 31, 2023, except for what has been noted in the preceding, 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:

- Any Known Trends, Events or Uncertainties (Material Impact on Liquidity) Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures:
- Any Known Trends, Events or Uncertainties (Material Impact on Sales)
- Any Significant Elements of Income or Loss (from continuing operations)

**Key Performance Indicators**

The Company monitors its performance and benchmarks itself to prior year's results in terms of the

following indicators:

	As of	
	Dec. 31, 2023	Dec. 31, 2022
Current Ratio	3.01:1.00	6.49:1.00
Asset-to-Equity Ratio	1.62:1.00	1.19:1.00
Return on Equity	26%	23%
Return on Assets	18%	19%
Solvency Ratio	0.43:1.00	1.25:1.00

The above performance indicators are calculated as follows:

Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Asset-to-equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$
Return on Stockholders' Equity	$\frac{\text{Net Income}}{\text{Total Equity}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$

### **2022 Compared to 2021**

Pacific Online realized consolidated net income amounting to P191.1 million for 2022, increasing significantly by Php331.8 million or more than 200% from the net loss of Php140.7 million incurred in 2021. The considerable improvement in the Company's financial results was brought about by a combination of higher revenues and better control on costs.

#### **Revenues**

In line with the economic recovery from the effects of the COVID-19 pandemic and despite the termination of KENO operations after the first quarter of 2022, the Group generated total revenues from operating sources amounting to P519.1 million for the year ended December 31, 2022, recording an increase of P92.7 million (22%) over total revenues of P426.3 million for the year ended December 31, 2021. Aside from the more robust economy in 2022, the high jackpot prizes of the Lotto games throughout the year helped drive sales volume.

#### **Cost of services**

Cost of services decreased by P131.1 million (35%) from P378.6 million in 2021 to P247.5 million in 2022. This decrease was mainly due to lower depreciation expense because of property and equipment being fully depreciated in 2022 as well as the savings on costs in line with the termination of the KENO operations during the year. Aside from this, the Company is also reaping the effects of cost efficiency measures to rationalize manpower and telecommunication lines and optimize office and warehouse space. The decreases mentioned above were partially offset by higher software license fees paid to suppliers and higher cost of operating supplies that both increased in line with the higher sales.

#### **General and administrative expenses**

General and administrative expenses of the Company decreased by P69.7 million (42%) from P165.5 million in 2021 to P95.8 million in 2022. This was mainly brought about by the cost reduction efforts extended at the backoffice level.

**Financial Condition**  
**2022 Compared to 2021**

**TOTAL ASSETS**

Total assets of the Company increased by P260.2 million (30%) from P855.2 million as at December 31, 2021 to P1,115.4 million as at December 31, 2022.

**Cash**

Cash increased by P203.0 million (206%) due to the higher revenues from the Lotto segment in line with higher Lotto sales as well as the better collections for the year.

**Marketable securities**

The Company's marketable securities increased by P9.7 million (16%) from P61.6 million as at December 31, 2021 to P71.3 million as at December 31, 2022 because of the increase in market value of listed shares held by the Company. As at December 31, 2022, this account consists of investments in listed shares of Leisure and Resorts World Corporation, Vantage Equities, Inc, and APC Group, Inc.

**Trade and other receivables**

Trade and other receivables decreased by P28.1 million (12%) from P229.4 million as at December 31, 2021 to P201.2 million as at December 31, 2022. The decrease is due mainly to the collection of accrued license fee income.

**Other current assets**

Other current assets of the Company is composed of advances to supplier, creditable withholding taxes, spare parts and supplies and prepayments. It increased by P198.8 million (126%) from P157.3 million as at December 31, 2021 to P356.1 million as at December 31, 2022 due mainly to the additional advances to suppliers that the joint venture operation, PinoyLotto Technologies Corp. (Pinoylotto) made as down payment for the purchase of equipment as it gears towards the start of nationwide lottery operations by the end of 2023.

**Financial assets at fair value through other comprehensive income (FVOCI)**

The Company's financial assets at FVOCI is mainly composed of the Company's shares of stock in its parent and ultimate parent companies. This account decreased by P73M (29%) from P252.2 million as at December 31, 2021 to P179.1 million as at December 31, 2022 due to the sale of the Company's shares of stock in Belle Corporation.

**Property and equipment**

The Company's property and equipment is composed of lottery equipment, leasehold improvements, office furniture, fixtures and equipment and transportation equipment. This account decreased by P21.4 million (91%) from P23.4 million as at December 31, 2021 to P2.0 million as at December 31, 2022 mainly because of the depreciation recognized for the Company's assets.

**Right of use assets (ROU)**

Right of use assets declined by P4.9 million (73%) from P6.7 million as at December 31, 2021 to P1.8 million as at December 31, 2022 mainly because of the amortization of ROU assets during the period.

**Other noncurrent assets**

Other noncurrent assets mainly pertains to refundable deposits. This account decreased by P1.9 million (40%) from P4.6 million as at December 31, 2021 to P2.8 million as at December 31, 2022. The decrease is mainly because of the collection of refundable deposits by the Company during the year.

**LIABILITIES**

Total liabilities of the Company increased by P24.0 million (18%) from P135.9 million as at December 31, 2021 to P179.3 million as at December 31, 2022. The increase was mainly brought about by the loan payable of Pinoylotto that was consolidated in the books of the Company amounting to P67.5 million. The overall increase was partially offset by the lower trade and other current liabilities that decreased due to payment of accruals made during the year.

**EQUITY**

Total equity of the Company increased by P216.8 million (30%) from P719.3 million as at December 31, 2021 to P936.1 million as at December 31, 2022. The increase is mainly brought about by the net income earned in 2022.



As of December 31, 2022, except for what has been noted in the preceding, 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:

- Any Known Trends, Events or Uncertainties (Material Impact on Liquidity) Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures:
- Any Known Trends, Events or Uncertainties (Material Impact on Sales)
- Any Significant Elements of Income or Loss (from continuing operations)

### **Key Performance Indicators**

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

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Current Ratio	8.35:1.00	4.64:1.00
Asset-to-Equity Ratio	1.19:1.00	1.19:1.00
Return on Equity	20%	-17%
Return on Assets	17%	-14%
Solvency Ratio	1.25:1.00	(2.13):1.00

The above performance indicators are calculated as follows:

Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Asset-to-equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$
Return on Stockholders' Equity	$\frac{\text{Net Income}}{\text{Total Equity}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$

### **Results of Operations** **2021 Compared to 2020**

Pacific Online realized consolidated net loss amounting to P140.7 million for 2021. This amount, despite being negative, shows significant improvement by P240.6 million (63%) from the P381.4 million net loss recognized in 2020. The improvement in the Company's financial results was brought about by a combination of better revenues and a tighter control on costs.

### **Revenues**

Even with the continuous restrictions and operational limitations due to COVID-19, the Group generated

total revenues from operating sources amounting to P426.3 million for the year ended December 31, 2021, recording an increase of P127.8 million (43%) over total revenues of P298.5 million during the same period in 2020. The increase in revenues was mainly due to the more robust economy in 2021, resulting to an increase in the number of lottery agents that reopened to sell lottery tickets and higher volume of players.

#### **Cost of services**

Cost of services decreased by P135.7 million (26%) from P514.4 million in 2020 to P378.6 million in 2021. This was mainly due to lower depreciation expense because of property and equipment being fully depreciated in 2021 as well as cost efficiency measures to rationalize manpower, telecommunication lines, and operating supplies. The decrease was partially offset by higher software license fees paid to suppliers that increased due to the increase in sales as well as higher rental and utilities expense as onsite work became more regular in 2021.

#### **General and administrative expenses**

General and administrative expenses of the Company decreased by P113.7 million (41%) from P279.3 million in 2020 to P165.5 million in 2021. This was mainly brought about by the cost reduction efforts extended at the backoffice level.

### **Financial Condition**

#### **2021 Compared to 2020**

#### **TOTAL ASSETS**

Total assets of the Company decreased by P248.2 million (22%) from P1,103.4 million as at December 31, 2020 to P855.2 million as at December 31, 2021.

#### **Cash**

Cash decreased by P63.3 million (39%) due to the payments of liabilities and expenses during the year, offset by the collections made for the period.

#### **Marketable securities**

The Company's marketable securities declined by P22.6 million (27%) from P84.3 million as at December 31, 2020 to P61.6 million as at December 31, 2021 because of the decrease in market value of listed shares held by the Company. As at December 31, 2021, this account consists of investments in listed shares of Leisure and Resorts World Corporation, Vantage Equities, Inc, and PLDT, Inc.

#### **Trade and other receivables**

Trade and other receivables increased by P97.0 million (73%) from P132.4 million as at December 31, 2020 to P229.4 million as at December 31, 2021. The increase is due mostly to reclassification of a receivable to current from other noncurrent assets for a portion that will fall due in the next twelve months.

#### **Other current assets**

Other current assets of the Company is composed of creditable withholding taxes, spare parts and supplies and prepayments. It decreased by P7.5 million (5%) from P164.7 million as at December 31, 2020 to P157.3 million as at December 31, 2021 due mainly to lower prepaid expenses at the end of the year.

#### **Financial assets at fair value through other comprehensive income (FVOCI)**

The Company's financial assets at FVOCI is mainly composed of the Company's shares of stock of its parent and ultimate parent companies. This decreased by P29.7M (11%) from P281.8 million as at December 31, 2020 to P252.2 million as at December 31, 2021 due to the decrease in market values of the investments.

#### **Property and equipment**

The Company's property and equipment is composed of lottery equipment, leasehold improvements, office furniture, fixtures and equipment and transportation equipment. This decreased by P60.1 million (72%) from P83.5 million as at December 31, 2020 to P23.4 million as at December 31, 2021 mainly due to disposals partially offset by additions during the year.

**Right of use assets (ROU)**

Right of use assets declined by P3.4 million (34%) from P10.1 million as at December 31, 2020 to P6.7 million as at December 31, 2021 mainly because of the amortization of ROU assets during the period.

**Other noncurrent assets**

Other noncurrent assets decreased by P97.3 million (95%) from P101.9 million as at December 31, 2020 to P4.6 million as at December 31, 2021. The decrease is mainly because of a reclassification from this account to current trade and other receivables for a portion that will be due within the next twelve months.

**LIABILITIES**

Total liabilities of the Company decreased by P104.4 million (43%) from P240.3 million as at December 31, 2020 to P135.9 million as at December 31, 2021. The decrease was mainly brought about by the payments of liabilities and accrued expenses during the period as well as the measurement of lease and retirement liabilities.

**EQUITY**

Total equity of the Company declined by P143.8 million (17%) from P863.1 million as at December 31, 2020 to P719.3 million as at December 31, 2021. The decline is mainly brought about by the net loss incurred in 2021.

As of December 31, 2021, except for what has been noted in the preceding, 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:

- Any Known Trends, Events or Uncertainties (Material Impact on Liquidity) Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures:
- Any Known Trends, Events or Uncertainties (Material Impact on Sales)
- Any Significant Elements of Income or Loss (from continuing operations)

**Key Performance Indicators**

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

	As of	
	Dec. 31, 2021	Dec. 31, 2020
Current Ratio	4.64:1.00	2.89:1.00
Asset-to-Equity Ratio	1.19:1.00	1.27:1.00
Return on Equity	-17%	-35%
Return on Assets	-14%	-27%
Solvency Ratio	(2.13):1.00	(3.36) : 1.00

The above performance indicators are calculated as follows:

Current Ratio

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Asset-to-equity Ratio

$$\frac{\text{Total Assets}}{\text{Total Equity}}$$

Return on Stockholders' Equity

$$\frac{\text{Net Income}}{\text{Total Equity}}$$

Return on Assets

$$\frac{\text{Net Income}}{\text{Total Assets}}$$

Solvency Ratio

$$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$$

### **2024 Plan of Operations**

PinoyLotto, the joint venture operation for the nationwide lottery system, has commenced commercial operations in the last quarter of 2023. POSC owns 50% of the joint venture operation, assuring the Company with steady income for the next 5 years.

The Company will focus its operations on the recent launch of PCSO's first-ever official web-based application betting platform (WABP). Pacific Online aims to constantly improve the system in order to achieve a successful test run.

Pacific Online continues to remain open and is actively seeking opportunities for growth through profitable investments that will increase shareholder value for its various stakeholders.

### **Item 7. Financial Statements**

The audited Financial Statements and Supplementary Schedules as of and for the year ended December 31, 2023 presented in the accompanying index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

### **Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

Pursuant to the requirement on Rotation of External Auditors under SEC Memorandum Circular No. 8 Series of 2003, the registrant will recommend the accounting firm of Reyes Tacandong & Co. for reappointment at the scheduled annual meeting.

Representatives of the principal accountant (Reyes, Tacandong & Co.), the Company's external auditors for the most recently completed fiscal year are expected to be present at the Annual Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire.

Reyes, Tacandong & Co. and R. G. Manabat & Co. audited the Company's statement of financial position as at December 31, 2023 and 2022, respectively, and the statement of comprehensive income, statement of changes in stockholders' equity and statement of cash flows for the year ended December 31, 2022 and 2021 and a summary of significant accounting policies and other explanatory notes. Reyes, Tacandong & Co.'s responsibility is to express an opinion on these financial statements based on their audit. The audits were conducted in accordance with Philippine Standards on Auditing. The partner who handled the Company's external audit was Ms. Belinda B. Fernando.

The Company's Board of Directors in the annual shareholders' meeting on May 26, 2023 recommended, and the shareholders approved, the appointment of Reyes, Tacandong & Co. as the Company's independent public accountant for the fiscal year ending December 31, 2023.

In the Company's three (3) most recent fiscal years, there was no event where the previous external auditor and Reyes Tacandong & Co. and the Company had disagreement on accounting principles or practices, and disclosures of financial statements or auditing scope of procedure.

The aggregate fees for each of last two (2) fiscal years for professional services rendered by the external auditors are as follows:

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Audit fee	P1,100,000	P1,100,000	P1,050,000

Tax services	-	-	-
Other fees			
<b>TOTAL</b>	<b>P1,100,000</b>	<b>P1,100,000</b>	<b>P1,050,000</b>

It is the policy of the Company that any draft audit report must first be reviewed by the Audit Committee prior to said report being endorsed to the Board of Directors for approval. The Audit Committee members are: Mr. Joseph T. Chua (Chairman) Atty. Maria Gracia P. Tan, Mr. Roberto V. Antonio, and Mr. Tarcisio M. Medalla. The final draft of the Company's audited financial statements was discussed and reviewed by said Committee. Whereupon said Committee resolved to recommend to the Company's Board of Directors that said financial statements be approved for issuance and disclosure to the public, the PSE and all related governmental agencies. Said audited financial statements were approved by the Company's Board of Directors during its meeting held on February 28, 2024.

### **PART III - CONTROL AND COMPENSATION INFORMATION**

#### **Item 9. Directors and Executive Officers of the Registrant**

##### **Directors and Senior Management**

The following sets forth certain information as to the Directors and Executive Officers of the Company:

<b>Name</b>	<b>Position with the Company</b>
Willy N. Ocier	Chairman
Jackson T. Ongsip	Executive Director & President
Armin Antonio B. Raquel Santos	Non-Executive Director
Tarcisio M. Medalla	Non-Executive Director
Henry N. Ocier	Non-Executive Director
Laurito E. Serrano <sup>1</sup>	Lead Independent Director
Ma. Gracia M. Pulido Tan	Lead Independent Director
Raul B. de Mesa	Non-Executive Director
Roberto V. Antonio	Independent Director
Joseph T. Chua <sup>2</sup>	Independent Director
Maria Neriza C. Banaria	Chief Financial Officer and Treasurer
Jason C. Nalupta	Corporate Secretary
Ann Margaret K. Lorenzo	Assistant Corporate Secretary
Christopher C. Villaflor	Head of Lottery Operations
Grace L. Gatdula	Data Privacy Officer, Administration Head and Contact for Stakeholders
Ann Josefina G. Esteban	Chief Audit Executive
Mischel Gabrielle O. Mendoza	Business Development Head, Integrated Management Systems Representative and Chief Risk Officer
Michelle Angeli T. Hernandez	Compliance Officer

*\*Notes:*

<sup>1</sup> term ended on May 26, 2023

<sup>2</sup> elected on May 26, 2023

##### **Board of Directors**

The present members of the Board of Directors ("BOD") were elected during the annual stockholders' meeting held on May 26, 2023. The term of the current members of the BOD shall be until the next stockholders' meeting on June 28, 2024. The following are the incumbent members of the Board of

Directors (“BOD”) of the Company:

**Willy Ocier**, Filipino, 67, is the Chairman and Director of the Company since July 29, 1999. He served as the Company’s President until October 2021. He is an Executive Director and Chairman of Premium Leisure Corp. He is also the Chairman and Director of Belle Corporation, APC Group, Inc., Total Gaming and Technologies, Inc. and Premium Leisure and Amusement, Inc. and Vice Chairman of Highlands Prime, Inc. He is the Chairman and Director of Tagaytay Midlands Golf Club, Inc., Vice Chairman of Tagaytay Highlands International Golf Club, Inc. Mr. Ocier is also the Chairman, President, and Chief Executive Officer of Philippine Global Communications, Inc., He is a Director of DigiPlus Interactive Corporation (formerly Leisure and Resorts World Corporation). He also sits as a Director to the following unaffiliated corporations, IVantage Equities, Philequity Management, Inc., Abacore Capital Holdings, Inc. and Toyota Corporation Batangas. He was formerly President and Chief Operating Officer of Eastern Securities Development Corporation. Mr. Ocier graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics. In recognition of Mr. Ocier’s corporate leadership and role in providing employment opportunities to Filipinos, the University of Batangas conferred him a degree in Doctor of Humanities, honoris causa

**Jackson T. Ongsip**, Filipino, 50, is the President and Chief Executive Officer of the Company since October 2021. He is also the President and Chief Executive Officer of Belle Corporation, Non-Executive Director of APC Group, Inc., and Vice President for Portfolio Investments of SM Investments Corporation. Mr. Ongsip is a Certified Public Accountant with an extensive audit and finance background accumulated from 5 years in external audit with SyCip, Gorres, Velayo & Co., 10 years with Globe Telecom and 12 years now with the SM Group. He graduated from the University of Santo Tomas with a Bachelor of Science in Accountancy.

**Tarcisio M. Medalla**, Filipino, 75, is a director of the Company. He also is a Director and President of the Paxys, Inc. He is concurrently a Director of UT Global Services Limited, a privately held company with an RHQ in Manila and affiliated with All Asia Customer Services Holdings Ltd., an investment holding company that owns the controlling equity interest in Paxys. He has been connected with the Group since 1983. He graduated with a BSC degree, major in Accounting, from De La Salle University. He attended the Advanced Management Program (AMP) at the Harvard Business School. He is a Certified Public Accountant.

**Henry N. Ocier**, Filipino, 66, is a Director of the Company since June 29, 2009. He currently holds the position of President & General Manager of Guatson International Travel and Tours, Inc. He graduated with a Bachelor of Science degree in Business Economics from De La Salle University.

**Raul B. De Mesa**, Filipino, 81, is a Director of the Company since June 9, 2022. He is the Chairman, President and CEO of AbaCore Capital Holdings, Inc. He is a distinguished banker and has gained a wealth of experience in the financial industry. He previously served as the President and Chief Executive Officer of Bank of Commerce which was preceded by about 37 years of service in the banking industry, specifically in institutions like the Security Bank, Manila Banking Corporation, and Far East Bank and Trust Company. He graduated from De La Salle University with a Bachelor of Arts in Business degree, and from the University of Asia and the Pacific with a degree in Strategic Business Economics.

**Armin Antonio B. Raquel Santos**, 56, Filipino, is a Non-Executive Director and a member of the Executive Committee of the Company. He is the President and Chief Executive Officer of both Premium Leisure Corp. and its subsidiary PremiumLeisure and Amusement, Inc. He is also a Director of Belle Corporation, Pinoy Lotto Technologies Corporation, Sagittarius Mines, Inc., Tagaytay Highlands International Golf Club, Inc., Manila Golf and Country Club and member of the Board of Trustees of Melco Resorts (Philippines) Foundation Corporation. Formerly, he was Chief Finance Officer of Aboitizland, Inc., Cebu Industrial Park, Inc. and Mactan Economic Zone II and First Philippine Electric Company. He was also former Governor of the Board of Investments (BOI), served as Assistant Secretary with the Department of Trade and Industry (DTI), Vice Chairman and CEO of Philippine Retirement Authority (PRA), Executive Vice President of Philippine International Trading Corporation (PITC), and Deputy Administrator of Subic Bay Metropolitan Authority (SBMA). His experience includes stints with multinational companies; Securities 2000 Inc. (Singapore Technologies Group) and First Chicago Trust Company of New York. Mr. Raquel Santos holds a Master of Arts in Liberal Studies from Dartmouth College, U.S.A. and Bachelor of Science in Business Administration Major in Finance from Iona College, U.S.A.

### ***Independent Directors***

Pursuant to the requirements of Section 38 of the SRC, the Company's Board of Directors and stockholders approved the amendment of the Company's By-Laws adopting the requirement on the nomination and election of independent directors. In line with this, the Board of Directors has elected Messrs. Joseph T. Chua, Ma. Gracia M. Pulido Tan and Roberto V. Antonio as the Company's independent directors.

**Laurito E. Serrano**, 62, Filipino, was a Director of the Company until May 26, 2023, and held the Lead Independent Director position. Mr. Serrano is concurrently serves as Independent Director of Premium Leisure Corp., Rizal Commercial Banking Corporation, 2GO Group Inc., Axelum Resources Corp., and Anglo-Philippine Holdings, Inc. He is also a director in privately-held MRT Development Corporation. As independent director in listed entities, Mr. Serrano serves as chairman or member of such companies' audit, compliance, and risk committees. Mr. Serrano is a former partner of the Corporate Finance Consulting Group of SGV & Co. He is a Philippine Certified Public Accountant and has a Master's degree in Business Administration from the Harvard Graduate School of Business. His area of specialization is Financial Advisory and Corporate Finance in a broad range of clients and industry sectors.

**Roberto V. Antonio**, Filipino, 62, is an Independent Director of the Company. He is also an independent Director of Premium Leisure Corp., the Development Bank of the Philippines and is connected in different capacities with the following private entities: President of Kalimera, Inc., RVA & Sons, Inc., and RVA International Trading Corporation; Chairman of RVA Hatch, Inc.; Vice Chairman of Right Eight Security Agency, Inc.; Consultant of Mustang Holdings, Inc.; as well as former President of the La Salle Greenhills Foundation and former Board Member of the La Salle Greenhills Alumni. Mr. Antonio served as one of the Department of Tourism's Undersecretaries from 1998-2000 and Senior Consultant from 2004-2010. He graduated from De La Salle University with a degree in Economics major in Marketing Management in 1984. Candidate of Juris Doctor at the Ateneo De Manila University Law School in 1989. He finished his Master's in Business Economics at the University of Asia and the Pacific in 1997.

#### **Atty. Ma. Gracia M. Pulido Tan,**

Atty. Tan, 68, Filipino, is a director of the Company since May 28 2021 and is currently the Lead Independent Director. Ms. Tan is likewise an independent director of Belle Corporation and Premium Leisure Corporation. She is a director of Trifels, Inc., She is currently a Trustee of the Justice George A. Malcolm Foundation, Inc., and Philippine Institute of Construction Arbitrator and Mediators. She is also a member of the Tax Faculty of the Philippine Judicial Academy. She is also an arbitrator for the Philippine Center for Dispute Resolution, Inc., a professional lecturer of the University of the Philippines College of Law, a member of the Society of Construction Law Philippines, Dispute Resolution Board Foundation, Office of Alternative Dispute Resolution, International Tax Specialist Group, Philippine Institute of Arbitrators.

Atty. Tan is the former Chairperson of the Commission on Audit, Undersecretary of Finance and Commissioner of the Presidential Commission on Good Government. She served as Chairman of the United Nations Independent Audit Advisory Committee, the first Filipino to have been elected to this 5-member Committee. She is also a professor at the University of the Philippines for Mandatory Continuing Legal Education.

Backed by four decades of professional work in the Philippines and abroad as a private law and accounting practitioner, government official, arbitrator and international consultant. She is an expert in the fields of legal, finance, audit, governance, dispute resolution and administration.

She graduated from the University of the Philippines in 1976 with a degree in Bachelor of Science in Business Administration and Accountancy and in 1981 with Bachelor of Laws. In 1987, she obtained her Master of Laws (Tax) from the New York University. She is a Certified Public Accountant.

### **Executive Officers**

Aside from the President listed above, the executive officers of the Company include the following:

**Maria Neriza C. Banaria**, Filipino, 41, is the Chief Finance Officer (CFO) of the corporation since December 2021. She is concurrently the Chief Finance Officer and Treasurer of Belle Corporation. As a Certified Public Accountant, her strong background in accounting, audit and finance have been accumulated through extensive experience and exposure to various industries. She holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines.

**Atty. Jason C. Nalupta**, Filipino, 52, is the Corporate Secretary of the Company. He is also currently the Corporate Secretary of listed firms A. Brown Company, Inc., Asia United Bank, Belle Corporation, and Crown Asia Chemicals Corporation. He is also a Director and/ or Corporate Secretary or Assistant Corporate Secretary of private companies, Mercury Ventures, Inc., Total Gaming Technologies, Inc., Parallax Resources, Inc., SLW Development Corporation, Belle Infrastructure Holdings, Inc. (Formerly: Metropolitan Leisure & Tourism Corporation), Belle Bay Plaza Corporation, Glyphstudios, Inc., Grabagility, Inc., Loto Pacific Leisure Corporation, Stage Craft International, Inc., FHE Properties, Inc., Stanley Electric Philippines, Inc., Sta. Clara International Corporation and PinoyLotto Technologies Corp. He is a Partner at Tan Venturanza Valdez Law Offices specializing on corporate, securities, and business laws. Atty. Nalupta earned his Juris Doctor degree, as well as his Bachelor of Science degree in Management (major in Legal Management), from the Ateneo de Manila University in 1996 and 1992, respectively. Atty. Nalupta was admitted to the Philippine Bar in 1997.

**Ann Margaret K. Lorenzo**, Filipino, 34, is the Assistant Corporate Secretary of the Corporation since May 2021. She is concurrently the Corporate Secretary of the following companies: Repower Energy Development Corporation, Coal Asia Holdings, Inc., Arquee Corp., Green Asia Resources Corp., and GGO Realty Holdings, Inc. She is also the Assistant Corporate Secretary of Asia United Bank Corporation, Crown Asia Chemicals Corporation, Tagaytay Highlands International Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., Tagaytay Midlands Golf Club, Inc., The Spa and Lodge at Tagaytay Highlands, Inc., Joy-Nostalg Corporation, Jin Natura Resources Corp., Jin Navitas Resource, Inc., Catmon Felix, Inc., Yeoj Commoditas, Inc., Yeoj Socialis, Inc., Yeoj Turbulentus, Inc., Yeoj Universalis, Inc., Bayby Earth, Inc., Jaman Boracay Corporation, Jaman Cebu Corporation, Jaman Hari Corporation, Jaman Reyna Corporation, Jaman Tagaytay Corporation, Corellia Ventures Incorporated, Sacareen Ventures Incorporated, Iridium Ventures Incorporated, and Bluepanel Equities and Development Inc. Ms. Lorenzo is a Senior Associate at Tan Venturanza Valdez where she specializes in securities law, special projects, and data privacy. She also lectures at the Paralegal Training Program of the UP Law Center on corporate housekeeping and data privacy. She obtained her Bachelor of Arts degree in English Studies (cum laude) and Juris Doctor degree from the University of the Philippines in 2010 and 2014, respectively. She was admitted to the Philippine bar in April 2015.

**Christopher C. Villafior**, Filipino, 48, is the Online Lottery Division Head since December 2021. He joined the Company in March 2000 as a Bench Engineer. From June 2004 to October 2009, he served as the Systems Administrator for the Data Center Operations overseeing the lottery administration and maintenance for the Visayas and Mindanao regions. In 2009 he was promoted as Senior Manager of the Data Center Operations and in August 2017, he moved up as Vice President overseeing the Central System & Network Management Department of the Online Lottery Division. Mr. Villafior has extensive experience in the area of system design, development and testing on both the UNIX (OpenVMS, SunOS/Solaris) environment and Microsoft Windows. He has a formal trainings on Project Management Institute, Philippines for Project Management Fundamentals Tools and Techniques, Oracle 10g Programming PL/SQL and Data Administration, AIX Unix System Administration and Operational Planning using Software Engineering for SDLC. He graduated with a degree in Bachelor of Science in Computer Engineering from the University of San Carlos in 1998.

**Grace L. Gatdula**, Filipino, 53, is the Administration Division Head since April 2019. She is the Company's Data Privacy Officer and Contact for Investor Relations starting September 13, 2022. Prior to this, she took positions in Marketing, Business Development, Corporate Planning and Compliance Officer with Pacific Online since 2011. Ms. Gatdula served as Marketing & Membership Head of PSMT Phils Inc. (S&R Membership Shopping/ PriceSmart Phils.) for 8 years. Earlier work experience included stints in advertising at Columbian Autocar Corporation and customer service at Singapore Telecomms. She graduated with a degree in AB Communication Arts at Miriam College.

**Mischel Gabrielle O. Mendoza**, Filipino, 37, is the Head of Business Development starting 2022, Apart from strategic planning and business development, she is in charge of monitoring the company's sustainability efforts and corporate image. She concurrently holds the position of Integrated Management Representative (IMR) and Risk Officer of the corporation. Prior to this, she served as Marketing, Corporate Planning Specialist, then Administration Division Head until her recent appointment back in Corporate Planning. Ms. Mendoza is also a director of Total Gaming Technologies, Inc., a subsidiary of Pacific Online, as well as director and co-founder of private company JIM Weaver Designs Corporation. She holds a Bachelor's Degree in Management Engineering from Ateneo de Manila University and took certificate courses abroad in both Tsinghua University in China and Josai International University in Japan.



**Anna Josefina G. Esteban**, 56, Filipino, is the Chief Audit Executive of the corporation since September 2016. She is also the Chief Audit Executive of the following publicly listed companies such as Belle Corporation, Premium Leisure Corp., and APC Group, Inc. Prior to joining the Belle Group, she served as Treasurer and Chief Finance Officer of Miriam (formerly Maryknoll) College Foundation, Inc. and worked at the Asian Development Bank for 18 years as Senior Officer at the Office of the Treasurer, Office of the Auditor General and Operations Evaluation Office. Earlier on, she was the Head of the Finance Systems and Audit Unit of Magnolia Nestle Corporation (a joint venture of San Miguel Corporation and Nestle S.A.). She was an auditor and management consultant at Carlos J. Valdes & Co. and was an accounting/finance professor at the College of St. Benilde and the Graduate School of Business of De La Salle University (DLSU). Ms. Esteban is a Certified Public Accountant, Certified Information Systems Auditor and Certified Data Privacy Auditor. She earned her Bachelor of Science degree in Accounting at the College of the Holy Spirit, Manila and her Master in Business Administration (with distinction) at DLSU.

**Michelle Angeli T. Hernandez**, 52, Filipino, is the Compliance Officer of the corporation since September 13, 2022. Likewise, she is the Compliance Officer and Chief Risk Officer and Vice President for Governance of Belle Corporation. She is mainly responsible for developing, implementing and managing various strategies, processes and policies related to Corporate Governance, Enterprise Risk Management and Corporate Affairs for the Company and its subsidiaries. Likewise, she is the Compliance Officer of Premium Leisure Corp. and the Chief Risk Officer of APC Group, Inc. She has a bachelor's degree in Tourism (Cum Laude) from the University of Sto. Tomas.

#### **Family Relationships**

Henry N. Ocier and Willy N. Ocier are brothers. Mischel Gabrielle O. Mendoza is the daughter of Willy N. Ocier.

#### **Significant Employees**

The Company is not dependent on the services of any particular employee. It does not have any special arrangements to ensure that any employee will remain with the Company and will not compete upon termination.

#### **Stock Option Plan**

The Company's Board ("BOD") approved the proposed Stock Option Plan ("the Plan") on December 12, 2006. The Company's Stock Option Plan provides an incentive and mechanism to employees and officers to become stockholders of the Company, as well as to qualified directors, officers and employees, who are already stockholders, to increase their equity in the Company and thereby increase their concern for the Company's well-being. All such full-time and regular employees of the Company, its subsidiaries and affiliates, their officers and directors, and such other qualified persons who may be recommended from time to time by the Executive Committee or the Board to the Committee as qualified, are eligible to participate in the Plan. Shares of stock subject to the Plan amount to five per cent (5%) of the Company's total outstanding common stock.

The purchase price of the shares shall not in any case be less than the Fair Market Value of the Company's shares at the time of grant, and, in no case, be less than the Offer Price at which the Company's shares are initially offered for sale to the public. Further, the purchase price shall be subject to adjustment for subsequent stock dividends or splits. The shares covered by any one grant shall be offered for subscription over a period of Three (3) years from and after the effectivity date of each grant that may be determined by the Committee. The Participants may exercise their right to subscribe to shares under the Plan in accordance with the following schedule:

- 1/3 of total grant within One (1) year from the effectivity date of each grant
- 1/3 of total grant within Two (2) years from the effectivity date of each grant
- 1/3 of total grant within Three (3) years from the effectivity date of each grant

On February 15, 2008, SEC approved the Company's application requesting that its proposed issuance of 9,954,900 common shares be exempt from the registration requirements of the Securities Regulation Code.

On May 6, 2008, the BOD approved the allocation of 2,174,000 shares to its executives and employees and to the officers of Lucky Circle under the Plan which is exercisable over a period of three years from May 6, 2008 until May 6, 2011. The purchase price upon exercise of the option was fixed at ₱8.88 per share. At the grant date, the fair value of the Company's share amounted to ₱9.20 per share.

On May 19, 2008, grantees of the stock options exercised 617,000 shares of the Company's stock at ₱8.88 per share.

In 2011 and 2010, certain grantees of the stock options exercised 495,000 shares and 455,000 shares, respectively, of the Company's stock at ₱ 8.88 per share.

As at December 31, 2023, 2022 and 2021, there were no options outstanding or granted upon expiration of the exercisable options on May 6, 2011.

#### **Involvement in Certain Legal Proceedings**

The members of the Board of Directors and Senior Management are not involved in Legal Proceedings.

#### **Item 10. Executive Compensation**

The following table shows the aggregate compensation received by the directors and executive officers of the Company for calendar years 2023 and 2022, as well as the estimated aggregate compensation for calendar year 2024.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other Annual Compensation</b>
Willy N. Ocier Chairman of the Board				
Jackson T. Ongsip President & CEO				
Christopher C. Villaflor Online Lottery Head				
Mischel O. Mendoza Business Dev't Head & Risk Officer				
Grace L. Gatdula Administration Head, Data Privacy Officer & Contact for Investor Relations				
Total for President and 4 most highly compensated Executive Officers	2024 (Estimate)			Php 8,800,563
	2023			8,800,563
	2022			6,891,156
All other executive officers and directors as a Group	2024 (Estimate)			Php 5,574,746
	2023			5,652,524
	2021			7,993,283

Compensation of the Group's key management personnel are as follows:

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Salaries and wages	<b>₱9,187,230</b>	₱9,319,577	₱22,746,801
Professional fees	-	-	1,333,333
Retirement benefits	<b>881,108</b>	1,565,098	90,291
	<b>₱10,068,338</b>	₱10,884,675	₱24,170,425

The compensation of the Group's key management personnel is included in the "Personnel costs" as disclosed in Note 15 and 20 of the audited consolidated financial statements.

In 2023, all Audit Committee members received a per diem of Fifty Thousand Pesos (₱50,000.00) each per Audit Committee meeting attended while other directors received a per diem of Ten Thousand Pesos (₱10,000.00) each. For Board and Board Committee meetings, each director is given a per diem of (₱10,000.00) per day regardless of the number of meetings during the same day.

The following Board of Directors received gross per diem and compensation for their attendance to Board and Committee meetings in 2023:

NAME	POSITION	TOTAL (Php)
Willy N. Ocier	Chairman	386,667
Jackson T. Ongsip	President and Executive Director	408,235
Tarcisio M. Medalla	Non-Executive Director	597,778
Armin Antonio B. Raquel Santos	Non-Executive Director	386,667
Henry N. Ocier	Non-Executive Director	397,778
Laurito E. Serrano <sup>1</sup>	Lead Independent Director	77,778
Ma. Gracia M. Pulido Tan	Lead Independent Director	597,778
Raul B. De Mesa	Non-Executive Director	386,667
Roberto V. Antonio	Independent Director	586,667
Joseph T. Chua <sup>2</sup>	Independent Director	453,333
	TOTAL	P4,279,348

\*Notes:

<sup>1</sup> term ended on May 26, 2023

<sup>2</sup> elected on May 26, 2023

Other than those disclosed above, there are no other standard or other arrangements wherein directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

There is no compensatory plan or arrangement, including payments to be received from the Company, with respect to any of its executive officer, which will result from the resignation, retirement or any other termination of any of its executive officer's employment with the Company and its subsidiaries or from a change-in-control of the Company or in any of its executive officer's responsibilities, following a change-in-control and the amount involved, including all periodic payments or installments, which exceeds ₱2.5 million.

#### **Item 11. Security Ownership of Certain Beneficial Owners and Management**

##### **Security Ownership of Certain Record and Beneficial Owners**

The following persons or group are known to the Company as direct owners of more than five percent (5%) of the Company's voting securities as of December 31, 2023:

Shareholder	Number of Shares	Percent	Beneficial Owner
<b>PREMIUM LEISURE CORP.</b> 5/F Tower A, Two E-Com Center, Mall of Asia Complex, Pasay City	448,560,806	50.1000	<b>PREMIUM LEISURE CORP.</b>
<b>PCD NOMINEE CORPORATION</b>	327,819,777	37	<b>VARIOUS</b>
<b>WILLY N. OCIER</b> 28/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City	71,819,350	8.0215	<b>WILLY N. OCIER</b>

##### **Security Ownership of Directors and Management**

The following table shows the shares beneficially owned by the directors and executive officers of the Company as of 31 December 2023:

Title of Class	Name of Beneficial Owner	Amount and nature of beneficial ownership			Citizenship	Percent of Class
		Direct	Indirect	Total		

Common	Willy N. Ocier	71,819,550	8,983,950	80,803,500	Filipino	9.02
Common	Jackson T. Ongsip	100	0	100	Filipino	0.00
Common	Armin B. Raquel-Santos	200	0	200	Filipino	0.00
Common	Tarcisio M. Medalla	200	100	300	Filipino	0.00
Common	Henry N. Ocier	6,000	1,203,000	1,209,000	Filipino	0.14
Common	Laurito E. Serrano	1,600	800	2,400	Filipino	0.00
Common	Ma. Gracia M. Pulido Tan	1,000	0	1,000	Filipino	0.00
Common	Raul B. De Mesa	300	0	300	Filipino	0.00
Common	Roberto V. Antonio	10,000	0	10,000	Filipino	0.00
Common	Joseph T. Chua	1	289,049	289,050	Filipino	0.03
Common	Maria Neriza C. Banaria	0	0	0	Filipino	0.00
Common	Jason C. Nalupta	0	0	0	Filipino	0.00
Common	Ann Margaret K. Lorenzo	0	0	0	Filipino	0.00
Common	Christopher C. Villaflor	0	0	0	Filipino	0.00
Common	Anna Josefina G. Esteban	0	0	0	Filipino	0.00
Common	Mischel Gabrielle O. Mendoza	390,000	195,000	585,000	Filipino	0.07
Common	Grace L. Gatdula	0	0	0	Filipino	0.00
Common	Michelle Angeli T. Hernandez	0	0	0	Filipino	0.00
	<b>All Directors &amp; Executive Officers as a group</b>	<b>72,228,951</b>	<b>10,671,899</b>	<b>82,900,850</b>		<b>9.26</b>

#### **Voting Trust Holders of 5% or More**

There is no party known to the Company as holding any voting trust or any similar arrangement for five percent (5%) or more of the Company's voting securities.

#### **Changes in Control**

There is no arrangement that may result in a change in control of the Company.

#### **Item 12. Certain Relationships and Related Transactions**

The financial assets at FVOCI pertains to the Group's investment in shares of the Ultimate Parent Company and Parent Company totaling P237.6 million and P179.1 million as at December 31, 2023 and 2021, respectively.

Compensation of the Group's key management personnel are as follows:

	2023	2022	2021
Salaries and wages	<b>₱9,187,230</b>	₱9,319,577	₱22,746,801
Professional fees	<b>881,108</b>	-	1,333,333
Retirement benefits	-	1,565,098	90,291
	<b>₱10,068,338</b>	₱10,884,675	₱24,170,425

#### **PART IV - CORPORATE GOVERNANCE**

The Company remains focused on ensuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders. With this in mind, the Board of Directors has

established corporate governance principles to ensure accountability, fairness and transparency in the organization.

## Corporate Objectives

### Quality Policy

Pacific Online Systems Corporation is committed to continuously improve the quality management system and meet all requirements of the stakeholders in providing reliable, efficient and effective online lottery systems.

### Quality Objectives

1. To be fully responsive to the requirements of stakeholders.
2. To maintain and continuously develop a competent workforce.
3. To maintain and continuously improve financial, operational and administrative control systems to achieve the company's goals and objectives.
4. To comply with statutory and regulatory requirements.

### Information Security Policy

Pacific Online Systems Corporation is committed to safeguard the confidentiality, integrity and availability of all physical and electronic information assets of the company to ensure that regulatory, operational and contractual requirements are fulfilled.

### Information Security Objectives

1. To comply with statutory and regulatory requirements.
2. To comply with requirements for confidentiality, integrity and availability for employees and other users.
3. To establish controls for protecting company information and information systems against theft, abuse and other forms of harm and loss.
4. To ensure that employees maintain the responsibility for, ownership of and knowledge about information security, to minimize the risk of security incidents.
5. To sustain continuity of operations at all times.
6. To ensure that external service providers comply with the company's information security needs and requirements.

## Board Attendance

Regular meetings of the Board are scheduled at the beginning of the year and are held at least six (6) times annually. Special meetings may also be called by the Chairman, the President or Corporate Secretary. A director's absence or non-participation in more than fifty percent (50%) of all meetings in a year is a ground for temporary disqualification in the succeeding election. During 2023, each of the Company's directors have complied with the requirements.

Below table shows the attendance of each board member in the meetings conducted during the year:

Name	Position	Date of Last Election	No. of 2023 Meetings Held During Term	No. of Meetings Attended	% Attendance
Willy N. Ocier	Chairman	26-May-23	9	9	100%
Jackson T. Ongsip	President	26-May-23	9	9	100%
Armin Antonio B. Raquel Santos	Director	26-May-23	9	9	100%
Tarcisio M. Medalla	Director	26-May-23	9	8	89%
Henry N. Ocier	Director	26-May-23	9	8	89%
Laurito E. Serrano*	Independent Director	27-May-22	4	2	50%
Ma. Gracia M. Pulido Tan	Independent Director	26-May-23	9	9	100%
Raul B. De Mesa	Director	26-May-23	9	7	78%
Roberto V. Antonio	Independent Director	26-May-23	9	9	100%
Joseph T. Chua**	Independent Director	26-May-23	5	4	80%

Note: \*Laurito E. Serrano – term ended on May 26, 2023

\*\*Joseph T. Chua - elected on May 26, 2023

In adherence to good governance practice, the schedule of meetings of the Board and Board Committees

for the full year of 2023 was discussed and approved during the February 2023 Board of Directors meeting. On the other hand, the schedules of the Board and Board Committee Meetings in 2024 were discussed and approved by the Board of Directors in November 2023.

### **Board Performance Evaluation**

The Company, through its Corporate Governance Committee, conducts annual performance evaluations of the Board of Directors, its individual members and Board Committees to ensure optimum Board performance. The evaluation seeks to assess the effectiveness and collective performance of the Board through a self-assessment in this evaluation process. In this evaluation process, the directors identify the areas for improvement, such as:

- a. the timelines and integrity of information given to them,
- b. Directors' access to management, the Corporate Secretary and Board Advisors, and
- c. Other form of assistance as needed. The Board reviews the results of these evaluations and agrees on clear action plans to address any issues raised.

The details Board Evaluation Form can be found in the Company's website. Directors are asked to rate the performance of the collective Board, the Board, Committees, themselves as directors, the Company's Chairman of the Board, the Chief Executive Officer, and key officers.

Criteria for Board and Management ratings are as follows:

1. Collective Board Rating – relates to:
  - Board Composition – related to how the Board members assess the Board as a whole based on their balance/diversity, knowledge/competencies, qualifications/background and experience;
  - Board Efficiency and Importance – related to how the Board members assess the Board's overall performance, oversight over Management's activities, discussion on short- and long-term goals, business strategies and plans, risk and regulation, follow up of business plan and strategy, objective and budget, promotion of good governance principles, policies and mechanisms, and promotion of continuing education and/or training;
  - Board Meetings and Participation – relates to how Board members assess frequency of Board meetings, if they were given chance to fully and positively participate, were provided quality materials and sufficient time for study, provided easy and timely access to information or inputs and whether there is efficient use of the time allocated for each meeting.
2. Board Committee Rating – relates to how the Committee members and Management rate the performance of the following Committees for the past year;
  - Executive Committee
  - Audit Committee
  - Risk Oversight Committee
  - Corporate Governance Committee
  - Related Party Transactions Committee
3. Individual Directors' Self-rating – related to how the Directors assess their independence, participation and expertise
4. Officers Rating – relates to how well the Chairman of the Board and the President/CEO demonstrates leadership, integrity, diligence and adherence to corporate governance principles and practices as well as the assessment of the following key officers for their over-all performance:
  - a. Chief Audit Executive
  - b. Chief Risk Officer
  - c. Compliance Officer

The Board reviews the results of this evaluation and agreed on clear action plans to address any issues

raised.

The annual Board performance evaluation for 2023 was conducted within the first quarter of 2024. The results of the evaluation, which found the Board to be functioning well to its mandate, will be discussed and presented to the Board through the Corporate Governance Committee.

### Continuing Education Programs

The Board identifies areas of continuing education on corporate governance topics they require. To keep the Board and key officers well-informed of governance-related developments, regular annual education programs are conducted in coordination with SM Investments Corporation and training providers duly accredited by the SEC. Below is the list of trainings in 2023 attended by the members of our Board of Directors.

	Name of Participants	Training Provider	Date of Training	Topic
1	Willy N. Ocier	Institute of Corporate Directors	16-Oct-23	Corporate Governance
2	Jackson T. Ongsip			
3	Armin Antonio B. Raquel Santos			
4	Henry N. Ocier			
5	Ma. Gracia M. Pulido Tan			
6	Roberto V. Antonio			
7	Joseph T. Chua			
8	Tarcisio M. Medalla	Risks, Opportunities, Assessment and Management, Inc.	03-Aug-23	Corporate Governance
9	Raul B. De Mesa	Institute of Corporate Directors	13-Dec-23	Risk Management in the Post-Covid Age

A review of the various established Board level committees and its respective charters were done for the year 2023. Short descriptions of the committees are as follows:

**Executive Committee** - acts on behalf of the Board in the management and direction of the business and conduct of the affairs of the Company.

**Audit Committee** - has general oversight of the Company's accounting and financial reporting processes, audits of the financial statements, and internal control and audit functions.

**Board Risk Oversight Committee** – assists the Board in overseeing the Company's practices and processes relating to risk assessment and risk management; maintaining an appropriate risk culture, reporting of financial and business risks and associated internal controls,

**Corporate Governance Committee** – tasked with ensuring compliance with, and proper observance of, corporate governance principles and practices. Folded in are the nomination and remuneration oversight functions as well.

**Related Party Transactions Committee** - assists the Board in overseeing the Company's practices and processes relating to related party transactions (RPTs). Reviews all material related party transactions of the Company and ensures that all RPTs are conducted on a fair and arms-length basis.

Members of various committees are expected to serve for a term of one (1) year. Below is the attendance of the members of the Board Committees for 2023.

### Attendance of Audit Committee 2023

Name	Position	Date of Last Election	No. of 2023 Meetings Held During Term	No. of Meetings Attended	% Attendance
Laurito E. Serrano*	Chairman (NED)	27-May-22	4	2	50%
Tarcisio M. Medalla	Member (NED)	26-May-23	4	4	100%
Ma. Gracia M. Pulido Tan	Member (NED)	26-May-23	4	4	100%
Roberto V. Antonio	Member (NED)	26-May-23	4	4	100%
Joseph T. Chua**	Chairman (NED)	26-May-23	2	2	100%

Note: \*Laurito E. Serrano – term ended on May 26, 2023

\*\*Joseph T. Chua - elected on May 26, 2023

### Attendance of Corporate Governance Committee 2023

Name	Position	Date of Last Election	No. of 2023 Meetings Held During Term	No. of Meetings Attended	% Attendance
Roberto V. Antonio	Chairman (NED)	26-May-23	3	3	100%
Laurito E. Serrano*	Member (NED)	27-May-22	1	1	100%
Ma. Gracia M. Pulido Tan	Member (NED)	26-May-23	3	3	100%
Joseph T. Chua**	Member (NED)	26-May-23	2	2	100%

Note: \*Laurito E. Serrano – term ended on May 26, 2023

\*\*Joseph T. Chua - elected on May 26, 2023

### Attendance of Related Party Transactions Committee 2023

Name	Position	Date of Last Election	No. of 2023 Meetings Held During Term	No. of Meetings Attended	% Attendance
Roberto V. Antonio	Chairman (NED)	26-May-23	2	2	100%
Ma. Gracia M. Pulido Tan	Member (NED)	26-May-23	2	2	100%
Laurito E. Serrano*	Member (NED)	27-May-22	1	1	100%
Henry N. Ocier	Member (NED)	26-May-23	2	2	100%
Raul B. De Mesa	Member (NED)	26-May-23	2	2	100%
Joseph T. Chua**	Member (NED)	26-May-23	1	1	100%

Note: \*Laurito E. Serrano – term ended on May 26, 2023

\*\*Joseph T. Chua - elected on May 26, 2023

### Attendance of Board Risk Oversight Committee 2023

Name	Position	Date of Last Election	No. of 2023 Meetings Held During Term	No. of Meetings Attended	% Attendance
Ma. Gracia M. Pulido-Tan	Chairman (NED)	26-May-23	2	2	100%
Tarcisio M. Medalla	Member (NED)	26-May-23	2	2	100%
Laurito E. Serrano*	Member (NED)	27-May-22	1	1	100%
Roberto V. Antonio	Member (NED)	26-May-23	2	2	100%
Joseph T. Chua**	Member (NED)	26-May-23	1	1	100%

Note: \*Laurito E. Serrano – term ended on May 26, 2023

\*\*Joseph T. Chua - elected on May 26, 2023

### Risk Oversight Committee

The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.

The Risk Oversight Committee (ROC) evaluates the effectiveness of the Company's risk management system on an annual basis. The Board of Directors, through the ROC, has reviewed the Company's risk management system for 2023 and has found the same effective and adequate.



### **The Audit Committee**

The Audit Committee reviews annually the effectiveness of the Company's internal control system, including information technology security and controls. To facilitate their review, the Committee understands and evaluates the scope of the internal and external auditors' review of internal controls over financial reporting, and obtains regular reports on significant findings and recommendations, together with management's responses, to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.

The Board of Directors, through the Audit Committee, has reviewed the effectiveness of the Company's internal control system, including the information technology security controls. Effective and adequate internal control mechanisms are in place, implemented and properly complied with for the year 2023.

### **Manual on Corporate Governance**

In compliance with the initiative of the SEC, Pacific Online submitted its Manual on Corporate Governance (the "Manual") to the SEC. The Manual institutionalizes the principles of good corporate governance in the entire Company. Pacific Online believes that corporate governance, the framework of rules, systems and processes governing the performance of the Board and Management of their respective duties and responsibilities, and from which the organization's values and ethics emerge, is of utmost importance to the Company's shareholders and other stakeholders, which include, among others, clients, employees, suppliers, financiers, government and community in which it operates. The Company undertakes every effort possible to create awareness throughout the entire organization.

The Company, through its Chief Compliance Officer, stresses full compliance with applicable laws and adherence to ethical practices as stated in the Code of Business Conduct and Ethics (CBCE) and the Manual. Pacific Online is not aware of any non-compliance with the Manual by any of its directors, officers or employees.

The Board approved on April 25, 2022 the Company's Revised Manual on Corporate Governance: <https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf>

### **Code of Business Conduct and Ethics**

The Company remains committed to align with the best corporate governance practices following the release of the 2016 Code of Corporate Governance for Publicly-Listed Companies. In addition to the Manual, the Company's Code of Business Conduct and Ethics (CBCE) defines good governance, ethics and compliance practices expected throughout the organization. The Manual and CBCE are communicated to directors, officers and employees to ensure familiarity and adherence. These documents are also made public through the Company's website: <https://www.loto.com.ph/wp-content/uploads/CODE-OF-BUSINESS-CONDUCT-AND-ETHICS-2019.pdf>

### **Governance Policies**

Corporate policies on governance were developed, submitted to and approved by the Board to protect the interests and rights of the shareholders and stakeholders and to promote transparency and accountability. Such governance related policies are shown below and may be viewed through the Pacific Online corporate website <https://www.loto.com.ph/corporate-policies/>

. These policies and procedures are initially cascaded throughout the organization via email blast, and annual corporate governance trainings. The Board, through its various Board Committees, ensures that adequate internal control mechanisms are implemented and properly complied in all levels.

1. Whistle-Blowing Policy
2. Policy for Purchase of Goods and Services
3. Accreditation and Performance Evaluation of External Providers Policy
4. Insider Trading Policy
5. Information Technology Policy
6. Dividend Policy Statement
7. Policy on Conflict of Interest
8. Related Party Transactions Policy

## Employees' Safety, Health, and Welfare

Pacific Online Systems Corporation recognizes its employees as one of its most important resource, hence, the Company endeavors to attract, inspire and retain people who demonstrate competencies and attributes that are aligned with its strategies. Some of Pacific Online's non-financial performance indicators, such as those shown on the attached Sustainability Report, identify relevant measures on how effectively the Company is achieving business objectives in the area of human resources.

## Board Diversity

The Corporate values and promotes a diversity policy in the composition of our Board to reinforce its effectiveness in providing strategic direction, oversight and compliance with laws and regulations.

Diversity in age, gender, ethnicity, experience, field expertise, and personal qualities shall be considered by the Board as it installs a process of selection to ensure a mix of competent directors and key officers. Diversity will foster critical discussion and promote balanced decisions by the Board by utilizing the difference in perspective of its directors.

Pacific Online Systems Corporation prohibits the its directors, officers, and employees from using privileged corporate information for personal gain. Trading/ownership of Company shares as of December 31, 2023 is shown below:

Name of Director / Officer	Number of Shares held as of 12.31.2022	Acquisition (+)	Disposition (-)	Number of Shares held as of 12.31.2023	% of Ownership
Ocier, Willy N.	80,803,500	-	-	80,803,500	9.03
Ongsip, Jackson T.	100	-	-	100	0.000
Medalla, Tarcisio M.	300	-	-	300	0.000
Raquel Santos, Armin Antonio B	200	-	-	200	0.000
Ocier, Henry N.	1,209,000	-	-	1,209,000	0.130
de Mesa, Raul B.	300	-	-	300	0.000
Antonio, Roberto V.	10,000	0	0	10,000	0.03
Chua, Joseph T. <sup>1</sup>	289,050	-	-	289,050	0.000
Tan, Maria Gracia P.	1,000	-	-	1,000	0.000
Mendoza, Mischel Gabrielle O.	585,000	-	-	585,000	0.060
<b>TOTAL</b>	<b>82,898,450</b>	<b>0</b>	<b>-</b>	<b>82,898,450</b>	<b>9.25</b>

### For governance-related issues or concerns, stakeholders may refer to:

Mischel O. Mendoza  
Business Development Head & Risk Officer  
2803 A&B Tektite Towers, Ortigas Center, Pasig City 1605  
Tel.No.:(632) 8584-1700  
Email: [momendoza@pacificonline.com.ph](mailto:momendoza@pacificonline.com.ph)

## PART V - EXHIBITS AND SCHEDULES

### Item 13. Exhibits and Reports on SEC Form 17-C

#### a. Exhibits

There are no exhibits to be provided that are applicable to the Company.

#### a. Reports on SEC Form 17-C

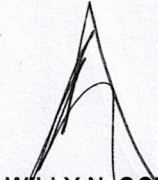
Document	Date Filed	Item No.	Matter
SEC FORM 17-C dated February 09, 2023	10-Feb-23	Item 9	Notice of Annual or Special Stockholders' Meeting
SEC FORM 17-C dated February 28, 2023	01-Mar-23	Item 9	Declaration of Cash Dividends
SEC FORM 17-C dated February 28, 2023	01-Mar-23	Item 9	Material Information/Transactions
SEC FORM 17-C dated February 28, 2023	01-Mar-23	Item 9	Press Release
SEC FORM 17-C dated February 28, 2023	01-Mar-23	Item 11	Material Information/Transactions
SEC FORM 17-C dated March 02, 2023	03-Mar-23	Item 11	[Amend-1]Material Information/Transactions
SEC FORM 17-C dated May 26, 2023	29-May-23	Item 4 & 9	Results of Annual or Special Stockholders' Meeting
SEC FORM 17-C dated May 26, 2023	29-May-23	Item 4 & 9	Results of Organizational Meeting of Board of Directors
SEC FORM 17-C dated August 30, 2023	30-Aug-23	Item 9	Material Information/Transactions
SEC FORM 17-C dated December 28, 2023	29-Dec-23	Item 9	Press Release

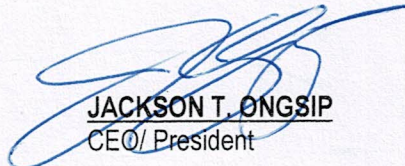


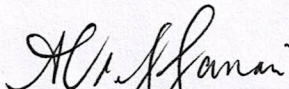
## SIGNATURES

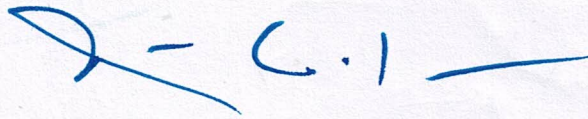
Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on APR 11 2024 day of 2024.

By:

  
**WILLY N. OCIER**  
Chairman of the Board

  
**JACKSON T. ONGSIP**  
CEO/ President

  
**MARIA NERIZA C. BANARIA**  
Chief Finance Officer

  
**ATTY. JASON C. NALUPTA**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 11 2024 day of 2024, affiants exhibiting to me their Competent Evidence of Identity, as follows:

NAME	COMPETENT EVIDENCE OF IDENTITY	DATE OF ISSUE	PLACE OF ISSUE
WILLY N. OCIER	P7443059B	Aug 20, 2021	DFA Manila
JACKSON T. ONGSIP	P45507764B	Jan. 25, 2020	DFA Manila
MARIA NERIZA C. BANARIA	P1618332B	May 08, 2019	DFA NCR Central
JASON C. NALUPTA	P7670714A	June 26, 2018	DFA NCR South

Doc. No. 50  
Book No. 10  
Page No. 12  
Series of 2024

**GAUDENCIO A. BARBOZA, JR.**  
NOTARY PUBLIC  
Cities of Pasig, San Juan and  
in the Municipality of Pateros, Metro Manila  
Until December 31, 2024  
PTR No. 0112601 / 01/02/2024 Pasig City  
BP No. 326534 / 12/11/2023 For Year 2024/RSI  
Roll No. 41969  
MCLE Comp. VII-0028557/April 19, 2023  
No. 11, Unit J Freemont Arcade Bldg.  
Shaw Blvd. Brgy. San Antonio, Pasig City  
Appointment No. 61 (2023-2024)

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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

### COMPANY NAME

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																											

### PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

2	8	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	r	e	,		P	a	s	i	g		C	i	t	y																						

Form Type

A	A	C	F	S
---	---	---	---	---

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

N	/	A
---	---	---

### COMPANY INFORMATION

Company's Email Address

momendoza@pacificonline.com.ph

Company's Telephone Number/s

(02) 8584-1700

Mobile Number

0918-906-0138

No. of Stockholders

61

Annual Meeting (Month / Day)

Second Friday of April

Fiscal Year (Month / Day)

12/31

### CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Michelle Angeli T. Hernandez

Email Address

glgatdula@pacificonline.com.ph

Telephone Number/s

(02) 8662-8888

Mobile Number

0917-5691734

### CONTACT PERSON'S ADDRESS

28th Floor East Tower Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

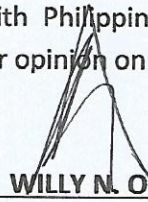
The management of **Pacific Online Systems Corporation and Subsidiaries (the Group)** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2023 and 2022**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

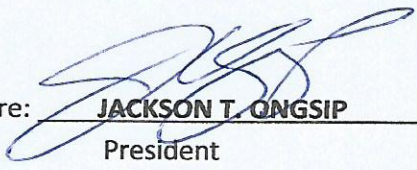
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

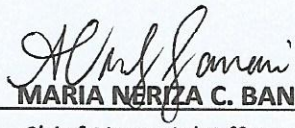
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

**Reyes Tacandong & Co.**, the independent auditors appointed by the stockholders for the periods December 31, 2023 and 2022, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Signature:   
**WILLY N. OCIER**  
Chairman of the Board

Signature:   
**JACKSON T. ONGSIP**  
President

Signature:   
**MARIA NERIZA C. BANARIA**  
Chief Financial Officer

Signed this 28th day of February 2024



SUBSCRIBED AND SWORN to before me this 28<sup>th</sup> day of February 2024 at Pasig City, Metro Manila, affiants exhibiting to me their competent evidences of identity, as follows:

Name	Competent Evidence of Identity
Willy N. Ocier	Philippine Passport No. issued on 20 August 2021 at DFA Manila, valid until 19 August 2031
Jackson T. Ongsip	Philippine Passport No. P4550764B issued on 25 January 2020 at DFA Manila, valid until 24 August 2030
Maria Neriza C. Banaria	Philippine Passport No. P1618332B issued on 08 May 2019 at DFA NCR Central, valid until 07 May 2029

Doc No. 72 :  
Page No. 15 :  
Book No. 08 :  
Series of 2024

**GAUDENCIO A. BARBOZA, JR.**  
NOTARY PUBLIC  
Cities of Pasig, San Juan and  
in the Municipality of Pateros, Metro Manila  
Until December 31, 2024  
PTR No. 0112601 / 01/02/2024 Pasig City  
BP No. 326534 / 12/11/2023 For Year 2024/RSM  
Roll No. 41969  
MCLE Comp. VII-0028557/April 19, 2023  
No. 11, Unit J Freemont Arcade Bldg.  
Shaw Blvd. Brgy. San Antonio, Pasig City  
Appointment No. 61 (2023-2024)



## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Pacific Online Systems Corporation and Subsidiaries  
28th Floor East Tower, Philippine Stock Exchange Centre  
Exchange Road, Ortigas Center, Pasig City

### *Opinion*

We have audited the accompanying consolidated financial statements of Pacific Online Systems Corporation (POSC) and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2023, 2022, and 2021, and notes to consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023, 2022 and 2021 in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

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

### *Key Audit Matter*

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements as at and for the year ended December 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.





#### Proper Accounting and Recognition of Interest in a Joint Operation

The Group accounted for its 50% ownership in PinoyLotto Technologies Corp. (PinoyLotto), a joint venture entity that was awarded with the five-year lease of the customized Philippine Charity Sweepstakes Office (PCSO) Lottery System (PLS Project), as a joint operation. Accordingly, the Group's corresponding share in the assets, liabilities, revenues, and expenses of PinoyLotto was recognized in the consolidated financial statements. PinoyLotto commenced its commercial operations in October 2023. The proper accounting and recognition of interest in joint operation is significant to our audits because of the substantial amount of the Group's share in PinoyLotto's financial position and results of operations and the difference in its financial reporting period.

Our audit procedures included, among others, obtaining the relevant financial information of PinoyLotto and reviewing the alignment with the group reporting period, and checking compliance with the provisions of the significant contracts and agreements. We also gathered sufficient audit evidence to assess the reasonableness of significant balances, focusing on key audit areas such as classification and measurement of lease revenue, determining the validity and proper classification of capital expenditures and operating costs, completeness of liabilities, among others. We also reviewed the adequacy of the related disclosures in Note 2, *Summary of Material Policy Information*, Note 3, *Significant Judgments, Accounting Estimates and Assumptions*, and Note 6, *Interest in Joint Operation* of the consolidated financial statements.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

#### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

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



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

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

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

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



- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Belinda B. Fernando.

**REYES TACANDONG & Co.**

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782; Valid until April 13, 2024

BIR Accreditation No. 08-005144-004-2022

Valid until October 16, 2025

PTR No. 9564560

Issued January 2, 2024, Makati City

February 28, 2024

Makati City, Metro Manila

**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2023	2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	₱343,945,679	₱301,656,383
Investments held for trading	8	100,012,769	71,288,577
Trade and other receivables	9	284,426,917	201,198,131
Creditable withholding taxes (CWTs)	10	101,764,077	129,606,983
Other current assets	10	118,272,603	19,411,394
Total Current Assets		948,422,045	723,161,468
<b>Noncurrent Assets</b>			
Financial assets at fair value through other comprehensive income (FVOCI)	11	237,600,090	179,142,925
Property and equipment	12	706,208,497	2,013,551
Right-of-use (ROU) assets	18	541,486	1,815,399
Net retirement asset	19	4,098,008	–
Net deferred tax assets	17	426,979	–
Other noncurrent assets	10	4,482,115	209,824,090
Total Noncurrent Assets		953,357,175	392,795,965
		<b>₱1,901,779,220</b>	<b>₱1,115,957,433</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade payables and other current liabilities	13	₱254,980,348	₱109,487,367
Current portion of loan payable	6	58,823,529	–
Current portion of lease liabilities	18	294,303	1,891,442
Total Current Liabilities		314,098,180	111,378,809
<b>Noncurrent Liabilities</b>			
Loan payable - net of current portion	6	411,764,707	67,500,000
Lease liabilities - net of current portion	18	208,495	–
Net deferred tax liabilities	17	–	531,152
Net retirement liability	19	–	442,153
Total Noncurrent Liabilities		411,973,202	68,473,305
Total Liabilities		726,071,382	179,852,114

(Forward)

		December 31	
	Note	2023	2022
<b>Equity Attributable to Equity Holders of the Parent Company</b>	14		
Capital stock		<b>₱895,330,946</b>	₱895,330,946
Additional paid-in capital		<b>254,640,323</b>	254,640,323
Cost of Parent Company common shares held by a subsidiary		<b>(285,267,558)</b>	(285,267,558)
Other equity reserves		<b>(224,052,317)</b>	(273,276,416)
Retained earnings		<b>530,917,448</b>	342,701,848
		<b>1,171,568,842</b>	934,129,143
<b>Non-controlling Interest</b>		<b>4,138,996</b>	1,976,176
<b>Total Equity</b>		<b>1,175,707,838</b>	936,105,319
		<b>₱1,901,779,220</b>	₱1,115,957,433

*See accompanying Notes to Consolidated Financial Statements.*

**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

		Years Ended December 31		
	Note	2023	2022	2021
<b>REVENUES</b>				
Equipment rental	18	<b>₱599,221,040</b>	₱519,051,226	₱426,345,611
Commission income	21	<b>2,332,616</b>	—	—
		<b>601,553,656</b>	519,051,226	426,345,611
<b>COST OF SERVICES</b>	15	<b>(260,670,197)</b>	(247,547,583)	(378,629,801)
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	15	<b>(124,144,648)</b>	(95,773,077)	(165,518,554)
<b>OPERATING INCOME (LOSS)</b>		<b>216,738,811</b>	175,730,566	(117,802,744)
<b>OTHER INCOME (CHARGES)</b>				
Marked-to-market gains (losses) on investments held for trading	8	<b>54,078,646</b>	9,659,082	(22,631,431)
Dividend income	11	<b>18,947,664</b>	18,947,664	15,368,577
Finance charges	18	<b>(17,903,206)</b>	(220,505)	(642,417)
Interest income	7	<b>5,753,505</b>	437,289	122,135
Others -net	16	<b>54,045,681</b>	10,579,308	34,975,394
		<b>114,922,290</b>	39,402,838	27,192,258
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		<b>331,661,101</b>	215,133,404	(90,610,486)
<b>PROVISION FOR INCOME TAX</b>	17			
Current		<b>54,676,728</b>	3,576,689	—
Deferred		<b>2,119,557</b>	20,457,202	50,134,333
		<b>56,796,285</b>	24,033,891	50,134,333
<b>NET INCOME (LOSS)</b>		<b>₱274,864,816</b>	₱191,099,513	(₱140,744,819)

(Forward)

		Years Ended December 31		
	Note	2023	2022	2021
<b>NET INCOME (LOSS)</b>		<b>₱274,864,816</b>	₱191,099,513	(₱140,744,819)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>				
Unrealized valuation gains (losses) on financial assets at FVOCI	11	<b>58,457,165</b>	16,971,435	(29,655,825)
Remeasurement gains (losses) on retirement benefits, net of deferred tax	19	<b>(9,233,066)</b>	8,655,956	26,559,054
		<b>49,224,099</b>	25,627,391	(3,096,771)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>₱324,088,915</b>	₱216,726,904	(₱143,841,590)
<b>Net income (loss) attributable to:</b>				
Equity holders of the Parent Company		<b>₱272,701,996</b>	₱191,117,272	(₱140,274,063)
Non-controlling interest		<b>2,162,820</b>	(17,759)	(470,756)
		<b>₱274,864,816</b>	₱191,099,513	(₱140,744,819)
<b>Total comprehensive income (loss) attributable to:</b>				
Equity holders of the Parent Company		<b>₱321,926,095</b>	₱216,744,663	(₱143,370,834)
Non-controlling interest		<b>2,162,820</b>	(17,759)	(470,756)
		<b>₱324,088,915</b>	₱216,726,904	(₱143,841,590)
<b>Earnings (loss) per share - continuing operations</b>				
Basic / diluted earnings (loss) per share	22	<b>₱0.3228</b>	₱0.2262	(₱0.1660)

See accompanying Notes to Consolidated Financial Statements.

**PACIFIC ONLINE SYSTEMS CORPORATIONS AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

		Years Ended December 31		
	Note	2023	2022	2021
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY:</b>				
<b>CAPITAL STOCK</b>	14	<b>₱895,330,946</b>	₱895,330,946	₱895,330,946
<b>ADDITIONAL PAID-IN CAPITAL</b>		<b>254,640,323</b>	254,640,323	254,640,323
<b>COST OF PARENT COMPANY SHARES HELD BY SUBSIDIARIES</b>	21	<b>(285,267,558)</b>	(285,267,558)	(285,267,558)
<b>OTHER EQUITY RESERVES</b>				
<b>Cumulative Unrealized Valuation Losses on Financial Assets at FVOCI</b>				
Balance at beginning of year		<b>(292,848,835)</b>	(492,266,311)	(462,610,486)
Unrealized valuation gains (losses)	11	<b>58,457,165</b>	16,971,435	(29,655,825)
Realized portion of the fair value reserve		—	182,446,041	—
Balance at end of year		<b>(234,391,670)</b>	(292,848,835)	(492,266,311)
<b>Cumulative Remeasurement Gains (Losses) on Retirement Benefits</b>				
	19			
Balance at beginning of year		<b>16,962,065</b>	12,544,349	(14,014,705)
Net remeasurement gains (losses)		<b>(9,233,066)</b>	8,655,856	26,559,054
Reclassification of retirement benefit reserve		—	(4,238,140)	—
Balance at end of year		<b>7,728,999</b>	16,962,065	12,544,349
<b>Other Reserves</b>	14	<b>2,610,354</b>	2,610,354	2,610,354
		<b>(224,052,317)</b>	(273,276,416)	(477,111,608)
<b>RETAINED EARNINGS</b>				
Balance at beginning of year		<b>342,701,848</b>	329,713,024	469,987,087
Net income (loss)		<b>272,701,996</b>	191,117,272	(140,274,063)
Dividends declared	14	<b>(84,486,396)</b>	—	—
Realized portion of the fair value reserve		—	(183,779,301)	—
Reclassification of retirement benefit reserve	19	—	5,650,853	—
Balance at end of year		<b>530,917,448</b>	342,701,848	329,713,024
		<b>1,171,568,842</b>	934,129,143	717,305,127
<b>NON-CONTROLLING INTEREST</b>				
Balance at beginning of year		<b>1,976,176</b>	1,993,935	2,464,691
Share in net income (loss)		<b>2,162,820</b>	(17,759)	(470,756)
Balance at end of year		<b>4,138,996</b>	1,976,176	1,993,935
		<b>₱1,175,707,838</b>	₱936,105,319	₱719,299,062



**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

		Years Ended December 31		
	Note	2023	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax		<b>₱331,661,102</b>	₱215,133,404	(₱90,610,486)
Adjustments for:				
Marked-to-market losses (gains) on investments held for trading	8	<b>(54,078,646)</b>	(9,659,082)	22,631,431
Depreciation and amortization	12	<b>40,796,382</b>	33,728,316	148,369,577
Dividend income	11	<b>(18,947,664)</b>	(18,947,664)	(15,368,577)
Finance charges	18	<b>17,903,206</b>	220,505	642,417
Interest income	7	<b>(5,753,505)</b>	(4,118,204)	(6,235,177)
Retirement benefits cost	19	<b>2,718,689</b>	5,920,800	9,383,034
Unrealized foreign exchange loss (gain)		<b>(2,351,403)</b>	(170,916)	511,428
Gain on disposal of:				
Property and equipment	12	<b>(38,845)</b>	(395,719)	(175,500)
Subsidiaries	5	—	(542,645)	—
Provision for (reversal of) impairment loss on:				
Spare parts, supplies and CWTs	10	—	61,744	(10,860,620)
Trade and other receivables	9	—	—	(26,000,000)
Loss on retirement of property and equipment	12	—	—	834,745
Other provisions		—	—	676,407
Operating income before working capital changes		<b>311,909,316</b>	221,230,539	33,798,679
Decrease (increase) in:				
Trade and other receivables		<b>(83,228,786)</b>	18,188,886	(64,869,022)
Other current assets		<b>(98,861,209)</b>	(213,765,951)	(48,496,158)
Other noncurrent assets		<b>(4,482,115)</b>	1,855,161	97,284,380
Increase (decrease) in trade payables and other current liabilities		<b>145,492,981</b>	14,857,878	(66,540,728)
Net cash generated from (used for) operations		<b>270,830,187</b>	42,366,513	(48,822,849)
Income taxes paid		<b>(26,833,822)</b>	—	(6,146)
Contributions to plan assets	19	<b>(19,569,605)</b>	(10,000,000)	(5,000,000)
Interest received on cash and cash equivalents		<b>5,753,890</b>	437,289	122,135
Net cash flows provided by (used in) operating activities		<b>230,180,650</b>	32,803,802	(53,706,860)

(Forward)

Years Ended December 31				
	Note	2023	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of property and equipment	12	(P533,312,994)	(P36,000)	(P12,127,263)
Proceeds from disposal of:				
Investments held for trading	8	25,354,455	—	—
Property and equipment	12	—	3,869,285	913,501
Financial asset at FVOCI	11	—	88,661,790	—
Dividends received	8	18,947,664	18,947,664	15,368,577
Disposal of subsidiaries, net of cash of the disposed subsidiaries	5	—	(3,910,087)	—
Net cash flows provided by (used in) investing activities		(489,010,876)	107,532,652	4,154,815
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from loan availments	5	432,500,000	67,500,000	—
Loan payments		(29,411,764)		
Cash dividends paid	14	(84,486,396)	—	—
Finance charges paid		(17,878,309)	—	—
Payments of lease liabilities	18	(1,930,130)	(4,989,872)	(12,827,398)
Net cash flows provided by (used in) financing activities		298,768,503	62,510,128	(12,827,398)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>39,937,893</b>	<b>202,846,584</b>	<b>(62,379,443)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>301,656,383</b>	<b>98,638,883</b>	<b>162,274,833</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH</b>		<b>2,351,403</b>	<b>170,916</b>	<b>(1,256,507)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>P343,945,679</b>	<b>P301,656,383</b>	<b>P98,638,883</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>				
Cash on hand		P397,065	P491,500	P535,132
Cash in banks		281,705,944	201,164,883	98,103,751
Cash equivalents		61,842,670	100,000,000	—
		P343,945,679	P301,656,383	P98,638,883
<b>NONCASH FINANCIAL INFORMATION</b>				
Reclassification from advances to suppliers to property and equipment	10	P209,824,090	P—	P—

See accompanying Notes to Consolidated Financial Statements.

## PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023 AND 2022

AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

#### 1. General Information

##### Corporate Information

Pacific Online Systems Corporation (“POSC” or “Parent Company”) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 6, 1993. The Parent Company is a public company under Section 17.2 of the Revised Securities Regulation Code (SRC) and its shares are listed on the Philippine Stock Exchange, Inc. (PSE) starting on April 12, 2007.

The Parent Company’s registered office address is at 28th Floor East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

The Parent Company is a 50.1%-owned subsidiary of Premium Leisure Corporation (PLC or the “Immediate Parent Company”) and its Ultimate Parent Company is Belle Corporation (Belle). Belle and PLC are corporations incorporated and domiciled in the Philippines with shares listed on the PSE.

As at December 31, the subsidiaries of the Parent Company and its interest in a joint operation, which are all incorporated and domiciled in the Philippines, are as follows:

		Percentage of Ownership		
	Industry	2023	2022	2021
<b>Subsidiaries</b>				
Total Gaming Technologies, Inc. (TGTI)	Gaming	98.9	98.9	98.9
Loto Pacific Leisure Corporation (LotoPac)	Gaming	100.0	100.0	100.0
Falcon Resources Inc. (FRI) <sup>(a)</sup>	Gaming	100.0	100.0	100.0
Futurelab Interactive Corp. (FIC) <sup>(c)</sup>	Gaming	100.0	100.0	100.0
TGTI Services, Inc. (TGTISI) <sup>(a)(b)</sup>	Gaming	–	–	100.0

##### **Interest in Joint Operation**

PinoyLotto Technologies Corp. (PinoyLotto)	Gaming	50.0	50.0	50.0
--	--------	------	------	------

*(a) Indirect ownership through TGTI*

*(b) Sold in 2022*

*(c) 50%-owned by POSC and 50% owned by TGTI*

##### POSC

The Parent Company is engaged in the development, design and management of online computer systems, terminals and software for the gaming industry. The Parent Company can also engage in any lawful arrangement for sharing profits, union of interest, unitization or formal agreement, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person on governmental, municipal or public authority, domestic or foreign.

The Parent Company’s primary source of revenue arises from the Equipment Lease Agreement (ELA) with the Philippine Charity Sweepstakes Office (PCSO) for the lease of lotto terminals, which includes central computer, communications equipment, and the right to use the application software and manuals for the central computer system and draw equipment. The ELA has been concluded on September 30, 2023 (see Notes 18 and 21).

POSC remains committed to looking for opportunities in the industry. Such opportunities include the Web-based Application Betting Platform (WABP). The Parent Company was granted by the PCSO with a one-year trial period to provide WABP which was launched on December 15, 2023.

#### TGTI

TGTI was incorporated and registered with the SEC on October 23, 2002. The primary purpose of TGTI is to lease gaming equipment and provide consultancy services relative to online gaming to those engaged in gaming business among others, non-profit institutions, and other entities.

TGTI's primary source of revenue arises from the ELA with PCSO which provides for the lease of the equipment for PCSO's Online KENO games. The ELA concluded last April 1, 2022, and was no longer renewed (see Notes 18 and 21). The Company is still evaluating its future operating plans and management continues to actively look for viable opportunities within the gaming industry.

#### LotoPac

LotoPac was incorporated on March 16, 2007, primarily to acquire, establish, operate and manage amusement, recreational and gaming equipment facilities, as well as places for exhibitions, recreational, gaming amusement and leisure of the general public, and to acquire, hold and operate any and all privileges, rights, franchises and concessions as may be proper, necessary, advantageous, or convenient in the conduct of its business.

In 2020, LotoPac ceased its operations as an investment holding entity.

#### FRI

FRI was incorporated on May 25, 1999 primarily to engage in the business of trading or selling of goods on wholesale or retail basis, such as sweepstakes, instant game tickets, and other lottery and gaming tickets, including, but not limited to, those introduced by PCSO as well as tickets of shows, concerts and other events.

In 2020, FRI ceased its scratch ticket distribution operations with the intention to diversify to projects that are more aligned with the Parent Company's strategy and to focus on technology driven games and related support services that will be more viable and sustainable in the long term.

#### TGTISI

TGTISI was incorporated on August 31, 2011 primarily to engage in, conduct and carry on the business of providing logistical, technical support, and consultancy services, and providing end-to-end solutions to entities in the gaming industry in all aspects.

On June 9, 2022, TGTI's Board of Directors (BOD) approved the sale of all its common shares in TGTISI to a third party (see Note 5).

#### FIC

FIC was incorporated on April 4, 2016 primarily to acquire, establish, own, hold, lease, except financial leasing, sell, conduct, operate and manage amusement, recreational, and gaming equipment facilities, and enterprises of any kind and nature, as well as places for exhibitions, recreation, gaming, amusement and leisure for the general public, and to acquire, hold and operate any and all privileges, rights, franchises and concessions

#### PinoyLotto

On June 21, 2021, PinoyLotto, a joint venture corporation owned by POSC, Philippine Gaming Management Corp. (PGMC) and International Lottery & Totalizator Systems, Inc. (ILTS), was incorporated and registered with the SEC primarily to provide software support and online lottery equipment service.

PinoyLotto was awarded with the five year-lease of the customized PCSO Lottery System (PLS Project) at a contract price of ₱5,800.0 million. PinoyLotto commenced its commercial operations on October 1, 2023, and pursuant to the contract, 6,500 terminals have been installed and are in operation nationwide.

The Group's interest in PinoyLotto was accounted for as a joint operation (see Note 6).

The Parent Company, its subsidiaries and interest in joint operation are collectively referred herein as "the Group."

#### **Approval of the Consolidated Financial Statements**

The consolidated financial statements as at and for the years ended December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 were approved and authorized for issuance by the BOD on February 28, 2024.

---

## **2. Summary of Material Policy Information**

#### **Basis of Preparation and Statement of Compliance**

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial and Sustainability Reporting Standards Council (formerly Financial Reporting Standards Council) and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

#### **Measurement Bases**

The consolidated financial statements are presented in Philippine Peso (Peso), the Group's functional currency. All amounts are rounded to the nearest Peso unless otherwise stated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for:

- investments held for trading which are measured at fair value;
- financial assets at fair value through other comprehensive income (FVOCI); and
- retirement asset or liability which is measured as the difference between the present value of defined benefit obligation and the fair value of plan assets.
- lease liabilities which is measured at the fair value of future lease payments.

Historical cost is generally based on the fair value of the consideration given in exchange of assets and fair value of the consideration received in exchange for incurring a liability.

Fair value 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of market observable data to a possible extent. Fair values are categorized into different levels in a fair value hierarchy, as described below, based on lowest level inputs used that is significant to the fair value measurement as a whole::

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 8, *Investments Held for Trading*, Note 11, *Financial Assets at FVOCI* and Note 23, *Financial Instruments*.

#### **Adoption of Amendments to PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

The adoption of the amendments to PFRS did not materially affect the consolidated financial statements of the Group.

#### **Amendments to PFRS in Issue But Not Yet Effective**

Relevant new and amendments to PFRS, which are not yet effective as at December 31, 2023 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Group shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.
- Amendments to PAS 7, *Statement of Cash Flows* and PFRS 7, *Financial Instrument: Disclosures - Supplier Finance Arrangements* – The amendments introduced new disclosure requirements to enable users of the financial statements assess the effects of supplier finance arrangements on the liabilities, cash flows and exposure to liquidity risk. The amendments also provide transitional relief on certain aspects, particularly on the disclosures of comparative information. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2025:

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* – The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS is not expected to have any material effect on the financial statements of the Group. Additional disclosures will be included in the financial statements, as applicable.

**Basis of Consolidation**

The consolidated financial statements include the accounts of the Parent Company, its subsidiaries and its corresponding share in the joint operation.

*Subsidiaries.* Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interest (NCI), even if this results in the NCI interests having a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.



A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

NCI represent the portion of net results and net assets not held by the Parent Company. These are presented in the consolidated statements of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statements of comprehensive income. NCI represent the equity interest in TGTI not held by the Parent Company.

If the Parent Company loses control over a subsidiary, it derecognizes the assets including goodwill, liabilities and NCI in the subsidiary. The Parent Company recognizes the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in the consolidated statements of comprehensive income.

*Business Combinations and Goodwill.* Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method is used.

Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognized in profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill acquired in a business combination is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for NCI and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGUs), or group of cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment or determined in accordance with PFRS 8, *Operating Segment*.

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs, to which the goodwill relates. When the recoverable amount of the CGU or group of CGUs is less than the carrying amount, an impairment loss is recognized. Impairment loss with respect to goodwill cannot be reversed in future periods.

When goodwill has been allocated to a CGU or group of CGUs and part of the operations within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed and the portion of the CGU retained.

*Joint Arrangements.* Joint arrangements represent activities where the Parent Company has joint control established by a contractual agreement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing the control. A joint arrangement is either a joint operation, whereby the parties have rights to the assets and obligations for the liabilities, or a joint venture, whereby the parties have rights to the net assets.

The Group accounted for its interest in PinoyLotto as a joint operation. Accordingly, the Group recognizes (i) its assets, including its share of any assets held jointly, (ii) its liabilities, including its share of any liabilities incurred jointly, (iii) its revenues and share in revenues from the output of the joint operation, and (iv) its expenses, including its share of any expenses incurred jointly. The Parent Company reports items of a similar nature to those on the financial statements of the joint arrangement, on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

The financial statements of PinoyLotto with a fiscal period ended June 30, are incorporated in the consolidated financial statements as at December 31. Adjustments and disclosures are made for the effects of significant transactions or events that occurred between the date of PinoyLotto's financial statements and the date of the consolidated financial statements. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

### **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable is done using settlement date accounting.

*Initial Recognition.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

*“Day 1” Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transactions price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

*Classification of Financial Instruments.* The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and, (c) financial assets at FVOCI. The classification of a financial asset largely depends its contractual cash flow characteristics and on the Group’s business model for managing them.

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost.

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

Equity securities that have been designated to be measured at FVOCI can no longer be reclassified to a different category.

As at December 31, 2023 and 2022, the Group does not have financial liabilities at FVPL and debt instruments measured at FVOCI.

*Financial Assets at FVPL.* Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest (SPPI) are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship.

Classified under this category are the Group's investments in listed equity securities included under "Investments held for trading" account.

*Financial Assets at Amortized Cost.* A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is 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 SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

Classified under this category are the Group's cash and cash equivalents, trade and other receivables (excluding advances to contractors, suppliers, officers and employees) and guarantee and refundable deposits (presented as part of "Other current assets" or "Other noncurrent assets").

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and are subject to an insignificant risk of changes in value.

*Financial Assets at FVOCI.* On initial recognition, equity securities which are not held for trading may be irrevocably designated as a financial asset to be measured at FVOCI.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, financial assets at FVOCI are measured at fair value with unrealized valuation gains or losses recognized in other comprehensive income and are accumulated under "Other equity reserves" account in the equity section of the consolidated statements of financial position. These fair value changes are not reclassified to profit or loss in subsequent periods. On disposal of these equity securities, any cumulative valuation gains or losses will be reclassified to retained earnings.

Classified under this category are the Group's investments in equity securities issued by the Parent Company.

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

Classified under this category are the Group's trade payables and other current liabilities (excluding statutory payables), loan payable and lease liabilities.

#### **Impairment of Financial Assets at Amortized Cost**

The Group records an allowance for expected credit loss (ECL) on financial assets at amortized cost based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's 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.

The Group measures loss allowances at an amount equivalent to the 12-month ECL for financial assets on which credit risk has not increased significantly since initial recognition or that are determined to have low credit risk at reporting date. Otherwise, impairment loss will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at reporting date with the risk of a default occurring on the financial instrument on the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort. In addition, the Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at reversal date.

A financial asset is written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

*Trade Receivables.* The Group has applied the simplified approach in measuring the ECL on trade receivables. Simplified approach requires that ECL should always be based on the lifetime ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

*Other Financial Instruments Measured at Amortized Cost.* For these financial assets, the Group applies the general approach in determining ECL. The Group recognizes an allowance based on either the 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

### **Derecognition of Financial Assets and Liabilities**

*Financial Assets.* A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expired. When 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 derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

**Offsetting Financial Assets and Liabilities**

Financial assets and liabilities are offset, and the net amount is reported in the consolidated statements 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 assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

**Classification of Financial Instrument between Liability and Equity**

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

**Creditable Withholding Taxes (CWTs)**

CWTs represent the amount withheld by the Group's customers in relation to its income. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWTs are stated at its net realizable amount.

**Advances to Suppliers**

Advances to suppliers represent payment for purchased goods which are not yet delivered to the Group as at reporting date. Advances to suppliers are measured at the amount of cash paid. Subsequently, these are transferred to appropriate account upon receipt of the goods or services.

**Value-Added Tax (VAT)**

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

Under Revenue Regulations (RR) No. 16-2005, sale to the government agencies is subject to a 5% final withholding VAT. Allowable input VAT should not exceed 7% of the gross receipts, which effectively accounts for the standard input VAT in lieu of the actual input VAT attributable to such sale. Any excess standard input VAT over actual input VAT is recognized as other income.

Starting 2021, the 5% final withholding VAT should be treated as creditable VAT.

The net amount of tax recoverable from (payable to) the taxation authority is included as part of "Other current assets" account or "Trade payables and other current liabilities" account in the consolidated statements of financial position.

The amount of VAT on revenue not yet collected is presented as part of “Statutory payables” under “Trade payables and other current liabilities” account in the consolidated statements of financial position.

### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to profit or loss in the period when 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 additional cost of property and equipment.

Each part of the property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the depreciable assets. The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

Asset Type	Number of Years
Lottery equipment	4 - 10 or term of lease, whichever is shorter
Computer software	5
Leasehold improvements	4 or the term of the lease, whichever is shorter
Office furniture, fixtures and equipment	4
Transportation equipment	4 - 5

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation is consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated assets are retained in the accounts until these are no longer in use.

### **Software Development**

Software development cost is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, an internally generated software development is measured at cost less accumulated amortization and any accumulated impairment losses.



Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization is calculated to write off the cost of intangible assets less their estimated residual values, if any, using the straight-line method over their estimated useful lives, of two to three years and amortization of intangible assets is recognized in profit or loss. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### **Impairment of Nonfinancial Assets (excluding Goodwill)**

Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### **Equity**

*Capital Stock and Additional Paid-in Capital.* Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Incremental costs directly attributable to the issue of new capital stock are recognized as a deduction, net of tax, from the equity.

*Cost of Parent Company Common Shares Held by a Subsidiary.* Parent Company's shares which are held by a subsidiary are treated similar to treasury shares and recognized and deducted from equity at cost. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issue, or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in other reserves.

*Other Equity Reserves.* Other equity reserves primarily comprise of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. Other equity reserves of the Group mainly pertain to cumulative unrealized valuation losses of financial assets at FVOCI and cumulative remeasurement gains of retirement benefits.

*Retained Earnings.* Retained earnings represent the cumulative balance of the Group's results of operations and reclassification of realized equity reserves, net of dividends declared.

### **Revenue Recognition**

Revenue from contracts with customers is recognized control of the services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group has generally concluded that it is the principal in its revenue arrangements. The following specific recognition criteria must also be met before revenue from contracts with customers is recognized.

The following specific recognition criteria must also be met before revenue is recognized:

*Equipment Rental.* Revenue from lease agreements with variable lease payments is recognized based on a certain percentage of gross sales of the lessee's online lottery operations, as computed by the lessee in accordance with the agreement. For lease agreements with fixed payments and is classified as operating lease, revenue is recognized on a straight-line basis over the term of the lease.

*Commission Income.* Commission income from WBAP is recognized at a point in time when the related services are provided and is computed based on a certain percentage of gross sales of the web-based lottery operations.

*Dividend Income.* Revenue is recognized when the Group's right to receive the payment is established.

*Interest Income.* Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

*Service Income.* Revenue is recognized at a point in time when the service to the customer is performed. Service income consists of fees earned by TGTISI in providing repairs and maintenance services to Rapid Bingo equipment of AB Leisure Exponent Inc.

*Other Income.* Income from other sources is recognized when earned.

The related contract balances are the trade receivables which represent the Group's right to an amount of consideration that is unconditional i.e., only the passage of time is required before payment of the consideration is due.

### **Cost and Expense Recognition**

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

*Cost of Services.* Cost of services is recognized as expense when the related services are rendered.

*General and Administrative Expenses.* General and administrative expenses constitute cost of administering the business. These expenses are recognized in profit or loss when incurred.

### **Leases**

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Group as a Lessor.* Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income under operating leases are recognized on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rent income. Contingent rents are recognized as revenue in the period in which these are earned.

*Group as a Lessee.* At the commencement date, the Group recognizes right-of-use (ROU) assets and lease liabilities.

*ROU Assets.* ROU assets are initially measured at cost, which comprises the initial amount of lease liabilities adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred, less any incentives received. ROU assets are subsequently amortized using the straight-line method from the commencement date to the end of the lease term. In addition, ROU assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

*Lease Liabilities.* Lease liabilities are initially measured at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the fixed payments, including in-substance fixed payments, and if applicable:

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise; lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liabilities are subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liabilities are remeasured, a corresponding adjustment is made to the carrying amount of the ROU assets, or is recorded in profit or loss if the carrying amount of the ROU assets has been reduced to zero.

*Short-term Leases and Leases of Low-value Assets.* The Group has elected not to recognize ROU assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### **Employee Benefits**

*Short-term Benefits.* The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

*Retirement Benefits.* The Group has a funded, non-contributory defined benefit plan covering all qualified employees. Retirement benefit costs are actuarially determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Retirement benefits cost recognized in profit or loss include: (a) the service cost of the defined benefit plan, i.e., current service costs, past service costs (including curtailment gains or losses) and any gain or loss on settlement; and (b) net interest on the retirement liability or asset.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on the retirement liability or asset) are recognized immediately in other comprehensive income in the period in which these arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The retirement liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting period.

#### **Foreign Currency Denominated Transactions**

Transactions denominated in foreign currencies are initially recorded in Peso using the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency using the rate of exchange prevailing at the reporting date. Foreign exchange differences between the rate at transaction date and settlement date or reporting date are credited to or charged against profit or loss. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the dates of initial transactions.

#### **Income Taxes**

*Current Tax.* Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income tax relating to item recognized directly in equity is recognized in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred Tax.* Deferred tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes except for:

- When it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses (net operating loss carryover or NOLCO), only if it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of reporting period.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in OCI or directly in equity.

*Offsetting.* Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Group plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### **Related Parties and Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties. Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related parties in an economically comparable market.

Related party transactions are considered material and/or significant if i) these transactions amount to 10% or higher of the Group's total assets, or ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Group's total assets. Details of transactions entered into by the Group with related parties are reviewed in accordance with the Group's related party transactions policy.

**Earnings (Loss) per Share**

Basic earnings (loss) per share is computed by dividing net income (loss) for the year attributable to common equity holders of the Parent Company by the weighted average number of issued and outstanding common shares during the year, after giving retroactive effect to any stock dividends declared during the year.

Diluted earnings (loss) per share is computed by dividing net income (loss) for the year attributable to common equity holders of the parent by the weighted average number of issued and outstanding common shares during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings (loss) per share does not assume conversion, exercise, or other issue of potential common shares that would have an anti-dilutive effect on earnings (loss) per share.

As the Group has no dilutive potential common shares outstanding, basic and diluted earnings (loss) per share are stated at the same amount.

**Operating Segments**

For management purposes, the Group is organized into business units based on the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services.

**Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are made using the best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period these arise.

**Contingencies**

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

**Events after the Reporting Date**

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

---

### 3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to exercise judgment, make estimates and use assumptions that affect amounts of assets, liabilities, income and expenses reported in the consolidated financial statements. The judgment, accounting estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. While management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

#### **Judgments**

In the process of applying the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

*Assessing Joint Control and Determining Proper Classification of a Joint Arrangement.* Management has used judgment in classifying the Parent Company's interest in PinoyLotto as a joint operation. PinoyLotto is 50% owned by the Parent Company and is assessed to be controlled jointly with the parties to the agreement because the parties have equal number of board representatives and the relevant activities that significantly affect the return on the investment requires approval of representatives from both parties. In classifying the interest as a joint operation, management's considerations include, but are not limited to, determining if the arrangement is structured through a separate vehicle and whether the legal form and contractual arrangements give the entity direct rights to the assets and obligations for the liabilities within the normal course of business. Other facts and circumstances are also assessed by management, including the entity's rights to the economic benefits of assets and its involvement and responsibility for settling liabilities associated with the arrangement.

*Evaluating Lease Commitments.* The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains a lease when the fulfillment of the arrangement depends on specific asset or assets and the arrangement conveys a right to use the asset.

*Determining the Classification of Lease.* The Group leases to PCSO the lottery equipment it uses for its nationwide on-line lottery operations. The Group have determined that it has retained substantially all the risks and benefits of ownership of the lottery equipment being leased to PCSO. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, the lease term is not for the major part of the asset's economic life, and, certain features of the arrangement does not transfer substantially all risk and rewards to the lessee. Accordingly, the lease is accounted for as an operating lease.

Revenue from equipment rental is disclosed in Notes 18 and 21.



*Determining the Fair Value of Financial Instruments.* PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity.

The fair value of the Group's financial assets and liabilities are disclosed in Note 23.

**Accounting Estimates and Assumptions**

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

*Assessing Impairment Losses on Financial Assets.* Impairment losses on financial assets are determined based on ECL. In assessing the ECL, the Group uses historical loss experience adjusted for forward-looking factors, as appropriate.

The Group's cash and cash equivalents are maintained at reputable financial institutions with good industry rating and score.

The Group maintains allowance for impairment losses on trade and other receivables at a level considered adequate to provide for potential uncollectible accounts. The level of this allowance is evaluated by the management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the age and status of receivables, the length of relationship with the customers, the customer's payment behavior and known market factors. The Group reviews the allowance on a continuous basis.

For other financial assets at amortized cost, the Company has applied the general approach and calculated the ECL by considering the consequences and probabilities of possible defaults only for the next 12 months, rather than the life of the asset. It continues to apply this method until a significant increase in credit risk has occurred, at which point the loss allowance is measured based on lifetime ECL.

No provision for impairment losses on trade and other receivables was recognized by the Group in 2023, 2022 and 2021. The allowance for impairment losses on financial assets at amortized cost are disclosed in Note 9. The reversal of impairment loss in 2022 is disclosed in Note 16.

The carrying amounts and credit quality of financial assets at amortized cost that were subjected to impairment assessment are disclosed in Note 23.

*Determining Impairment of Significant Nonfinancial Assets.* The Group assesses whether there are any indicators of impairment for significant nonfinancial assets at each reporting date. Significant nonfinancial assets are reviewed for impairment when there are indicators that the carrying amounts may not be recoverable. Determining the recoverable amount of these nonfinancial assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets which will necessitate the Group to make estimates and assumptions that can materially affect the consolidated financial statements.

While it is believed that the assumptions used in the estimation of recoverable values are appropriate and reasonable, future events could cause the Group to conclude that such nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Group's consolidated financial statements.

Management has considered the external and internal sources of impairment and assessed that there were no impairment indicators affecting the Group's property and equipment as at December 31, 2023 and 2022.

In 2020, the Group recognized provision for impairment loss for the remaining amount of spare parts and supplies of TGTI as these are identified as obsolete. In 2022 and 2021, however, the management reversed a portion of the impairment loss that were previously recognized for spare parts and supplies that were utilized in the operations. No provision for (reversal of) impairment losses on spare parts and supplies was recognized in 2023 (see Note 10).

The carrying amounts of nonfinancial assets as at December 31, 2023 and 2022 are as follows:

	Note	2023	2022
Property and equipment	12	<b>₱706,208,497</b>	₱2,013,551
CWTs	10	<b>101,764,077</b>	129,606,983
Other current assets*	10	<b>27,071,189</b>	4,911,394
Other noncurrent assets*	10	<b>1,647,000</b>	207,054,331
ROU assets	18	<b>502,798</b>	1,815,399

\*Excluding guarantee and/or refundable deposits.

*Assessing the Realizability of Deferred Tax Assets.* The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount 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 amount of deferred tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future tax planning strategies to which the deferred tax assets can be utilized.

Details of recognized and unrecognized deferred tax assets are disclosed in Note 17.

*Estimating the Useful Lives of Property and Equipment, ROU Assets and Software Development.* The Group estimates the useful lives of the property and equipment, ROU assets and software development based on the period over which these assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There were no changes in the estimated useful lives of property and equipment, ROU assets and software development in 2023, 2022 and 2021. The carrying amount of property and equipment, ROU assets, software development are disclosed in Notes 10, 12 and 18, respectively.

*Evaluating Contingencies.* The Group recognizes provision for possible claims when it is determined that an unfavorable outcome is probable and the amount of the claim can be reasonably estimated. The determination of reserves required, if any, is based on analysis of such individual issue, often with the assistance of outside legal counsel. Management believes that any potential claims against the Group arising from the normal course of business will not have any material adverse effect on its consolidated financial position and consolidated financial performance.

---

#### 4. Segment Information

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. Thus, 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.

In 2023, 2022, and 2021 the Group's segment pertains solely to equipment leasing and other related services.

Performance is measured based on segment income before income tax, as included in the internal management reports that are reviewed by the Group's President. Segment net income is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

---

#### 5. Disposal of a Subsidiary

On June 9, 2022, TGTI's BOD approved the transfer of all the rights, title and interests in TGTISI's shares to a third party for a consideration of ₱1.0 million.

Total gain on deconsolidation amounted to ₱542,645, which is the difference between the consideration received and the Group's share on TGTISI's net asset at the date of disposal (see Note 16).

##### Effect of Disposal on the Financial Position and Cash Flows of the Group

	2022
Cash	(₱4,910,087)
Trade and other receivables	(13,649,430)
Other current assets	(190,709)
Trade payables and other current liabilities	18,292,871
<b>Net assets</b>	<b>(₱457,355)</b>
Cash consideration received	₱1,000,000
Cash disposed of	(4,910,087)
<b>Net cash outflow</b>	<b>(₱3,910,087)</b>

## 6. Interest in Joint Operation

Interest in joint operation pertains to the Group's 50% ownership in PinoyLotto. As discussed in Note 1, PinoyLotto was awarded a five-year lease of the customized PCSO Lottery System, also known as '2021 PLS Project' at a contract price of ₱5,800.0 million.

The five-year lease commenced on October 1, 2023.

The contractual arrangements give the joint operators direct rights to the assets and obligations for the liabilities within the normal course of business.

Relevant financial information of PinoyLotto and the Group's share of the assets and liabilities as at December 31, 2023 and 2022, and share in revenue and expenses for the years ended December 31, 2023 and 2022 are as follows:

### Share in Assets, Liabilities, Revenues, Cost, and Expenses

	2023	2022
Cash and cash equivalents	₱72,608,057	₱25,892,498
Trade and other receivables	96,666,667	–
Other current assets	29,487,751	2,289,300
Total Current Assets	198,762,475	28,181,798
Property and equipment	706,091,820	14,400
ROU assets	541,486	–
Other noncurrent assets	68,850	207,054,331
Total Noncurrent Assets	706,702,156	207,068,731
Total Assets	₱905,464,631	₱235,250,529
Trade payables and other current liabilities	(₱110,782,832)	(₱2,250)
Nontrade payable	(67,500,000)	(13,111,169)
Current portion of loan payable	(58,823,529)	–
Current portion of lease liabilities	(294,303)	–
Total Current Liabilities	(237,400,664)	(13,113,419)
Loan payable net of current portion	(411,764,707)	(67,500,000)
Lease liabilities net of current portion	(208,495)	–
Total Noncurrent Liabilities	(411,973,201)	(67,500,000)
Total Liabilities	(₱649,373,865)	(₱80,613,419)
Revenue from equipment rental	₱129,464,286	₱–
Cost of services	(52,269,770)	–
Operating expenses	(51,632,168)	(13,978,690)
Other income (charges)	(20,106,566)	–
Net loss	(₱5,455,782)	(₱13,978,690)

### Nontrade Payable

This pertains to advances made by the joint operators to PinoyLotto.

#### Loan Agreement

On October 15, 2022, PinoyLotto entered into a long-term loan agreement with a local bank for a loan facility with a maximum aggregate principal amount of ₱1.0 billion, the proceeds of which shall be used to partially finance the capital expenditure requirements of the PLS Project.

In November 2022, PinoyLotto made its first drawdown for the principal amount of ₱135.0 million. The loan has a term of five years, payable in equal quarterly installments beginning on the second year from initial drawdown up to the maturity. Annual effective interest rate on the loan is 7.96%.

In 2023, Pinoylotto made the remaining drawdowns for the the principal loan amount of ₱865.0 million. The loans will all mature on November 15, 2027, payable in equal quarterly installments. The annual effective interest rate on the loans ranges from 6.54% to 6.85%.

Interest expense on loan payable which was recognized as “Finance charges” amounted to ₱17.9 million in 2023.

The loan is secured by a continuing surety of the Parent Company and PGMC and maintenance of a debt service reserve account.

Pursuant to the terms of the loan agreement, PinoyLotto is required to comply with certain financial covenants starting June 30, 2024. PinoyLotto needs to comply with certain parameters of the loan agreement such as required financial ratios and avoiding corporate acts that may result in the event of default.

As at December 31, 2023, PinoyLotto is compliant with the loan covenants.

#### Capital Expenditure Commitments

In connection with the acquisition of property and equipment pursuant to the PLS Project, PinoyLotto entered into purchase, supply, implementation and maintenance support agreements in 2022. The estimated capital expenditure is ₱1.36 billion. Capitalized property and equipment as at December 31, 2023 amounted to ₱1.43 billion.

---

## 7. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand	<b>₱397,065</b>	₱491,500
Cash in banks	<b>281,705,944</b>	201,164,883
Cash equivalents	<b>61,842,670</b>	100,000,000
	<b>₱343,945,679</b>	₱301,656,383

Cash in banks earn interest at the respective bank deposit rates.

Cash equivalents are made for varying periods of up to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Interest income earned from cash in banks and cash equivalents amounted to ₱5.8 million, ₱0.4 million and ₱0.1 million in 2023, 2022 and 2021, respectively.

## 8. Investments Held for Trading

This account consists mainly of investments in quoted shares of stock of Leisure and Resorts World Corporation, Vantage Equities, Inc. and APC Group, Inc.

Movements in this account are as follows:

	2023	2022
Balance at beginning of year	<b>₱71,288,577</b>	₱61,629,495
Marked-to-market gains	<b>54,078,646</b>	9,659,082
Disposals	<b>(25,354,454)</b>	—
Balance at end of year	<b>₱100,012,769</b>	₱71,288,577

The fair values of these securities are based on closing quoted market prices on the last market day of the year.

In 2023, gain on disposal of investments held in trading amounted to ₱2.2 million. These are presented under “Other income” in the consolidated statements of comprehensive income. (see Note 16)

## 9. Trade and Other Receivables

This account consists of:

	Note	2023	2022
Trade		<b>₱126,533,972</b>	₱66,548,397
Nontrade receivables:			
Third party		<b>147,500,000</b>	127,500,000
Lucky Circle Corporation (LCC) Group		<b>113,677,614</b>	113,677,614
Accrued license fee income	21	—	4,000,000
Advances to:			
Contractors and suppliers		<b>2,216,241</b>	2,775,402
Officers and employees		<b>872,036</b>	531,761
Other receivables		<b>9,452,059</b>	1,989,961
		<b>400,251,922</b>	317,023,135
Less allowance for impairment loss		<b>115,825,004</b>	115,825,004
		<b>₱284,426,917</b>	₱201,198,131

Trade receivables are generally on a 30-to-60 day credit terms. The risks associated on this account are disclosed in Note 23.

Nontrade receivables from the LCC Group are amounts due from former investees where the Group had set up an allowance for impairment because of the delayed payments and disposal of ownership interest in LCC Group.

Advances to contractor are noninterest-bearing and are subject to liquidation.

## 10. CWTs and Other Assets

### CWTs

This account consists of:

	2023	2022
CWTs	<b>₱102,297,243</b>	₱130,140,149
Less allowance for impairment loss	<b>533,166</b>	533,166
	<b>₱101,764,077</b>	₱129,606,983

### Current Assets

This account consists of:

	Note	2023	2022
Guarantee deposits	21	<b>₱91,000,000</b>	₱14,500,000
Input VAT		<b>22,965,845</b>	3,789,001
Prepayments		<b>3,499,269</b>	1,122,393
Spare parts and supplies		<b>606,075</b>	–
Refundable deposits		<b>201,414</b>	–
		<b>₱118,272,603</b>	₱19,411,394

Guarantee deposits include cash bonds held in escrow account as part of the agreement with PCSO.

Prepayments represent mainly unexpired portion of insurance and rent. It also includes prepaid technical training, advisory and maintenance services related to the software maintenance.

Movement in the allowance for impairment loss is as follows:

	Note	2022		
		Spare Parts and Supplies	CWTs	Total
Balance at beginning of year		₱32,673,528	₱471,422	₱33,144,950
Provision (reversal)	15	(32,673,528)	61,744	(32,611,784)
Balance at end of year		₱–	₱533,166	₱533,166

No movements in the allowance for impairment loss in 2023.

### Noncurrent Assets

This account consists of:

	2023	2022
Refundable deposits	<b>₱2,835,115</b>	₱2,769,759
Advances to suppliers	–	207,054,331
Others	<b>1,647,000</b>	–
	<b>₱4,482,115</b>	₱209,824,090

Refundable deposits are subject to adjustments every year if rent rates increase and shall be returned to the lessee without interest.

Advances to supplier pertains to acquisition of online lotto equipment by the PinoyLotto for the 2021 PLS Project (see Note 6)

## 11. Financial Assets at FVOCI

The financial assets at FVOCI pertains to the Group's investment in shares of the Ultimate Parent Company and Parent Company (see Note 20). The movement in this account is as follows:

	2023	2022
Balance at beginning of year	<b>₱179,142,925</b>	₱252,166,540
Unrealized valuation gains	<b>58,457,165</b>	16,971,435
Disposal	—	(89,995,050)
Balance at end of year	<b>₱237,600,090</b>	₱179,142,925

The fair values of these securities are based on the quoted prices on the last market of the year. On February 4, 2022, the Group sold its investment in its Ultimate Parent Company for a consideration of ₱88.7 million.

Dividend income amounted to ₱18.9 million in 2023 and 2022 and ₱15.4 million in 2021.

## 12. Property and Equipment

The movement in this account is as follows:

	2023					Total
	Lottery Equipment	Computer Software	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	
<b>Cost</b>						
Balances at beginning of year	₱501,864,242	₱—	₱6,732,232	₱16,108,222	₱16,360,639	₱541,065,335
Additions	701,070,563	15,493,781	3,537,822	24,396,965	—	744,491,133
Disposal	(501,864,242)	—	(6,732,232)	—	(3,803,010)	(512,399,484)
Balances at end of year	701,070,563	15,493,781	3,537,822	40,505,187	12,557,629	773,164,982
<b>Accumulated Depreciation and Amortization</b>						
Balances at beginning of year	501,864,242	—	5,576,547	16,108,222	15,502,773	539,051,784
Disposal	(501,864,242)	—	(5,576,547)	—	(3,635,493)	(511,076,282)
Depreciation and amortization	35,053,533	780,089	176,890	2,389,595	580,876	38,980,983
Balances at end of year	35,053,533	780,089	176,890	18,497,817	12,448,156	66,956,485
<b>Carrying Amount</b>	<b>₱666,017,035</b>	<b>₱14,713,692</b>	<b>₱3,360,932</b>	<b>₱22,007,370</b>	<b>₱109,473</b>	<b>₱706,208,497</b>

	2022					Total
	Lottery Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment		
<b>Cost</b>						
Balances at beginning of year	₱527,639,554	₱16,158,667	₱38,354,390	₱36,373,192		₱618,525,803
Disposal	(25,775,312)	(9,426,435)	(22,282,168)	(20,012,553)		(77,496,468)
Additions	—	—	36,000	—		36,000
Balances at end of year	501,864,242	6,732,232	16,108,222	16,360,639		541,065,335
<b>Accumulated Depreciation and Amortization</b>						
Balances at beginning of year	515,169,982	13,924,345	36,944,728	29,088,707		595,127,762
Disposal	(25,775,312)	(9,426,435)	(22,233,496)	(16,587,659)		(74,022,902)
Depreciation and amortization	12,469,572	1,078,637	1,396,990	3,001,725		17,946,924
Balances at end of year	501,864,242	5,576,547	16,108,222	15,502,773		539,051,784
<b>Carrying Amount</b>	<b>₱—</b>	<b>₱1,155,685</b>	<b>₱—</b>	<b>₱857,866</b>		<b>₱2,013,551</b>



The Group sold certain equipment with a carrying amount of ₱3.4 million, ₱3.5 million and ₱738,001 for a total consideration of ₱3.4 million, ₱3.9 million and ₱913,501 in 2023, 2022 and 2021, respectively, resulting to a gain on sale amounting to ₱38,845, ₱395,719 and ₱175,500 in 2023, 2022 and 2021, respectively (see Note 16).

The Group retired certain equipment with a carrying amount of ₱834,745 resulting to a loss on retirement amounting to and ₱834,745 in 2021 (see Note 16). Since the ELA was terminated on September 30, 2023, the Group retired fully depreciated lottery equipment at cost of ₱504.0 million.

Depreciation and amortization recognized in the consolidated financial statements arises from:

	Note	2023	2022	2021
Property and equipment		<b>₱38,980,983</b>	₱17,946,924	₱70,651,864
ROU assets	18	<b>1,815,399</b>	4,645,028	10,899,532
Software development	10	–	11,136,364	66,818,181
		<b>₱40,796,382</b>	₱33,728,316	₱148,369,577

Depreciation and amortization are allocated as follows:

	Note	2023	2022	2021
Cost of services	15	<b>₱37,901,647</b>	₱29,217,792	₱137,888,868
General and administrative expenses	15	<b>2,894,735</b>	4,510,524	10,480,709
		<b>₱40,796,382</b>	₱33,728,316	₱148,369,577

### 13. Trade Payables and Other Current Liabilities

This account consists of:

	Note	2023	2022
Accounts payable		<b>₱144,505,658</b>	₱37,466,158
Advances from joint operators	6	<b>67,500,000</b>	13,111,169
Statutory payables		<b>18,718,599</b>	11,365,137
Software and license fees payable	21	<b>8,865,861</b>	22,551,018
Accrued expenses:			
Salaries and other short-term benefits		<b>3,245,706</b>	–
Professional fees		<b>2,656,000</b>	11,856,892
Communication		<b>1,039,126</b>	3,160,123
Rental and utilities		–	15,264
Other provision		–	4,675,556
Others		<b>8,449,398</b>	5,286,050
		<b>₱254,980,348</b>	₱109,487,367

Accounts payable generally has a 30-to-45 day credit terms.

Statutory payables mainly pertain to statutory contributions, withholding taxes, VAT payable, deferred output VAT and other liabilities to the government agencies, which are payable within the next financial year.

Accrued expenses are normally settled in the following month.

Other provisions pertain to the Group's accruals of usual potential liabilities.

#### 14. Equity

##### Capital Stock and Additional Paid-in Capital

Details of capital stock as at December 31, 2023 and 2022 are as follows:

	Number of Shares	Amount
Authorized - ₱1 par value:		
Common shares	2,288,000,000	₱2,288,000,000
Issued	895,330,946	₱895,330,946
Cost of Parent Company Common Shares		
Held by a Subsidiary:		
Balance at beginning and end of year	(50,466,984)	(285,267,558)
Outstanding	844,863,962	₱610,063,388

Additional paid-in capital amounted to ₱254.6 million as at December 31, 2023 and 2022.

##### Cost of Parent Company Common Shares Held by Subsidiary

As at December 31, 2023 and 2022, TGTI holds Parent Company common shares totaling 50,466,984 equivalent to ₱285.3 million. These are presented as "Cost of Parent Company common shares held by subsidiary" account in the consolidated statements of financial position. Related other reserves amounted to ₱2.6 million as at December 31, 2023 and 2022.

The Parent Company listed its shares in the PSE on April 12, 2007. As at December 31, 2023 and 2022, all issued shares are listed in the PSE.

Pursuant to the PSE's rules on minimum public ownership, at least 10% of the issued and outstanding shares of a listed company must be owned and held by the public. As at December 31, 2023 and 2022, public ownership over the Parent Company is 35.75%.

There are no movements in the number of outstanding shares for all the periods presented. As at December 31, 2023 and 2022, the Parent Company has 61 and 60 stockholders of record, respectively.

##### Other Equity Reserves

Details of other equity reserves shown in the consolidated statements of financial position follows:

	Note	2023	2022
Cumulative unrealized valuation losses on financial asset at FVOCI	11	(₱234,391,670)	(₱292,848,835)
Cumulative remeasurement gains on net retirement liability	19	7,728,999	16,962,065
		(226,662,671)	(275,886,770)
Other reserves		2,610,354	2,610,354
		(₱224,052,317)	(₱273,276,416)

#### Retained Earnings

On February 28, 2023, the Parent Company's BOD approved the declaration of cash dividends of ₱0.10 per share amounting to approximately ₱89.5 million to shareholders of record as at March 15, 2023. Total dividends are inclusive of dividends payable to a subsidiary which holds Parent Company shares amounting to ₱5.0 million. POSC paid dividends to shareholders of record on March 28, 2023.

On February 28, 2024, the Parent Company's BOD approved the declaration of cash dividends of ₱0.10 per share amounting to approximately ₱89.5 million to shareholders of record as at March 13, 2024 for payment on March 28, 2024.

### 15. Costs and Expenses

#### Cost of Services

This account consists of:

	Note	2023	2022	2021
Software and license fees	21	<b>₱65,552,553</b>	₱60,508,456	₱54,498,348
Personnel costs		<b>47,840,646</b>	45,774,003	60,181,751
Depreciation and amortization	12	<b>37,901,647</b>	29,217,792	137,888,868
Repairs and maintenance		<b>36,253,335</b>	6,236,267	21,622,692
Communication		<b>35,853,495</b>	52,106,865	59,064,228
Travel and accommodation		<b>15,998,823</b>	11,348,845	14,697,869
Rent and utilities	18	<b>15,954,914</b>	17,432,832	23,359,564
Operating supplies		<b>2,633,609</b>	21,621,140	4,532,056
Professional fees		<b>1,531,173</b>	3,231,886	2,640,935
Others		<b>1,150,002</b>	69,497	143,490
		<b>₱260,670,197</b>	₱247,547,583	₱378,629,801

#### General and Administrative Expenses

This account consists of:

	Note	2023	2022	2021
Personnel costs		<b>₱38,246,725</b>	₱36,848,072	₱58,229,330
Communication		<b>17,895,730</b>	2,598,167	5,261,859
Rent and utilities	18	<b>14,813,288</b>	8,266,557	7,332,968
Pre-operating expenses	6	<b>14,362,121</b>	13,993,257	48,630,295
Travel and accommodation		<b>9,314,153</b>	8,575,837	10,570,979
Taxes and licenses		<b>8,607,318</b>	4,712,080	11,702,081
Professional fees		<b>5,015,570</b>	4,451,336	3,213,406
Director's fee		<b>4,849,346</b>	5,049,020	1,943,072
Depreciation and amortization	12	<b>2,894,736</b>	4,510,524	10,480,709
Operating supplies		<b>1,703,392</b>	1,266,847	2,027,307
Repairs and maintenance		<b>1,598,131</b>	2,695,171	2,905,206
Entertainment and representation		<b>415,045</b>	342,917	757,066
Provision for impairment losses	9, 10, 18	—	61,744	—
Marketing and promotion		—	—	373,920
Others		<b>4,429,093</b>	2,401,548	2,090,356
		<b>₱124,144,648</b>	₱95,773,077	₱165,518,554

Pre-operating expenses of PinoyLotto is as follows:

	2023	2022	2021
Taxes and licenses	<b>₱4,360,942</b>	₱2,740,990	₱–
Professional fees	<b>4,255,645</b>	6,221,510	–
Rent and utilities	<b>3,283,261</b>	920,890	–
Entertainment and representation	<b>535,557</b>	398,094	–
Bank charges	<b>2,976</b>	3,266,241	–
Depreciation	<b>2,224</b>	7,200	–
Start-up cost	–	–	48,630,295
Others	<b>1,921,516</b>	438,332	–
	<b>₱14,362,121</b>	₱13,993,257	₱48,630,295

Pre-operating expenses pertain to cost to obtain contract.

Personnel costs are as follows:

	Note	2023	2022	2021
Salaries and wages		<b>₱61,265,423</b>	₱57,272,452	₱82,576,302
Other short-term employee benefits		<b>22,103,259</b>	19,428,823	26,451,745
Post-employment benefits	19	<b>2,718,689</b>	5,920,800	9,383,034
		<b>₱86,087,371</b>	₱82,622,075	₱118,411,081

#### 16. Other Income (Charges)

Others - net in this account consists of:

	Note	2023	2022	2021
Sale of trademark		<b>₱26,785,714</b>	₱–	₱–
Net claims		<b>20,218,195</b>	–	–
Foreign exchange gain (loss)		<b>(2,351,019)</b>	(1,833,336)	745,079
Gain on disposal of investments held for trading	8	<b>2,200,087</b>	–	–
Gain on disposal of property and equipment		<b>38,845</b>	395,719	175,500
Gain on deconsolidation	5	–	542,645	–
Accreted interest income	21	–	3,680,915	6,113,042
Sale of scrap items		–	2,892,120	–
Service income		–	2,035,056	490,728
Reversal of impairment loss	9	–	–	26,000,000
Loss on retirement of asset		–	–	(834,745)
Others		<b>7,153,859</b>	2,866,189	2,285,790
		<b>₱54,045,681</b>	₱10,579,308	₱34,975,394

Sale of trademark mainly pertains to assignment of trademark to Diamond Powerwinners (see Note 21).

Net claims pertain to TGTI's claims over lost revenues during the pandemic from PCSO net of related costs incurred.

Others mainly consist of miscellaneous income, bank charges and seller's prize from winning tickets exceeding ₱10,000.

## 17. Income Tax

Current income tax expense pertains to regular corporate income tax (RCIT).

The components of the net deferred tax assets (liabilities) of the Group are as follows:

	2023	2022
<b>Items recognized in profit or loss</b>		
Retirement benefits	₱308,869	₱5,764,560
Accrued license fee income	—	(1,000,000)
Unamortized past service costs	3,291,966	331,820
Unrealized foreign exchange loss	(587,851)	125,761
Excess payment over lease related expenses	(9,672)	(99,271)
	<b>3,003,312</b>	<b>5,122,870</b>
<b>Items recognized in other comprehensive income</b>		
Remeasurement of retirement liability	(2,576,333)	(5,654,022)
<b>Net deferred tax asset</b>	<b>₱426,979</b>	<b>(₱531,152)</b>

Unrecognized deferred tax assets pertaining to NOLCO amounted to ₱43.5 million and ₱40.6 million as at December 31, 2023 and 2022.

On September 30, 2020, the Bureau of Internal Revenue issued RR No. 25-2020 to implement Section 4 of the Republic Act No. 11494, *Bayanihan to Recover as One Act* allowing the net operating loss of a business or enterprise incurred for the taxable years 2020 and 2021 to be carried over as a deduction from gross income for the next five consecutive taxable years following the year of such loss.

The details of the Group's NOLCO are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Applied	Ending Balance	Valid Until
2022	₱—	₱15,315,044	₱—	₱—	₱15,315,044	2025
2021	53,134,368	—	—	—	53,134,368	2026
2020	249,198,861	—	—	(143,634,179)	105,564,682	2025
	₱—	₱15,315,044	₱—	(₱143,634,179)	₱174,014,094	

The reconciliation between the income tax expense (benefit) computed at statutory tax rate and the income tax expense (benefit) shown in the consolidated statements of comprehensive income is as follows:

	2023	2022	2021
Income tax at statutory income tax rate	<b>₱82,450,737</b>	₱53,783,351	(₱22,652,622)
Income tax effects of:			
Marked-to-market losses on securities	<b>(14,069,683)</b>	1,874,923	5,657,858
Changes in deferred tax assets	<b>(8,273,486)</b>	(26,024,104)	51,437,805
Nontaxable income	<b>(3,475,241)</b>	(4,736,916)	(6,500,000)
Income subjected to final tax	<b>(1,025,301)</b>	(4,846,202)	(3,866,142)
Nondeductible expenses and others	<b>(669,282)</b>	3,982,839	13,448,518
Effect of change in tax rates	—	—	12,608,916
Provision for income tax at effective tax rate	<b>₱54,937,744</b>	₱24,033,891	₱50,134,333

Under the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”), the RCIT of domestic corporations was reduced from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. MCIT was changed from 2% to 1% of gross income for a period of three years up to June 30, 2023.

The effect of the reduction of tax rates were applied in the 2021 deferred tax expense. Details of adjustments are as follows:

Deferred tax expense	₱37,525,417
Effect of change in tax rate	12,608,916
Adjusted deferred tax expense	<b>₱50,134,333</b>

In 2023, the current income tax rates used in preparing the financial statements is 25% RCIT and 1.5% MCIT. In 2022, the current income tax rates used in preparing the financial statements is 25% RCIT and 1% MCIT.

## 18. Lease Commitments

### Group as Lessor

POSC leases online lotto equipment and accessories to PCSO for a period of one year until July 31, 2021 as provided in the 2020 Amended ELA. The ELA was extended twice until it was finally concluded on September 30, 2023.

Rental payments are based on a percentage of gross amount of lotto ticket sales from the operation of POSC’s lotto terminals. Rental income amounted to ₱469.8 million, ₱512.7 million and ₱390.8 million in 2023, 2022 and 2021, respectively, (see Note 21).

On October 1, 2023, PinoyLotto commenced its commercial operations for the five year-lease of the customized PCSO Lottery System at a contract price of ₱5,800.0 million. Pursuant to the contract, 6,500 terminals have been installed and are in operation nationwide.

Rental income amounted to ₱129.4 million (see Note 6).

TGTI leases “Online KENO” equipment and accessories to PCSO for a period of 10 years from the time the ELA will run in commercial operations. In 2021, the ELA was extended until April 1, 2022 and was not renewed. Rental payment by PCSO is based on certain percentage of gross amount of “Online KENO” games from the operation of all TGTI’s KENO terminals.

Rental income amounted to nil, ₱6.3 million and ₱35.5 million in 2023, 2022 and 2021, respectively, (see Note 21).

#### Group as Lessee

POSC and TGTI leases office space and warehouses. The leases typically run for a period of two to five years, with an option to renew the lease after expiration date upon mutual agreement of the parties.

Amounts recognized in the consolidated statements of comprehensive income follow:

	Note	2023	2022	2021
Rent expense		<b>₱18,092,195</b>	₱12,592,852	₱14,851,199
Amortization on ROU assets	12	<b>1,815,399</b>	4,645,028	10,899,532
Interest expense on lease liabilities		<b>17,903,206</b>	220,505	642,417
		<b>₱37,810,800</b>	<b>₱17,458,385</b>	<b>₱26,393,148</b>

Interest expense on lease liabilities is recognized under “Finance charges” account in the consolidated statements of comprehensive income.

Rent expense pertains to low-value asset leases on storage and short-term leases on warehouses.

The movements in the ROU assets are presented below:

	2023	2022
Balance at beginning of year	<b>₱1,815,399</b>	₱6,672,570
Amortization	<b>(1,815,399)</b>	(4,645,028)
Modification	—	(212,143)
Addition	<b>541,486</b>	—
Balance at end of year	<b>₱541,486</b>	<b>₱1,815,399</b>

The movements in the lease liabilities are presented below:

	2023	2022
Balance at beginning of year	<b>₱1,891,442</b>	₱6,872,952
Additions	<b>541,486</b>	—
Payments	<b>(1,955,027)</b>	(4,989,872)
Interest expense	<b>24,897</b>	220,505
Modification	—	(212,143)
	<b>502,798</b>	1,891,442
Current portion	<b>294,303</b>	1,891,442
Noncurrent portion	<b>208,495</b>	—
Balance at end of year	<b>₱502,798</b>	<b>₱—</b>

Refundable deposits amounted to ₱2.7 million as at December 31, 2023 and 2022, respectively.

The future minimum lease payments under noncancellable leases are as follows:

	2023	2022
Within one year	<b>₱294,303</b>	₱1,916,339
After one year but not more than five years	<b>208,495</b>	–
	<b>₱502,798</b>	₱1,916,339

## 19. Retirement Benefits

The Parent Company and TGTI have funded, noncontributory defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. Costs are determined in accordance with the actuarial study, the latest of which is dated December 31, 2023.

Changes in the retirement benefits of the Group are as follows:

	2023		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Retirement Liability
Balance at beginning of year	<b>₱51,053,813</b>	<b>₱50,611,659</b>	<b>₱442,154</b>
Net retirement income (costs) in profit or loss:			
Current service cost	<b>4,306,251</b>	–	<b>4,306,251</b>
Past service cost	<b>(1,940,828)</b>	–	<b>(1,940,828)</b>
Interest expense	<b>3,572,295</b>	–	<b>3,572,295</b>
Interest income	–	<b>(3,219,029)</b>	<b>(3,219,029)</b>
	<b>5,937,718</b>	<b>(3,219,029)</b>	<b>2,718,689</b>
Benefits paid	–	–	–
Contributions	–	<b>19,569,605</b>	<b>(19,569,605)</b>
Remeasurement gain (loss) recognized in other comprehensive income:			
Actuarial changes due to experience adjustment	<b>7,263,106</b>	–	<b>7,263,106</b>
Actuarial changes arising from changes in financial assumptions	<b>4,676,032</b>	–	<b>4,676,032</b>
Actual return excluding amount included in net interest cost	–	<b>(371,616)</b>	<b>371,617</b>
	<b>11,939,138</b>	<b>(371,616)</b>	<b>12,310,755</b>
Balance at end of year	<b>₱68,930,669</b>	<b>₱66,590,619</b>	<b>(₱4,098,008)</b>



	2022		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Retirement Liability
Balance at beginning of year	₱69,354,501	₱53,291,874	₱16,062,627
Net retirement income (costs) in profit or loss:			
Current service cost	5,718,843	–	5,718,843
Interest expense	3,805,047	–	3,805,047
Interest income	–	3,603,090	(3,603,090)
	9,523,890	3,603,090	5,920,800
Remeasurement gain (loss) recognized in other comprehensive income:			
Actuarial changes due to experience adjustment	(1,540,075)	–	(1,540,075)
Actuarial changes arising from changes in financial assumptions	(14,900,199)	–	(14,900,199)
Actual return excluding amount included in net interest cost		(4,899,000)	4,899,000
	(16,440,274)	(4,899,000)	(11,541,274)
Contributions	–	10,000,000	(10,000,000)
Benefits paid	(11,384,305)	(11,384,305)	–
Balance at end of year	₱51,053,812	₱50,611,659	₱442,153

The following table presents the fair values of the plan assets of the Group as at December 31:

	2023	2022
Cash and cash equivalents	₱651,170	₱46,707
Debt instruments - government bonds	39,659,754	21,902,515
Debt instruments - other bonds	4,317,196	3,695,652
Unit investment trust funds	21,424,722	24,318,213
Others	537,777	648,572
	₱66,590,619	₱50,611,659

The Group's plan assets are administered by a Trustee. The Group and the retirement plan have no specific matching strategies between the retirement plan assets and define benefit asset or obligation under the retirement plan.

Movements in retirement benefit reserve consist of the following:

	2023		
	Retirement Benefits Reserve	Deferred Tax (see Note 17)	Total
Balance at beginning of year	₱22,835,630	(₱5,873,565)	₱16,962,065
Remeasurement gain	(12,310,755)	3,077,689	(9,233,066)
Balance at end of year	₱10,524,875	(₱2,795,876)	₱7,728,999

	2022		
	Retirement Benefits Reserve	Deferred Tax (see Note 17)	Total
Balance at beginning of year	₱16,945,209	(₱4,400,960)	₱12,544,249
Remeasurement gain	11,541,274	(2,885,318)	8,655,956
Reclassification	(5,650,853)	1,412,713	(4,238,140)
Balance at end of year	₱22,835,630	(₱5,873,565)	₱16,962,065

The principal assumptions used to determine retirement plan assets as at December 31 are as follows:

	2023	2022
Discount rates	6.11%	7.32%
Future salary increases	8.00%	8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2023 and 2022 assuming all other assumptions were held constant:

	2023		2022	
	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation
Discount rate	-100	(P73,532,250)	-100	(P57,254,690)
	+100	65,003,908	+100	45,813,638
Salary increase rate	+100	73,605,475	+100	57,410,691
	-100	(64,864,095)	-100	(45,585,797)

The average duration of the Group's defined benefit obligation is 10.28 years in 2023.

The maturity analysis of the undiscounted benefit payments follows:

	2023	2022
Within one year	P30,074,267	P4,503,945
More than one year to five years	8,297,618	8,631,666
More than five years to ten years	199,462,807	384,459,915

## 20. Related Party Transaction and Balances

The financial assets at FVOCI pertains to the Group's investment in shares of the Ultimate Parent Company and Parent Company totaling P237.6 million and P179.1 million as at December 31, 2023 and 2022, respectively (see Note 11).

Compensation of the Group's key management personnel are as follows:

	2023	2022	2021
Salaries and wages	P9,187,230	P9,319,577	P22,746,801
Retirement benefits	881,108	1,565,098	90,291
Professional fees	—	—	1,333,333
	P10,068,338	P10,884,675	P24,170,425

---

## 21. Significant Contracts and Commitments

### Agreements with PCSO

*POSC.* The Parent Company has an ELA with the PCSO for the lease of lotto terminals, which includes central computer, communications equipment, and the right to use the application software and manuals for the central computer system and draw equipment of PCSO. This also includes the supply of betting slips and ticket paper rolls.

PCSO is the principal government agency for raising and providing funds for health programs, medical assistance and services, and charities of national character through holding and conducting charity sweepstakes, races, and lotteries.

Pursuant to the amended ELA, the Parent Company was required to deposit cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. As at December 31, 2023 and 2022, the total cash bond, included under "Other current assets" in the consolidated statements of financial position, amounted to ₱91.0 million and ₱14.5 million, respectively.

Since July 31, 2019, the ELA has been extended for PCSO to complete the bidding process for the Philippine Lottery System (PLS) under Republic Act No. 9184, as amended, until a new lottery system is fully realized and to ensure unhampered and uninterrupted operations of the online lottery and to avoid the loss of funds to PCSO. In 2023, the ELA was extended until September 30, 2023 and concluded also at the same date.

The rental fee, presented as "Equipment rental" in the consolidated statements of comprehensive income, is based on a percentage of gross sales of lotto tickets from PCSO's Luzon and VISMIN operations. The number of installed lotto terminals totaled 3,716 and 3,605 as at September 30 2023 and December 31, 2022, respectively. The Parent Company's rental income amounted to ₱469.8 million, ₱512.7 million and ₱390.8 million in 2023, 2022 and 2021, respectively (see Note 18).

On August 30, 2023, POSC was granted a one-year trial period to provide a WABP for PCSO. Under the arrangement, POSC will be acting as PCSO's exclusive agent and generates fees based on a certain percentage of revenues. This was launched in December 15, 2023. Fees presented as "Commission income" in the consolidated statements of comprehensive income amounted to ₱2.3 million in 2023.

*TGTI.* TGTI had an ELA with PCSO which provides for the lease of the equipment for PCSO's Online KENO games. This covers PCSO's online keno lottery operations. The lease includes online keno equipment and accessories. The rental fee, presented as "Equipment rental" in the consolidated statements of comprehensive income, is based on a percentage of the gross sales of the "Online KENO" terminals. The minimum price per keno bet was reduced from ₱12 to ₱10, inclusive of documentary stamp tax. The ELA may be extended and/or renewed upon the mutual consent of the parties.

The ELA required TGTI to post a cash bond and performance security bond with an aggregate amount of ₱2.5 million. The cash bond is included under "Other current assets" in the consolidated statements of financial position (see Note 10).

The ELA concluded and was not renewed in 2022.

The number of installed online KENO terminals totaled 57 and 569 as at December 31, 2022 and 2021, respectively. Pinoylotto's revenue from equipment rental amounted to ₱129.4 million in 2023. TGTI's revenue from equipment rental nil, ₱6.3 million and ₱35.6 million in 2023, 2023 and 2022, respectively (see Note 18).

#### **Brand and Trademark Agreements**

- In January 2018, POSC entered into a Brand and Trademark License Agreement (BTLA) with PMLC granting the latter a non-assignable, non-transferable and exclusive right to use POSC's instant scratch tickets' brand and trademarks. The agreement has an initial term of five (5) years effective on January 1, 2018, subject to adjustment to conform to and coincide with term of the PMLC's agreement with PCSO for the supply and distribution of its instant scratch tickets. In consideration of the BTLA, PMLC agreed to pay POSC a guaranteed fixed monthly fee of ₱4.0 million starting January 2018. The agreement with PMLC was accounted for as sale of right to use the brand and trademark. POSC already transferred the control over the brand and trademark to PMLC on January 1, 2018 and there are no other performance obligation to be provided to PMLC.

Due to the suspension of PCSO games on July 27, 2019 for two months and on March 17, 2020 for four and a half months, the PMLC was not able to supply and distribute the instant scratch tickets to its customers. As a result, impairment losses amounting to ₱26.0 million were recognized in 2020. Consequently, this was reversed in 2021 and was subsequently collected in 2022 (see Note 16).

- POSC has entered a new contract with Diamond Powerwinners for Trademark Assignment with a total fee of ₱30.0 million (inclusive of VAT). The contract terms are for ten months starting November 2023 to August 2024.

Accreted interest income amounted to nil and ₱3.7 million in 2023 and 2022, respectively (see Note 16). Accrued license fee income amounted to ₱nil and 4.0 million as at December 31, 2023 and 2022, respectively (see Note 9).

#### **Contracts with Scientific Games and Intralot and Management Agreement**

*Scientific Games.* As at December 31, 2023 and 2022, POSC has a contract with Scientific Games, a company incorporated under the laws of the Republic of Ireland, for the supply of Visayas-Mindanao Online Lottery System. In consideration, POSC shall pay Scientific Games a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operation using the computer hardware and operating system provided by Scientific Games. The contract shall continue as long as the POSC's ELA with PCSO is in effect.

In 2021, the contract with Scientific Games was extended until July 31, 2022 and subsequently extended again until September 30, 2023.

Intralot. As at December 31, 2022 and 2021, POSC and TGTI have contracts with Intralot Inc., a company subsidiary domiciled in Atlanta, Georgia, for the supply of hardware, operating system software and terminals and the required training required to operate the system. In consideration, POSC and TGTI shall pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operations. The Contract shall continue as long as POSC's and TGTI's ELA with PCSO are in effect.

The contract with POSC was extended until September 30, 2023 and was no longer renewed.

The contract with TGTI ended on March 31, 2022.

Software and license fee recognized amounted to ₱65.6 million, ₱60.5 million and ₱54.5 million in 2023, 2022 and 2021, respectively (see Note 15). Software and license fees payable amounted to ₱8.9 million, ₱22.6 million and ₱18.2 million as at December 31, 2023, 2022 and 2021, respectively (see Note 13).

## 22. Basic Earnings (Loss) per Share

As at December 31, 2023, 2022 and 2021, the basic/diluted earnings (loss) per share was computed as follows:

	2023	2022	2021
Income(loss) attributable to Equity holders of the Parent (a)	<b>₱272,701,996</b>	₱191,117,272	(₱140,274,063)
Number of issued common shares at beginning of year	<b>895,330,946</b>	895,330,946	895,330,946
Number of parent company common shares held by a subsidiary at beginning of year	<b>(50,466,984)</b>	(50,466,984)	(50,466,984)
Weighted average number of issued common shares - basic, at end of year (b)	<b>844,863,962</b>	844,863,962	844,863,962
Basic/diluted earnings (loss) per share (a/b)	<b>₱0.3228</b>	₱0.2262	(₱0.1660)

There are no common stock equivalents that would have a dilutive effect on the basic earnings (loss) per share.

## 23. Financial Instruments

### **Financial Risk Management Objectives and Policies**

The financial instruments mainly comprise cash, trade and other receivables (excluding advances to suppliers, officers and employees) and guarantee and refundable deposits (presented as part of "Other current assets" or "Other noncurrent assets"), investments held for trading and financial assets at FVOCI, trade payables and other current liabilities (excluding statutory payables) and lease liabilities. The main purpose of these financial instruments is to finance the Group's projects and operations.

It is the policy that no trading of financial instruments should be undertaken by the Group. The main risks arising from the financial instruments are credit risk, equity price risk, liquidity risk and foreign currency risk. The BOD reviews and approves policies for managing these risks.

**Credit Risk.** Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group does not offer credit terms without the specific approval of the management. There is no significant concentration of credit risk.

With respect to credit risk arising from the financial assets of the Group, which comprise of cash (excluding cash on hand) trade and other receivables (excluding advances to suppliers) and guarantee and refundable deposits (presented as part of "Other current assets" or "Other noncurrent assets"), the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these financial assets.

The table below shows the Group's aging analysis of financial assets.

	2023						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days		
Cash and cash equivalents*	₱343,945,679	₱—	₱—	₱—	₱—	₱—	₱343,945,679
Trade and other receivables**	284,426,917	—	—	—	—	115,825,004	400,251,921
Refundable deposit***	3,036,530	—	—	—	—	—	3,036,530
Guarantee deposits***	91,000,000	—	—	—	—	—	91,000,000
	₱722,409,126	₱—	₱—	₱—	₱—	₱115,825,004	₱838,234,130

\*Excluding cash on hand.

\*\*Excluding advances to suppliers, officers and employees.

\*\*\*Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statements of financial position.

	2022						Total
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days		
Cash and cash equivalents*	₱301,164,883	₱—	₱—	₱—	₱—	₱—	₱301,164,883
Trade and other receivables**	200,038,359	—	—	—	—	113,677,614	313,715,973
Refundable deposit***	2,769,759	—	—	—	—	—	2,769,759
Guarantee deposits***	14,500,000	—	—	—	—	—	14,500,000
	₱518,473,001	₱—	₱—	₱—	₱—	₱113,677,614	₱632,150,615

\*\*Excluding advances to suppliers, officers and employees.

\*\*\*Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statements of financial position.

Financial assets are considered past due when collections are not received on due date.

### Credit Quality of Financial Assets

The financial assets are grouped according to stage whose description is explained as follows:

Stage 1 – those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 – those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date

Stage 3 – those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The credit quality of the Group's financial assets are as follows:

	2023			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Financial Assets at Amortized Cost</b>				
Cash and cash equivalents*	₱343,945,679	₱-	₱-	₱343,945,679
Trade and other receivables-net**	284,426,917	-	115,825,004	400,251,921
Refundable deposit***	3,036,530	-	-	3,036,530
Guarantee deposit***	91,000,000	-	-	91,000,000
<b>Gross Carrying Amount</b>	<b>₱722,409,126</b>	<b>₱-</b>	<b>₱115,825,004</b>	<b>₱838,234,130</b>

\*Excluding cash on hand.

\*\*Excluding advances to suppliers, officers and employees.

\*\*\*Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statement of financial position.

	2022			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Financial Assets at Amortized Cost</b>				
Cash and cash equivalents*	₱301,164,883	₱-	₱-	₱301,164,883
Trade and other receivables-net**	200,038,359	-	113,677,614	313,715,973
Refundable deposit***	2,769,759	-	-	2,769,759
Guarantee deposit***	14,500,000	-	-	14,500,000
<b>Gross Carrying Amount</b>	<b>₱518,473,001</b>	<b>₱-</b>	<b>₱113,677,614</b>	<b>₱632,150,615</b>

\*Excluding cash on hand.

\*\*Excluding advances to suppliers, officers and employees.

\*\*\*Presented under "Other current assets" and/or "Other noncurrent assets" account.

High grade financial assets pertain to receivables from clients or customers who have no history of delayed payment while medium grade includes receivables from clients or customers who have history of delayed payment but is currently updated.

Cash in banks are deposited with the top ten banks in the Philippines; hence, considered high grade.

Quoted marketable securities and financial assets at FVOCI are assessed as high grade based on financial status of the counterparty and its current stock price performance in the market.

**Equity Price Risk.** Equity price risk is the risk that the fair value of quoted marketable securities and financial assets at FVOCI in listed equities decreases as a result of changes in the value of individual stock. The Group's exposure to equity price risk relates primarily to the Group's marketable securities. The Group monitors the equity investments based on market expectations. Significant movements 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 2023 and 2022 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	2023	2022
Impact in profit or loss		
5%	₱5,022,327	₱3,564,429
(5%)	(5,022,327)	(3,564,429)
Impact in comprehensive income		
5%	₱19,008,007	₱14,331,434
(5%)	(19,008,007)	(14,331,434)

**Liquidity Risk.** Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and service its maturing debts. The Group's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information. The Group considers obtaining borrowings as the need arises.

The table also analyzes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	2023				Total
	Less than 3 months	3-6 months	6-12 months	More than 12 months	
Trade payables and other current liabilities*	<b>₱168,761,749</b>	<b>₱-</b>	<b>₱-</b>	<b>₱67,500,000</b>	<b>₱236,261,749</b>
Loan payable	-	-	<b>58,823,529</b>	<b>411,764,707</b>	<b>470,588,236</b>
Lease liabilities	<b>73,576</b>	<b>73,756</b>	<b>147,152</b>	<b>208,495</b>	<b>502,979</b>
	<b>₱40,235,234</b>	<b>₱761,534</b>	<b>₱58,970,681</b>	<b>₱479,473,202</b>	<b>₱707,352,964</b>

\*Excluding statutory payables

	2022				Total
	Less than 3 months	3-6 months	6-12 months	More than 12 months	
Trade payables and other current liabilities*	<b>₱39,290,044</b>	<b>₱-</b>	<b>₱-</b>	<b>₱58,832,186</b>	<b>₱98,122,230</b>
Loan payable	-	-	-	<b>67,500,000</b>	<b>67,500,000</b>
Lease liabilities	<b>1,149,804</b>	<b>766,536</b>	-	-	<b>1,916,340</b>
	<b>₱40,439,848</b>	<b>₱766,536</b>	<b>₱-</b>	<b>₱126,332,186</b>	<b>₱167,538,570</b>

\*Excluding statutory payables

**Foreign Currency Risk.** Foreign currency risk is the risk that the fair value or future cash flows of financial asset or financial liability will fluctuate due to changes in foreign exchange rates.

As at December 31, 2023 and 2022, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	2023		2022	
	USD	Peso Equivalent	USD	Peso Equivalent
Cash and cash equivalents	<b>\$989,831</b>	<b>₱54,608,951</b>	\$1,962,285	₱109,097,145
Software license fee payable*	<b>(160,700)</b>	<b>(8,865,861)</b>	(838,192)	(46,600,971)
Net foreign currency-denominated assets (liabilities)	<b>\$989,831</b>	<b>₱54,608,951</b>	<b>\$1,124,093</b>	<b>₱62,496,174</b>

\*Presented under "Trade payables and other current liabilities" account.

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was ₱55.17 to US\$1.0 and ₱55.60 to US\$1.0, as at December 31, 2023 and 2022, respectively.

It is the Group's policy to ensure that capabilities exist for active but conservative management of its foreign currency risk. The Group seeks to mitigate its transactional currency exposure by maintaining its costs at consistently low levels, regardless of any upward or downward movement in the foreign currency exchange rate.



The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rates, with all other variables held constant, of the Group's consolidated income before tax as at December 31, 2023 and 2022. There is no other impact on the Group's equity other than those already affecting the profit or loss in the consolidated statement of comprehensive income.

	2023		2022	
	Increase in US\$ Rate	Decrease in US\$ Rate	Increase in US\$ Rate	Decrease in US\$ Rate
Change in US\$ rate*	5%	(5%)	5%	(5%)
Effect on income before income tax	<b>₱2,287,155</b>	<b>(₱2,287,155)</b>	₱10,756,670	(₱10,756,670)

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

### **Capital Management**

The primary objective of the Group's capital management is to safeguard its ability to continue as a going concern, so that it can continue to 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 or issue new shares. There were no changes made in the objectives, policies or processes in 2023 and 2022.

The Group considers the following as its capital:

	2023	2022
Common stock	<b>₱895,330,946</b>	₱895,330,946
Additional paid-in capital	<b>254,640,323</b>	254,640,323
Cost of Parent Company common shares held by a subsidiary	<b>(285,267,558)</b>	(285,267,558)
	<b>₱864,703,711</b>	₱864,703,711

### **Fair Value of Assets and Financial Liabilities**

Set out below is a comparison by category and by class of carrying values and fair values of the Group's assets and financial liabilities:

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
<b>At amortized cost:</b>				
Cash and cash equivalents	<b>₱343,548,615</b>	<b>₱343,548,615</b>	₱301,656,383	₱301,656,383
Trade and other receivables*	<b>284,426,917</b>	<b>284,426,917</b>	200,038,359	200,038,359
Refundable security deposits**	<b>3,036,530</b>	<b>3,036,530</b>	2,769,759	2,769,759
Guaranteed deposits**	<b>91,000,000</b>	<b>91,000,000</b>	14,500,000	14,500,000
<b>At FVPL</b>				
Investments held for trading	<b>100,012,769</b>	<b>100,012,769</b>	71,288,577	71,288,577
<b>At FVOCI</b>				
Financial assets at FVOCI	<b>237,600,090</b>	<b>237,600,090</b>	179,142,925	179,142,925
	<b>₱1,059,624,921</b>	<b>₱1,059,624,921</b>	₱769,396,003	₱769,396,003

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Liabilities</b>				
<b>At amortized cost:</b>				
Trade payables and other current liabilities***	₱236,261,749	₱236,261,749	₱98,122,230	₱98,122,230
Loan payable	470,588,235	470,588,235	67,500,000	66,538,186
Lease liabilities	502,798	502,798	1,891,442	1,899,514
	<b>₱707,352,782</b>	<b>₱707,352,782</b>	<b>₱167,513,672</b>	<b>₱166,559,930</b>

\*Excluding advances to suppliers, officers and employees.

\*\*Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statements of financial position.

\*\*\*Excluding statutory payables

The Group has no financial liabilities measured at fair value as at December 31, 2023 and 2022. There were no transfers between fair value measurements in 2023 and 2022.

The following methods and assumptions are used to estimate the fair value of each class of financial assets and financial liabilities:

*Cash, Trade and Other Receivables, Trade Payables and Other Current Liabilities (excluding Statutory Payables).* The carrying values of these financial instruments approximate their fair values due to the relatively short-term maturities of these financial assets and financial liabilities.

*Financial Assets at FVPL and Financial Assets at FVOCI.* The fair values of Financial Assets at FVPL and financial assets at FVOCI in quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date. There are no quoted market prices for the unlisted shares and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

*Loan Payable and Lease Liabilities.* The fair values are based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. Discount rate used for loan payable is 5.31% in 2023 and 5.78% to 5.25% for lease liabilities in 2023 and 2022.

## 24. Supplemental Disclosures of Cash Flow Information

### Changes in Liabilities Arising from Financing Activities

	1/1/2023	Additions (Reversals)	Finance Costs	Cash Flows	12/31/2023
Lease liabilities	₱1,891,442	₱541,486	₱24,897	(₱1,955,027)	₱502,798
Loans payable	67,500,000	432,500,000	17,878,309	(47,290,073)	470,588,236
Total liabilities from financing activities	<b>₱69,391,442</b>	<b>₱433,041,486</b>	<b>₱17,903,206</b>	<b>(₱49,245,100)</b>	<b>₱471,091,034</b>

	1/1/2022	Additions (Reversals)	Finance Costs	Cash Flows	12/31/2022
Lease liabilities	₱6,872,952	(₱212,143)	₱220,505	(₱4,989,872)	₱1,891,442
Loans payable	—	67,500,000	—	—	67,500,000
Total liabilities from financing activities	<b>₱6,872,952</b>	<b>₱67,287,857</b>	<b>₱220,505</b>	<b>(₱4,989,872)</b>	<b>₱69,391,442</b>

	1/1/2021	Additions (Reversals)	Finance Costs	Cash Flows	12/31/2021
Lease liabilities	₱11,605,367	₱7,452,566	₱642,417	(₱12,827,398)	₱6,872,952



**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULES FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
Pacific Online Systems Corporation and Subsidiaries  
28th Floor East Tower, Philippine Stock Exchange Centre  
Exchange Road, Ortigas Center Pasig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Pacific Online Systems Corporation and Subsidiaries (the Group) as at and for the years ended December 31, 2023 and 2022 and have issued our report thereon dated February 28, 2024. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole.

The following supplementary schedules are the responsibility of the Group's management. These are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 Part II, and are not part of the basic consolidated financial statements:

- Reconciliation of the Parent Company's Retained Earnings Available for Dividend Declaration as at December 31, 2023
- Schedules required by Annex 68-J as at December 31, 2023
- Conglomerate Map as at December 31, 2023
- Schedule of Financial Soundness Indicators as at and for the years ended December 31, 2023 and 2022

The supplementary schedules have been subjected to the audit procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

**REYES TACANDONG & Co.**

**BELINDA B. FERNANDO**

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782; Valid until April 13, 2024

BIR Accreditation No. 08-005144-004-2022

Valid until October 16, 2025

PTR No. 9564560

Issued January 2, 2024, Makati City

February 28, 2024  
Makati City, Metro Manila

**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

**DECEMBER 31, 2023 and 2022**

<b>Ratio</b>	<b>Formula</b>	<b>2023</b>	<b>2022</b>
<b>Current Ratio</b>	<b>Total Current Assets divided by Total Current Liabilities</b>		
	Total current assets	<b>₱948,422,045</b>	₱723,161,468
	Divide by: Total current liabilities	<b>314,098,180</b>	111,378,809
	Current Ratio	<b>3.01</b>	6.49
<b>Acid Test Ratio</b>	<b>Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities</b>		
	Total current assets	<b>₱948,422,045</b>	₱723,161,468
	Less: Other current assets	<b>118,272,604</b>	19,411,394
	Quick assets	<b>830,149,442</b>	703,750,074
	Divide by: Total current liabilities	<b>314,098,180</b>	111,378,809
	Acid Test Ratio	<b>2.63</b>	6.32
<b>Debt-to-Equity Ratio</b>	<b>Total Interest-Bearing debt divided by Total Equity</b>		
	Total interest-bearing debt	<b>₱470,588,236</b>	₱67,500,000
	Total equity	<b>1,175,707,838</b>	936,105,319
	Debt to Equity Ratio	<b>0.4</b>	0.07
<b>Asset-to-Equity Ratio</b>	<b>Total Assets divided by Total Equity</b>		
	Total assets	<b>₱1,901,779,220</b>	₱1,115,957,433
	Total equity	<b>1,175,707,838</b>	936,105,319
	Asset to Equity Ratio	<b>1.62</b>	1.19
<b>Interest Rate Coverage Ratio</b>	<b>Income Before Interest and Taxes divided by Total Interest Expense</b>		
	Net income before income tax	<b>₱331,661,101</b>	₱215,133,404
	Less: Interest income	<b>5,753,505</b>	437,289
	Add: Interest expense	<b>17,903,206</b>	220,505
	Income before interest and taxes	<b>341,952,646</b>	214,916,620
	Divide by: Interest expense	<b>17,903,206</b>	220,505
	Interest Rate Coverage Ratio	<b>19.10</b>	974.66

<b>Return on Equity</b>	<b>Net Income divided by Average Total Equity</b>		
	Net income	<b>₱274,864,816</b>	₱191,099,513
	Average Total Equity	<b>1,055,906,579</b>	827,702,141
	Return on Equity	<b>0.26</b>	0.23
<b>Return on Assets</b>	<b>Net Income divided by Average Total Assets</b>		
	Net income	<b>₱274,864,816</b>	₱191,099,513
	Average total assets	<b>1,508,868,327</b>	985,557,167
	Return on Assets	<b>0.18</b>	0.19
<b>Solvency Ratio</b>	<b>Net Income Before Non-Cash Expenses divided by Total Liabilities</b>		
	Net income	<b>₱274,864,816</b>	₱191,099,513
	Add: Non-cash expenses	<b>40,796,382</b>	33,948,821
	Net loss before non-cash expenses	<b>315,661,198</b>	225,048,334
	Total liabilities	<b>726,071,382</b>	179,852,114
	Solvency Ratio	<b>0.43</b>	1.25
<b>Net Profit Margin</b>	<b>Net Income divided by Total Revenue</b>		
	Net income	<b>₱274,864,816</b>	₱191,099,513
	Total revenue	<b>601,553,656</b>	519,051,226
	Net profit margin	<b>0.46</b>	0.37

**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**  
**PARENT COMPANY'S RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR**  
**DIVIDEND DECLARATION**  
**DECEMBER 31, 2023**

	Amount
Unappropriated retained earnings, beginning of reporting period	P144,015,881
Less: <u>Category B</u> : Items that are directly debited to unappropriated retained earnings	
Dividend declaration during the reporting period	(84,486,396)
Unappropriated retained earnings, as adjusted	59,529,485
Add net income for the current year	245,453,493
Add: <u>Category C.1</u> : Unrealized income recognized in the profit or loss during the reporting period (net of tax)	
Share in net loss PinoyLotto	5,455,782
Add/Less: <u>Category C.1</u> : Unrealized income recognized in the profit or loss during the reporting period (net of tax)	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at FVPL	(54,078,646)
Unrealized foreign exchange loss	2,351,403
Add: <u>Category E</u> : Other items that should be excluded from the determination of the amount of available for dividends distribution	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction	3,530,365
Total retained earnings, end of the reporting period available for dividend	P262,241,882

---

**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**  
**SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6**  
**PART II OF REVISED SRC RULE 68**  
**DECEMBER 31, 2023**

---

**Table of Contents**

<i>Schedule</i>	<i>Description</i>	<i>Page</i>
A	Financial Assets	<u>1</u>
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	<u>N/A</u>
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	<u>2</u>
D	Long-Term Debt	<u>2</u>
E	Indebtedness to Related Parties	<u>N/A</u>
F	Guarantees of Securities of Other Issuers	<u>N/A</u>
G	Capital Stock	<u>2</u>

Schedule A. Financial Assets

Name of issuing entity and association of each issue	(In Thousands)			
	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotations at balance sheet date	Interest received and accrued
<b>Financial assets at fair value through profit or loss</b>				
APC Goup, Inc.	45,821,000	₱10,767,935	₱10,767,935	₱—
Leisure and Resorts World Corp.	6,980,592	55,844,736	55,844,736	—
Vantage Equities, Inc.	43,376,750	33,400,098	33,400,098	—
		<b>₱100,012,769</b>	<b>₱100,012,769</b>	<b>—</b>
<b>Financial assets at fair value through other comprehensive income</b>				
Premium Leisure Corporation	377,143,000	₱237,600,090	₱237,600,090	—
		<b>₱337,612,859</b>	<b>₱337,612,859</b>	



*Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial statements*

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts Collected	Allowance for Doubtful Accounts	Current	Not Current	Balance at end of period
Total Gaming Technologies Inc.	₱37,698,261	₱137,967	(₱17,855,138)	₱-	₱-	₱-	₱19,981,090
TGTI Services, Inc.	-	-	-	-	-	-	-
	<b>₱37,698,261</b>	<b>₱137,967</b>	<b>(₱17,855,138)</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱19,981,090</b>

*Schedule D. Long-term debt*

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Loan Payable			
Unionbank of the Philippines	₱470,588,235	₱58,823,529	₱411,764,706
	<b>₱470,588,235</b>	<b>₱58,823,529</b>	<b>₱411,764,706</b>

*Schedule G. Capital Stock*

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under statement of financial position	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock	2,288,000,000	895,330,946	-	50,466,984	73,667,550	771,196,412
	<b>2,288,000,000</b>	<b>895,330,946</b>	<b>-</b>	<b>50,466,984</b>	<b>73,712,150</b>	<b>771,196,412</b>

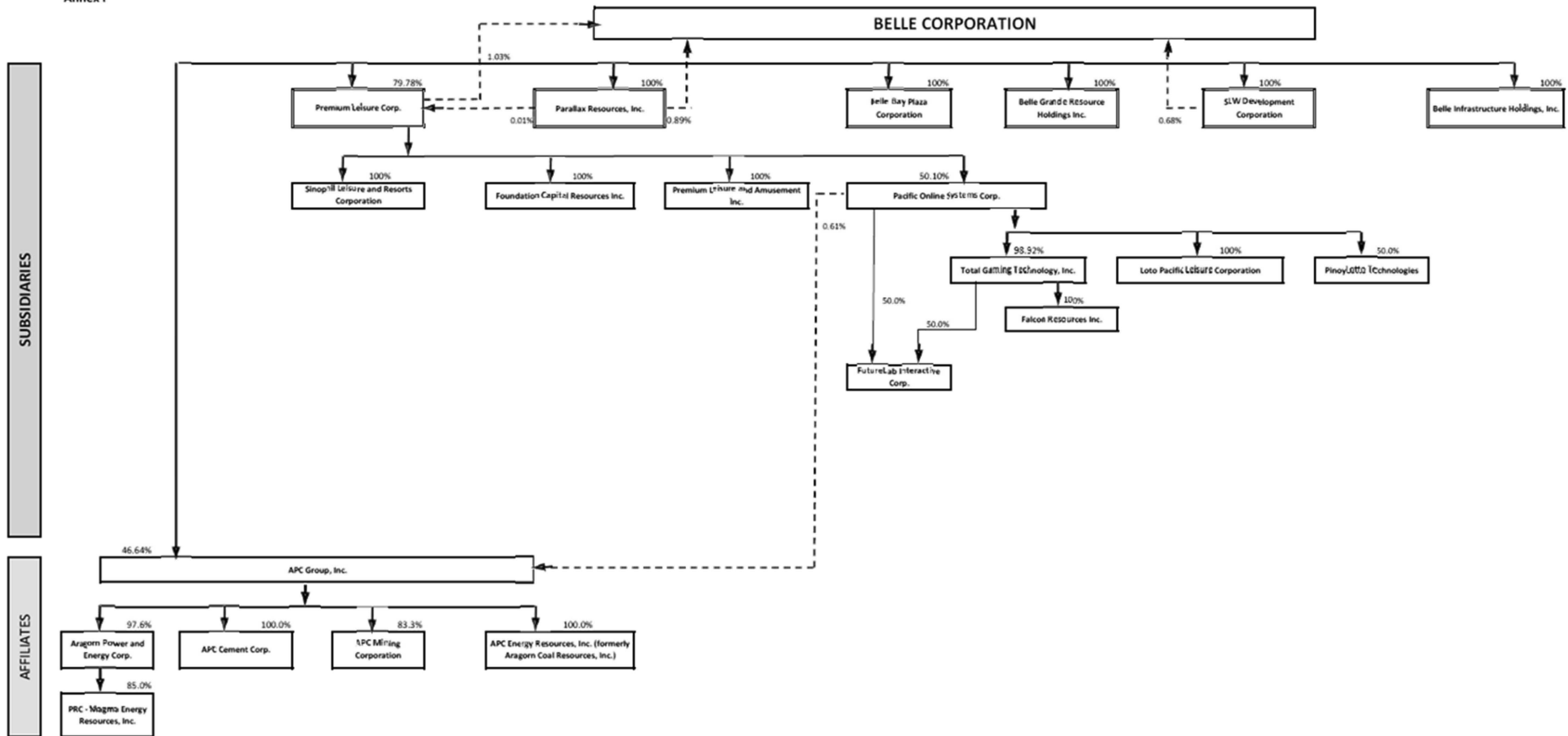
# PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

## CONGLOMERATE MAP

DECEMBER 31, 2023



Belle Corporation  
Conglomerate Map  
As of December 31, 2023  
Annex I



# **ANNEX 1**

## **Sustainability Report**

PACIFIC ONLINE SYSTEMS CORPORATION	
Sustainability Report 2023	
1. THE ORGANIZATION AND ITS REPORTING PRACTICES	
Disclosure 2-1	ORGANIZATIONAL DETAILS
	<p><b>NAME OF THE ORGANIZATION</b> Pacific Online Systems Corporation</p> <p><b>OWNERSHIP AND LEGAL FORM</b></p> <pre> graph TD     POSC[PACIFIC ONLINE SYSTEMS CORPORATION]     PIT[PINOYLOTTO TECHNOLOGIES INC. 50%]     LPLC[LOTO PACIFIC LEISURE CORPORATION 100%]     TGTI[TOTAL GAMING TECHNOLOGIES INC. 98.92%]     FR[FALCON RESOURCES INC. 100%]     FI[FUTURELAB INTERACTIVE CORP. 50%]      POSC --- PIT     POSC --- LPLC     POSC --- TGTI     TGTI --- FR     TGTI --- FI     </pre> <p><small>*Interest in Joint Operation</small></p> <p><b>LOCATION OF HEADQUARTERS</b></p> <p>Manila Business Center U2803 A &amp; B East Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City, 1605, Philippines</p> <p>Cebu Business Center 16/F Metrobank Plaza, F. Osmena Blvd, 6000, Cebu City</p> <p>Service and Logistics Center J. King Warehouse No. 8, Holy Name St., Mabolo, 6000, Cebu City</p> <p><b>LOCATION OF OPERATIONS</b> POSC's scope of operations for its lottery operations is nationwide in the Philippines.</p>
Disclosure 2-2	ENTITIES INCLUDED IN THE ORGANIZATION'S SUSTAINABILITY REPORTING
	Pacific Online Systems Corporation
Disclosure 2-3	REPORTING PERIOD, FREQUENCY AND CONTACT POINT
	<p><b>REPORTING PERIOD</b> This is Pacific Online Systems Corporation's (POSC or Pacific Online) Sustainability Report outlining the Company's economic, environmental, social and governance performance from January to December 2023. This report has been prepared in accordance with the GRI 1: Foundation 2021</p> <p><b>DATE OF MOST RECENT REPORT</b> Annex 1 of 17-A Report of Pacific Online Systems Corporation for the period Jan-Dec 31, 2022, submitted to SEC/PSE April 12, 2023.</p>

	<p>A portion of the Sustainability Report information was also included in the latest 2022 Annual Report seen on the corporate website. (See: <a href="https://www.loto.com.ph/sustainability-reports/">https://www.loto.com.ph/sustainability-reports/</a>)</p> <p><b>REPORTING CYCLE</b> Annual</p> <p><b>CONTACT POINT FOR QUESTIONS REGARDING THE REPORT</b> For inquiries on Sustainability: Mischel O. Mendoza Business Development Department Head Email: <a href="mailto:momendoza@pacificonline.com.ph">momendoza@pacificonline.com.ph</a></p>
<b>Disclosure 2-4</b>	<p><b>RESTATEMENTS OF INFORMATION</b></p> <p>Not applicable</p>
<b>Disclosure 2-5</b>	<p><b>EXTERNAL ASSURANCE</b></p> <p>Not applicable</p>
<b>2. ACTIVITIES AND WORKERS</b>	
<b>Disclosure 2-6</b>	<p><b>ACTIVITIES, VALUE CHAIN AND OTHER BUSINESS RELATIONSHIPS</b></p> <p><b>PARTNERSHIP</b> POSC has a policy of forming partnerships with other organizations, which complement its own offerings and bring increased benefits to its customers.</p> <p>POSC provides technical and market expertise for the distribution of lottery products in the country in partnership with the state-run Philippine Charity Sweepstakes Office (PCSO). Since 1995, POSC has been leasing to PCSO its online lottery systems.</p> <p>POSC entered into a joint venture agreement with Philippine Gaming Management Corporation (PGMC) and International Lottery Totalizator Systems (ILTS) for the 5-year contract to provide a nationwide online lottery system for PCSO. The joint venture known as Pinoylotto Technologies Corporation commenced October 1, 2023.</p> <p>Its latest partnership with PCSO is for the 1-year test run of Web Based Application Betting Platform (WABP) to provide lottery games on the go.</p> <p><b>SUPPLY CHAINS</b> In order to provide our products and services to our customers, a number of important supply chain assets are in place. The major ones are:</p> <ul style="list-style-type: none"> <li>• Lottery Terminals and Draw Equipment</li> <li>• Equipment Spare Parts</li> <li>• Third Party Warehousing/Logistics</li> <li>• Co-location Facilities for Data Center</li> <li>• Subscriber Identity Module (SIM) Cards</li> <li>• Modems and Routers</li> <li>• Leased Lines</li> <li>• System Server and other peripherals</li> <li>• Security system</li> </ul> <p><b>RELATIONSHIP WITH OTHER INTERESTED PARTIES</b></p> <ul style="list-style-type: none"> <li>• Equipment Maintenance – provision of equipment maintenance and repair services.</li> <li>• Telecommunications – provision of network connectivity between terminals and data center.</li> <li>• Contractors – provision of office improvement services, web site development and other services.</li> </ul>

**SIGNIFICANT CHANGES TO THE ORGANIZATION AND ITS SUPPLY CHAIN**

The organization saw changes in the board level.

Retrenchment of employees happened last November 30, 2023 due to end of Legacy system operation and transition to new online lottery system under Pinoylotto Technologies Corporation.

**PRECAUTIONARY PRINCIPLE OR APPROACH**

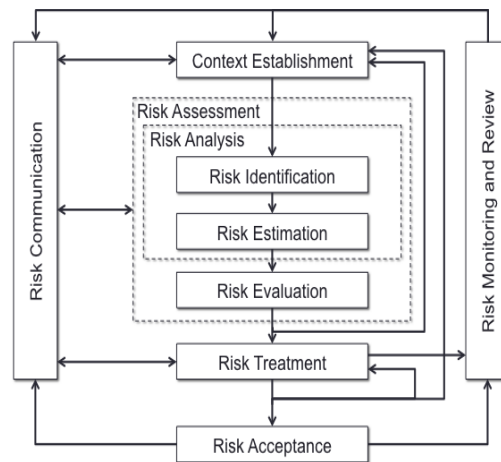
Pacific Online Systems Corporation (POSC) shall consider the external and internal context of the organization and the requirements of interested parties to determine the risks and opportunities that need to be addressed to:

- Ensure the integrated management system can achieve its intended outcomes;
- Prevent, or reduce, undesired effects; and
- Achieve continual improvement.

POSC shall plan actions to address the risks and opportunities and how to:

- Integrate and implement the actions into its integrated management system processes; and
- Evaluate the effectiveness of these actions.

POSC shall apply an information security risk assessment process, which also applies to any opportunities identified on the information assets:

**EMPLOYEES****INFORMATION ON EMPLOYEES AND OTHER WORKERS**

Total Headcount	Quantity	% Dec.
2022	138	-19%
2023	44	-68%

Retrenchment of employees happened last November 30, 2023 due to end of legacy system operation and transition to new online lottery system under Pinoylotto Technologies Corporation.

**2023 BREAKDOWN**

By Company	2023		2022	
	Quantity	% to Total	Quantity	% to Total
POSC	44	100%	138	100%
TOTAL	44	100%	138	100%

Disclosure  
2-7

**By Gender**

By Gender	2023		2022	
	Quantity	% to Total	Quantity	% to Total
Male	34	77%	108	78%
Female	10	23%	30	22%
<b>TOTAL</b>	<b>44</b>	<b>100%</b>	<b>138</b>	<b>100%</b>

**By Age**

By Age	2023		2022	
	Quantity	% to Total	Quantity	% to Total
Below 30 Years Old	7	16%	16	12%
30-50	29	66%	111	80%
OVER 50	8	18%	11	8%
<b>TOTAL</b>	<b>44</b>	<b>100%</b>	<b>138</b>	<b>100</b>

**By Region**

By Region	2023		2022	
	Quantity	% to Total	Quantity	% to Total
NCR	39	89%	31	22%
Luzon	0	0%	21	15%
Visayas	5	11%	78	57%
Mindanao	0	0%	8	6%
<b>TOTAL</b>	<b>44</b>	<b>100%</b>	<b>138</b>	<b>100%</b>

**By Rank**

By Rank	2023		2022	
	Quantity	% to Total	Quantity	% to Total
Rank-and File	19	43%	95	69%
Junior Management	13	30%	24	17%
Middle Management	8	18%	9	7%
Senior Management	4	9%	10	7%
<b>TOTAL</b>	<b>44</b>	<b>100%</b>	<b>138</b>	<b>100%</b>

**WORKERS WHO ARE NOT EMPLOYEES**

Headcount	Quantity	% Dec.
2022	4	9%
<b>2023</b>	<b>10</b>	<b>150%</b>

	Consultant	Contractual Staff	Janitorial Personnel	Security Personnel	Total
2022	0	3	5	2	10
<b>2023</b>	<b>0</b>	<b>3</b>	<b>5</b>	<b>2</b>	<b>10</b>

Disclosure  
2-8

### 3. GOVERNANCE

#### GOVERNANCE STRUCTURE AND COMPOSITION

##### GOVERNANCE STRUCTURE

At Pacific Online, we believe in balancing the interests of the many stakeholders and upholding shareholders' value. Our aim is to have equilibrium between economic and social and between individual and communal goals. With this in mind, our Board of Directors has established corporate governance principles to ensure accountability, fairness and transparency in the organization.

##### Board of Directors

The principal roles of the Board of Directors of Pacific Online are to oversee how management serves the interests of the shareholders and other stakeholders, and to ensure that the latter are adequately and timely informed of all relevant information about the Company. Towards this end, the Board has adopted corporate governance principles to ensure its independence and keep itself fully-informed of the key risks and strategic issues facing Pacific Online.

##### BOARD COMMITTEES

To assist the Board of Directors in ensuring compliance with good corporate governance principles, the following committees have been formed:

DIRECTOR'S NAME	DESIGNATION	DIRECTORSHIP
Willy N. Ocier	Chairman	Non-Executive Director
Jackson T. Ongsip	Member	Executive Director
Armin Antonio B. Raquel Santos	Member	Non-Executive Director
Tarcisio M. Medalla	Member	Non-Executive Director
Henry N. Ocier	Member	Non-Executive Director
Raul B. De Mesa	Member	Non-Executive Director
Ma. Gracia M. Pulido Tan	Independent	Lead Independent Director
Roberto V. Antonio	Independent	Independent Director
Joseph T. Chua <sup>1</sup>	Independent	Independent Director
Laurito E. Serrano <sup>2</sup>	Independent	Lead Independent Director

<sup>1</sup> – elected on May 26, 2023

<sup>2</sup> – end of term on May 26, 2023

##### Executive Committee

The Executive Committee which exercises, in between meetings of the Board, all the powers of the Board (except those powers expressly reserved by applicable law to the Board) in the management and direction of the business and conduct of the affairs of the Company, subject to any specific directions given by the Board.

Willy N. Ocier	Chairman
Jackson T. Ongsip	Director
Armin Antonio B. Raquel Santos	Director

##### Audit Committee

The Audit Committee assists the Company's Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing Pacific Online's quarterly and annual financial statements, considering the scope of the Company's annual external audit, approving the Company's internal audit program, advising on the appointment of external auditors, and reviewing the effectiveness of the Company's internal control systems and risk management systems.

Disclosure  
2-9



Joseph T. Chua <sup>1</sup>	Chairman/Independent Director
Ma. Gracia M. Pulido Tan	Independent Director
Tarcisio M. Medalla	Director
Roberto V. Antonio	Independent Director
Laurito E. Serrano <sup>2</sup>	Chairman/Independent Director

<sup>1</sup> – elected on May 26, 2023

<sup>2</sup> – end of term on May 26, 2023

#### **Board Risk Oversight Committee**

The Risk Committee will assist the Board in providing framework to identify, assess, monitor and manage the risks associated with the Company's business. It helps the Board to adopt practices designed to identify significant areas of business and financial risks and to effectively manage those risks in accordance with Company's risk profile.

Ma. Gracia M. Pulido Tan	Chairman/Independent Director
Laurito E. Serrano	Independent Director
Tarcisio M. Medalla	Director
Roberto V. Antonio	Independent Director
Joseph T. Chua <sup>1</sup>	Independent Director
Laurito E. Serrano <sup>2</sup>	Independent Director

<sup>1</sup> – elected on May 26, 2023

<sup>2</sup> – end of term on May 26, 2023

#### **Corporate Governance Committee**

The Corporate Governance Committee is tasked with ensuring compliance with, and proper observance of, corporate governance principles and practices.

Roberto V. Antonio	Chairman/Independent Director
Ma. Gracia M. Pulido Tan	Independent Director
Joseph T. Chua <sup>1</sup>	Independent Director
Laurito E. Serrano <sup>2</sup>	Independent Director

<sup>1</sup> – elected on May 26, 2023

<sup>2</sup> – end of term on May 26, 2023

#### **Related Party Transactions Committee**

The Committee shall be responsible for reviewing all material related party transactions of the Company and ensuring that all RPTs are conducted on a fair and arms-length basis. Transactions considered material are subject to review by the Committee prior to Board approval and Management execution.

Roberto V. Antonio	Chairman/Independent Director
Ma. Gracia M. Pulido Tan	Independent Director
Joseph T. Chua <sup>1</sup>	Independent Director
Laurito E. Serrano <sup>2</sup>	Independent Director
Raul B. De Mesa	Director
Henry N. Ocier	Director

<sup>1</sup> – elected on May 26, 2023

<sup>2</sup> – end of term on May 26, 2023

Disclosure 2-10	<b>NOMINATION AND SELECTION OF THE HIGHEST GOVERNANCE BODY</b>
	Refer to our <b>Manual on Corporate Governance - section 2.8 Nomination and Election of Directors</b> <a href="https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf">https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf</a> (page 12-13)
Disclosure 2-11	<b>CHAIR OF THE HIGHEST GOVERNANCE BODY</b>
	Refer to our <b>Manual on Corporate Governance - section 2.5 The Chairman of the Board of Directors</b> <a href="https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf">https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf</a> (page 10-11)
Disclosure 2-12	<b>ROLE OF THE HIGHEST GOVERNANCE BODY IN OVERSEEING THE MANAGEMENT IMPACTS</b>
	Refer to our <b>Manual on Corporate Governance - section 2.18.1 The Executive Committee</b> <a href="https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf">https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf</a> (page 18-19)
Disclosure 2-13	<b>DELEGATION OF THE RESPONSIBILITY FOR MANAGING IMPACTS</b>
	Refer to our <b>Manual on Corporate Governance - section 2.18.4 Board Risk Oversight Committee</b> <a href="https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf">https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf</a> (page 27-29)
Disclosure 2-14	<b>ROLE OF THE HIGHEST GOVERNANCE BODY IN SUSTAINABILITY REPORTING</b>
	Refer to our <b>Manual on Corporate Governance - section 2.4 Roles and Responsibilities of the Board</b> <a href="https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf">https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf</a> (page 8-10)
Disclosure 2-15	<b>CONFLICTS OF INTEREST</b>
	Refer to our <b>Conflict-of-Interest Policy</b> <a href="https://www.loto.com.ph/wp-content/uploads/POLICY-ON-CONFLICT-OF-INTEREST-2017-May-31-2017.pdf">https://www.loto.com.ph/wp-content/uploads/POLICY-ON-CONFLICT-OF-INTEREST-2017-May-31-2017.pdf</a>
Disclosure 2-16	<b>COMMUNICATION OF CRITICAL CONCERNS</b>
	<p><b>Hazard identification, risk assessment, and incident investigation</b></p> <p>A Risk Assessment is conducted by the Company to ensure business continuity in times of certain negative events. Threats and Vulnerabilities are measured and offset with controls in place to arrive at an acceptable level of risk.</p> <p>Incidents are screened for information security breaches and documented in an Incident Report. Non-conformities are followed up by the auditor until a correction and corrective action is deemed acceptable. Regular audits are conducted to ensure that such incidents are not repeated.</p> <p>Refer to our <b>Manual on Corporate Governance - section 2.18.3 Audit Committee</b> <a href="https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf">https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf</a> (page 25-26)</p> <p>Refer to our <b>Whistle-Blowing Policy</b> <a href="https://www.loto.com.ph/wp-content/uploads/WHISTLE-BLOWING-POLICY-Apr-11-2023.pdf">https://www.loto.com.ph/wp-content/uploads/WHISTLE-BLOWING-POLICY-Apr-11-2023.pdf</a></p> <p>Refer to disclosure 2-6</p> <p><b>PRECAUTIONARY PRINCIPLE OR APPROACH</b></p>

Disclosure 2-17	<b>COLLECTIVE KNOWLEDGE OF THE HIGHEST GOVERNANCE BODY</b>			
	<b>CONTINUING EDUCATION FOR DIRECTORS AND OFFICERS</b>			
	POSC's continuing education program enables its Directors and Officers to stay current with the latest development on corporate governance topics. The corporate training programs are important components in fostering board effectiveness.			
	<b>Name of Director/Officer</b>	<b>Date of Training</b>	<b>Program</b>	<b>Name of Training Institution</b>
	Willy N. Ocier	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
	Jackson T. Ongsip	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
	Armin Antonio B. Raquel Santos	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
	Tarcisio M. Medalla	3-Aug-23	Corporate Governance	Risks, Opportunity, Assessment & Management, Inc
	Henry N. Ocier	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
	Joseph T. Chua	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
	Ma. Gracia M. Pulido Tan	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
	Raul B. De Mesa	13-Dec-23	Risk Management in the Post-Covid Age	Institute of Corporate Directors
	Roberto V. Antonio	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
	Mischel O. Mendoza	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
Disclosure 2-18	<b>EVALUATION OF THE PERFORMANCE OF THE HIGHEST GOVERNANCE BODY</b>			
	Refer to our <b>Manual on Corporate Governance- section 2.17 Board Evaluation/Assessment &amp; 2.18.2.1 Corporate Governance Committee</b> <a href="https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf">https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf</a> (page 18-20)			
Disclosure 2-19	<b>REMUNERATION POLICIES</b>			
	The compensation of the Group's key management personnel is included in the "Personnel costs" as disclosed in Note 15 and 20 of the audited consolidated financial statements.			
Disclosure 2-19	Audit Committee members receive a per diem of Fifty Thousand Pesos (₱50,000.00) each per Audit Committee meeting attended while other directors receive a per diem of Ten Thousand Pesos (₱10,000.00) each for Board and other Board Committee meetings. Each director is given a per diem in the amount mentioned regardless of the number of meetings during the same day.			

	<p>There is no compensatory plan or arrangement, including payments to be received from the Company, with respect to any of its executive officer, which will result from the resignation, retirement or any other termination of any of its executive officer’s employment with the Company and its subsidiaries or from a change-in-control of the Company or in any of its executive officer’s responsibilities, following a change- in-control and the amount involved, including all periodic payments or installments, which exceeds P2.5 million.</p> <p>Refer to our <b>Manual on Corporate Governance - section 2.18.2.2 Compensation of Directors/Officers/Employees</b> <a href="https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf">https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf</a> (page 23-25)</p>																																
Disclosure 2-20	<p><b>PROCESS TO DETERMINE REMUNERATION</b></p> <p>Refer to our <b>Manual on Corporate Governance - section 2.18.2.2 Compensation of Directors/Officers/Employees</b> <a href="https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf">https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf</a> (page 23-25)</p>																																
Disclosure 2-21	<p><b>ANNUAL COMPENSATION RATIO</b></p> <p>Ratio of the annual total compensation for the organization’s highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual) is 1.92:1</p> <p>Ratio of the percentage increase in annual total compensation for the organization’s highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) is 1.76:1</p> <table><tr><td></td><td><b>2023</b></td><td><b>2022</b></td><td><b>Inc/(Dec)</b></td></tr><tr><td>Employee wages and benefits</td><td>86.09</td><td>82.62</td><td>4%</td></tr><tr><td>Total for President and 4 most highly compensated Executive Officers</td><td>8.80</td><td>7.79</td><td>13%</td></tr><tr><td>Total No. of employees</td><td>44</td><td>138</td><td>(68%)</td></tr><tr><td>Employee wages and benefits excluding 5 highest paid officers</td><td>84.33</td><td>81.06</td><td>4%</td></tr><tr><td>Ave. wage and benefits per employee</td><td>1.92</td><td>0.59</td><td>225%</td></tr><tr><td>Ave. compensation of 5 highest paid officers</td><td>1.76</td><td>1.56</td><td>13%</td></tr><tr><td>Ratio</td><td>0.92</td><td>2.65</td><td>(65%)</td></tr></table> <p>*Effective Dec. 1, 2023, 94 employees were retrenched due to the transition to a new PLS system.</p>		<b>2023</b>	<b>2022</b>	<b>Inc/(Dec)</b>	Employee wages and benefits	86.09	82.62	4%	Total for President and 4 most highly compensated Executive Officers	8.80	7.79	13%	Total No. of employees	44	138	(68%)	Employee wages and benefits excluding 5 highest paid officers	84.33	81.06	4%	Ave. wage and benefits per employee	1.92	0.59	225%	Ave. compensation of 5 highest paid officers	1.76	1.56	13%	Ratio	0.92	2.65	(65%)
	<b>2023</b>	<b>2022</b>	<b>Inc/(Dec)</b>																														
Employee wages and benefits	86.09	82.62	4%																														
Total for President and 4 most highly compensated Executive Officers	8.80	7.79	13%																														
Total No. of employees	44	138	(68%)																														
Employee wages and benefits excluding 5 highest paid officers	84.33	81.06	4%																														
Ave. wage and benefits per employee	1.92	0.59	225%																														
Ave. compensation of 5 highest paid officers	1.76	1.56	13%																														
Ratio	0.92	2.65	(65%)																														
<b>4. STRATEGY, POLICIES AND PRACTICES</b>																																	
Disclosure 2-22	<p><b>STATEMENT ON SUSTAINABLE DEVELOPMENT STRATEGY</b></p> <p><b>STATEMENT FROM SENIOR DECISION MAKER</b></p> <p>Due to the improvement of lotto revenues from January to September, we ended the year with higher revenues and net income. Despite challenges the Company continues to face, Pacific Online is optimistic that it will continue to be the Gaming Partner of Choice.</p> <p>With the publication of its fourth annual Sustainability Report, prepared in accordance with Global Reporting Initiative (GRI) standards, POSC reaffirms its commitment to promote transparency, efficiency, and accountability to its various stakeholders.</p>																																

	<b>POLICY COMMITMENTS</b>
	<p><b>VALUES, PRINCIPLES, STANDARDS, AND NORMS OF BEHAVIOR</b></p> <p><b>Mission</b> Create Hope. Live Life.</p> <p><b>Vision</b> To Be the Gaming Partner of Choice.</p> <p><b>Core Values</b> Pacific Online is a LEARNING organization composed of diverse individuals with unity of purpose and a shared vision. We strive for EXCELLENCE in all we do. We fully accept ACCOUNTABILITY for all our actions, decisions, and responsibilities. We create our future driven by a DYNAMIC team of professionals. We always aim for EFFICIENCY in all aspects of our work. We accord everyone due RESPECT and carry ourselves in a professional manner. We nurture relationships by providing quality SERVICE to all stakeholders.</p> <p><b>Corporate Objectives</b></p> <ul style="list-style-type: none"> <li>• To embed sustainability in employment practices and financial &amp; administrative operations.</li> <li>• To be a learning organization composed of diverse individuals with unity of purpose and a shared vision.</li> <li>• To adhere to compliance requirements in order to be the gaming partner of choice.</li> </ul> <p><b>Quality Policy and Objectives</b> Pacific Online Systems Corporation is committed to continuously improve the quality management system and meet all requirements of the stakeholders in providing reliable, efficient and effective online lottery systems.</p> <ul style="list-style-type: none"> <li>• To be fully responsive to the requirements of stakeholders.</li> <li>• To maintain and continuously develop a competent workforce.</li> <li>• To maintain and continuously improve financial, operational and administrative control systems to achieve the company's goals and objectives.</li> <li>• To comply with statutory and regulatory requirements.</li> </ul> <p><b>Information Security Policy and Objectives</b> Pacific Online Systems Corporation is committed to safeguard the confidentiality, integrity and availability of all physical and electronic information assets of the company to ensure that regulatory, operational and contractual requirements are fulfilled.</p> <ul style="list-style-type: none"> <li>• To comply with statutory and regulatory requirements.</li> <li>• To comply with requirements for confidentiality, integrity and availability for employees and other users.</li> <li>• To establish controls for protecting company information and information systems against theft, abuse and other forms of harm and loss.</li> <li>• To ensure that employees maintain the responsibility for, ownership of and knowledge about information security, to minimize the risk of security incidents.</li> <li>• To sustain continuity of operations at all times.</li> <li>• To ensure that external service providers comply with the company's information security needs and requirements.</li> </ul> <p>Refer to our <b>Code of Conduct Policy</b> <a href="https://www.loto.com.ph/wp-content/uploads/CODE-OF-CONDUCT.pdf">https://www.loto.com.ph/wp-content/uploads/CODE-OF-CONDUCT.pdf</a></p>
Disclosure 2-23	
Disclosure 2-24	<b>EMBEDDING POLICY COMMITMENTS</b>
	<p>Refer to disclosure 2-29</p> <p><b>APPROACH TO STAKEHOLDER ENGAGEMENT</b></p>

	<b>ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS</b> Pacific Online Systems Corporation (Refer to Disclosure 2-2)																			
Disclosure 2-25	<b>PROCESSES TO REMEDIATE NEGATIVE IMPACTS</b>																			
	Refer to disclosure 2-16 <b>Hazard identification, risk assessment, and incident investigation</b> and refer to our <b>Whistle Blowing Policy</b> <a href="https://www.loto.com.ph/wp-content/uploads/WHISTLE-BLOWING-POLICY-Apr.-11-2023.pdf">https://www.loto.com.ph/wp-content/uploads/WHISTLE-BLOWING-POLICY-Apr.-11-2023.pdf</a>																			
Disclosure 2-26	<b>MECHANISM FOR SEEKING ADVICE AND RAISING CONCERNS</b>																			
	Refer to disclosure 2-6 <b>PRECAUTIONARY PRINCIPLE OR APPROACH</b>																			
Disclosure 2-27	<b>COMPLIANCE WITH LAWS AND REGULATIONS</b>																			
	<table><tr><th>INSTANCES OF NON-COMPLIANCE</th><th>INCIDENTS</th></tr><tr><td>Instances of non-compliance for which fines were incurred</td><td>0</td></tr><tr><td>Instances of non-compliance for which non-monetary sanctions were incurred</td><td>0</td></tr><tr><td>Fines for instances of non-compliance with laws and regulations that occurred in the current reporting period</td><td>0</td></tr><tr><td>Fines for instances of non-compliance with laws and regulations that occurred in previous reporting periods</td><td>0</td></tr></table>		INSTANCES OF NON-COMPLIANCE	INCIDENTS	Instances of non-compliance for which fines were incurred	0	Instances of non-compliance for which non-monetary sanctions were incurred	0	Fines for instances of non-compliance with laws and regulations that occurred in the current reporting period	0	Fines for instances of non-compliance with laws and regulations that occurred in previous reporting periods	0								
	INSTANCES OF NON-COMPLIANCE	INCIDENTS																		
	Instances of non-compliance for which fines were incurred	0																		
	Instances of non-compliance for which non-monetary sanctions were incurred	0																		
	Fines for instances of non-compliance with laws and regulations that occurred in the current reporting period	0																		
	Fines for instances of non-compliance with laws and regulations that occurred in previous reporting periods	0																		
Disclosure 2-28	<b>MEMBERSHIP ASSOCIATIONS</b>																			
	None																			
<b>5. STAKEHOLDER ENGAGEMENT</b>																				
Disclosure 2-29	<b>APPROACH TO STAKEHOLDER ENGAGEMENT</b>																			
	<table><tr><th>Stakeholder Group</th><th>Description</th><th>Channels of Engagement</th></tr><tr><td>Investors/ Shareholders</td><td>Financial backers and sources of vital funding who allow POSC to achieve intended results, substantial returns, and shared value</td><td>Annual stockholders’ meetings, one-on-one dialogues, website, investors / media briefings</td></tr><tr><td>Board of Directors &amp; Management</td><td>Final decision makers of POSC who direct the company’s path to sustainability</td><td>Regular meetings, one-on-one dialogues, management reports</td></tr><tr><td>Employees</td><td>Dynamic team of professionals who are the lifeblood of POSC and share a unity of purpose according to the corporate vision, mission and objectives</td><td>Internal communications, human resource dialogues, performance reviews, training workshops</td></tr><tr><td>External Providers</td><td>Suppliers and providers of software, hardware and outside services who partner with POSC</td><td>Business meetings, contracts, policies, external provider accreditation and evaluations</td></tr><tr><td>Customer – PCSO</td><td>Lessee of POSC’s lottery system and maintenance</td><td>Letters, business meetings, satisfaction surveys, contracts</td></tr></table>		Stakeholder Group	Description	Channels of Engagement	Investors/ Shareholders	Financial backers and sources of vital funding who allow POSC to achieve intended results, substantial returns, and shared value	Annual stockholders’ meetings, one-on-one dialogues, website, investors / media briefings	Board of Directors & Management	Final decision makers of POSC who direct the company’s path to sustainability	Regular meetings, one-on-one dialogues, management reports	Employees	Dynamic team of professionals who are the lifeblood of POSC and share a unity of purpose according to the corporate vision, mission and objectives	Internal communications, human resource dialogues, performance reviews, training workshops	External Providers	Suppliers and providers of software, hardware and outside services who partner with POSC	Business meetings, contracts, policies, external provider accreditation and evaluations	Customer – PCSO	Lessee of POSC’s lottery system and maintenance	Letters, business meetings, satisfaction surveys, contracts
	Stakeholder Group	Description	Channels of Engagement																	
	Investors/ Shareholders	Financial backers and sources of vital funding who allow POSC to achieve intended results, substantial returns, and shared value	Annual stockholders’ meetings, one-on-one dialogues, website, investors / media briefings																	
	Board of Directors & Management	Final decision makers of POSC who direct the company’s path to sustainability	Regular meetings, one-on-one dialogues, management reports																	
	Employees	Dynamic team of professionals who are the lifeblood of POSC and share a unity of purpose according to the corporate vision, mission and objectives	Internal communications, human resource dialogues, performance reviews, training workshops																	
	External Providers	Suppliers and providers of software, hardware and outside services who partner with POSC	Business meetings, contracts, policies, external provider accreditation and evaluations																	
Customer – PCSO	Lessee of POSC’s lottery system and maintenance	Letters, business meetings, satisfaction surveys, contracts																		

	Indirect Customer – Lottery Agents & Lottery Players	End-users of POSC's services	Hotline calls, field service visits
	Government Bodies/ Regulators	Collaborators in the pursuit of social progress and sustainability	Compliance, formal meetings, timely and accurate disclosures
<p><b>LIST OF STAKEHOLDER GROUPS</b></p> <ul style="list-style-type: none"> <li>• Investors / Shareholders</li> <li>• Board of Directors &amp; Management</li> <li>• Employees</li> <li>• External Providers</li> <li>• Customer – PCSO</li> <li>• Indirect Customers – Lottery Agents &amp; Lottery Players</li> <li>• Government Bodies / Regulators</li> </ul> <p><b>IDENTIFYING AND SELECTING STAKEHOLDERS</b></p> <p>An interested party or stakeholder is defined as “a person or organization that can affect, be affected by, or perceive themselves to be affected by a decision or activity”</p>			
<b>Disclosure 2-30</b>	<b>COLLECTIVE BARGAINING AGREEMENTS</b>		
	Not applicable		

### GRI 3: MATERIAL TOPICS 2021

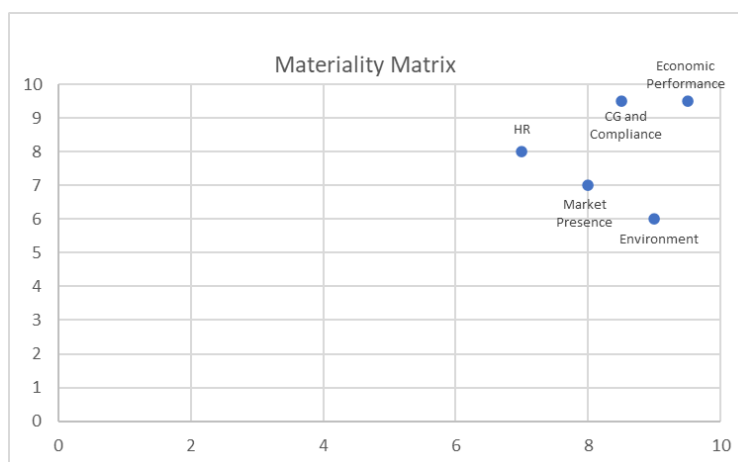
<b>Disclosure 3-1</b>	<b>PROCESS TO DETERMINE MATERIAL TOPICS</b>			
	<b>EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY</b>			
	<b>Critical Factors</b>	<b>Material Topics</b>	<b>Boundaries</b>	<b>Definition and Relevance</b>
	To embed sustainability in employment practices and financial & administrative operations	Economic Performance	Within POSC, business partners, regulators, local communities	How the Company cements its standing as a market leader in gaming and delivers positive economic returns to its stockholders and ensures the future and continued growth of its operations.
		Market Presence		How the Company contributes to the economic well-being and growth of local communities, and practices fair and just labor standards, according employees their due respect.
		Environmentally responsible business operations - Energy - Effluence and Waste		How the Company practices efficient utilization of its resources such as energy, minimizes waste and practices environmentally-friendly disposal with accredited external providers.
	To be a learning organization composed of diverse individuals	Human resource development & welfare - Employment	Within POSC	How the Company develops and retains its employees, provides training and skills development, defines career path and succession planning for its employees and provides a secure and conducive working environment.

	with unity of purpose and a shared vision	<ul style="list-style-type: none"> <li>- Occupational Health and Safety</li> <li>- Training &amp; Education</li> </ul>		
	To adhere to compliance requirements in order to be the gaming partner of choice	Corporate governance and compliance	Within POSC, business partners, regulators	How the Company practices accountability for all its actions, decisions and responsibilities through forward-looking corporate governance and checks and balances, and through faithful compliance with regulators.

#### OUR MATERIALITY PROCESS

Our team reviewed the critical factors affecting our business and its impact on our stakeholders. From there, we were able to generate a list of material topics relevant to the Company.

#### EVALUATION OF THE MANAGEMENT APPROACH



Disclosure 3-2	<b>LIST OF MATERIAL TOPICS</b>
	<ul style="list-style-type: none"> <li>- Economic Performance</li> <li>- Market Presence</li> <li>- Environmentally responsible business operations               <ul style="list-style-type: none"> <li>o Energy</li> <li>o Effluence and Waste</li> </ul> </li> <li>- Human resource development &amp; welfare               <ul style="list-style-type: none"> <li>o Employment</li> <li>o Occupational Health and Safety</li> <li>o Training &amp; Education</li> <li>o Diversity and Equal Opportunity</li> </ul> </li> <li>- Corporate governance and compliance</li> </ul>
Disclosure 3-3	<b>MANAGEMENT OF MATERIAL TOPICS</b>
	<b>THE MANAGEMENT APPROACH AND ITS COMPONENTS</b> Our sustainability journey began with the mandate of our Board of Directors to take a more active role in improving the Company's corporate governance and sustainability programs. Headed by our Management team, POSC continues to establish, maintain, and improve the sustainable practices of the Company through target setting, progress monitoring, and analysis of our outputs.



## POSC'S SUSTAINABILITY FRAMEWORK

The Company is able to achieve sustainable development through 3 major pillars:

- Partnership Enhancement
  - o Improving our services for the benefit of the PCSO and its agents
  - o Partnering with accredited external providers for responsible disposal
  - o Compliance with standards of our regulators
- Resource Optimization
  - o Prudent fiscal management
  - o Sustainable operating models
  - o Business continuity planning and disaster recovery protocols
  - o Re-use of equipment and parts to maximize machines and minimize waste
  - o Implementation of electronic systems to reduce paper consumption
- Value Creation
  - o Economic value generation and distribution
  - o Good governance and risk management
  - o Human capital development
  - o Creation of systems to improve data analysis for efficient operations

## GRI 201: ECONOMIC PERFORMANCE 2016

### DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

Disclosure  
201-1

in PHP millions	2023	2022	Inc/(Dec)
Economic Value Generated	601.55	519.05	16%
Economic Value Distributed	384.82	343.32	12%
Operating Costs	290.12	256	13%
Employee wages and benefits	86.09	82.62	4%
Payments to the government	8.61	4.7	83%
Economic value retained (lost)	274.86	191.1	44%

### DEFINED BENEFIT PLAN OBLIGATIONS AND OTHER RETIREMENT PLANS

Disclosure  
201-3

	2023	2022
Net retirement liability	P4,098,008	(442,153)

The retirement plan is fully funded by the Company with no mandatory contribution from the employee. The retirement liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, difference between interest income and return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which these arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in the profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognize related restructuring costs. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting period.

## GRI 202: MARKET PRESENCE 2016

### RATIOS OF STANDARD ENTRY LEVEL WAGE BY GENDER COMAPARED TO LOCAL MINIMUM WAGE

	Min Wage Male	Min Wage Female	Total Min Wage Employees	Total Employees	% Min Wage Employees
2023	0	0	0	44	0%
2022	0	0	0	138	0%

POSC has no minimum wage earners. Entry rates are higher than the local minimum wage.

POSC	Minimum Wage	POSC Entry Rate	% Higher	Ratio of POSC Entry Rate to Min. Wage
Manila	13,267.50	13,500.00	2%	1.05:1
Cebu	10,179.00	10,500.00	5%	1.11:1

Disclosure  
202-1

### PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY

POSC employs its personnel from the local communities. All senior managers located in the Cebu office were hired from Cebu.

	Total Senior Management	Senior Management from local community				
		Luzon	Visayas	Mindanao	Total	%
2023	4	3	1	0	4	100%
2022	10	7	3	0	10	100%

Disclosure  
202-2

**GRI 302: ENERGY 2016****ENERGY CONSUMPTION WITHIN THE ORGANIZATION****Fuel Consumption**

	Diesel, in L	Gasoline, in L
<b>YE 2023</b>	30,234	14,672
YE 2022	26,722	21,044

**Electricity Consumption By Region**

in kWh	Luzon	Visayas	Mindanao	Total
<b>YE 2023</b>	40,097	407,422	874	<b>448,393</b>
YE 2022	78,489	354,172	1,493	434,154

**Total Water Consumption**

	Total, in cu. m.
<b>YE 2023</b>	4,535
YE 2022	2,212

Increase in consumption of electricity and water in Visayas due to OBT of new equipment for the PLS transition.

**Disclosure  
302-1**

**ENERGY INTENSITY**

	Fuel (in L)	Electricity (in kWh)	Water (in cu. m)
YE 2023	47,766	448,393	4,535
Ave. consumption per employee 2023	346.13	3249.22	32.86
Ave. consumption per employee (monthly)	28.84	270.77	2.74

**Disclosure  
302-3**

**GRI 306: EFFLUENTS AND WASTE****WASTE BY TYPE AND DISPOSAL METHOD**

We recognize that as a business that is centered on systems maintenance, there must be measures to mitigate the waste products. Our company practices recycling of the parts of terminals, to ensure that not everything goes to waste and to prolong the life of the equipment. We also partner with DENR accredited suppliers for waste management to ensure that the parts and waste that are indeed unusable for us go into the right hands for proper disposal or reuse.

The publication of our sustainability report aligned to the GRI standards is part of a country-wide practice to adopt sustainable practices and integrate this information into our reporting and disclosures. This as part of a bigger movement will hopefully encourage not just the publicly-listed companies, but all companies in the Philippines to understand and adopt the mindset and practice of sustainability.

Total volume of hazardous wastes (old terminals, e-wastes) hauled by DENR-accredited hauler/charitable institutions

	Total, in kgs
<b>YE 2023</b>	3,129
YE 2022	93,130

**Disclosure  
306-2**

Pacific Online disposes its waste through DENR accredited facilities. Majority of its waste is from lottery terminals and peripherals.

The cessation of lotto operations led to the pull-out of multiple terminals and peripherals nationwide in the last quarter of 2023. Disposal of these items are planned for 2024.

#### GRI 401: EMPLOYMENT 2016

##### NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

##### NEW HIRES

TOTAL NEW HIRES – 10

BY GENDER	Count	%
MALE	7	70%
FEMALE	3	30%

BY AGE GROUP	Count	%
BELOW 30 YRS OLD	6	60%
30 - 50	4	40%
OVER 50	0	0%

BY REGION	Count	%
NCR	6	60%
LUZON	1	10%
VISAYAS	1	10%
MINDANAO	2	20%

##### HIRING RATE

ENTIRE GROUP – 23%

##### EMPLOYEE SEPARATIONS

TOTAL EMPLOYEE SEPARATIONS – 104

BY GENDER	Count	%
MALE	82	79%
FEMALE	22	21%

BY AGE GROUP	Count	%
BELOW 30 YRS OLD	15	14%
30 - 50	83	80%
OVER 50	6	6%

BY REGION	Count	%
NCR	17	16%
LUZON	3	3%
VISAYAS	73	70%
MINDANAO	11	11%

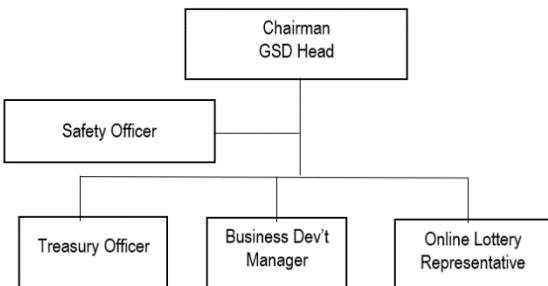
##### TURNOVER RATE

ENTIRE GROUP – 75%

The high turnover rate in 2023 was due to the closure of lotto operations and retrenchment of personnel.

Disclosure  
401-1

Disclosure 401-2	BENEFITS PROVIDED TO FULL-TIME EMPLOYEES THAT ARE NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEES																		
	<div>1. Full HMO coverage (room &amp; board and maximum benefit limit based on rank) of all employees upon hiring. Benefit package includes preventive healthcare, out-patient care and hospitalization, emergency care, dental care, and financial assistance.</div> <div>2. Life Insurance coverage upon hiring, amount of insurance is based on rank. Benefit coverage includes basic life, accidental death, dismemberment &amp; disablement, total &amp; permanent disability, unproved murder &amp; assault, and accident medical reimbursement.</div> <div>3. Group Accident Insurance coverage upon hiring. Benefit coverage includes accidental death, dismemberment &amp; disablement, total &amp; permanent disability, unproved murder &amp; assault, accident medical reimbursement, accident burial benefit, and daily hospital income.</div> <div>4. Monthly Cash Benefit for Managers &amp; Up (includes Wellness Benefit, Clothing Allowance, &amp; Transportation benefit)</div> <div>5. Clothing Allowance for all employees</div>																		
Disclosure 401-3	PARENTAL LEAVE																		
	<div>1. Breakdown of Availment of Maternity and Paternity Leaves</div> <table><tr><td></td><td>Male</td><td>Female</td><td>Total</td></tr><tr><td>Employee Headcount</td><td>5</td><td>1</td><td>6</td></tr></table> <div>2. Total Number of Employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender</div> <table><tr><td></td><td>Male</td><td>Female</td><td>Total</td></tr><tr><td>Employee Headcount</td><td>4</td><td>0</td><td>4</td></tr></table>					Male	Female	Total	Employee Headcount	5	1	6		Male	Female	Total	Employee Headcount	4	0
	Male	Female	Total																
Employee Headcount	5	1	6																
	Male	Female	Total																
Employee Headcount	4	0	4																
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018																			
Disclosure 403-1	OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM																		
	<div>OCCUPATIONAL HEALTH AND SAFETY POLICY</div> <div>Pacific Online Systems Corporation is committed to provide safe, healthy and environmentally friendly areas for all its employees. It promotes fair, safe and productive work practices in all its business aspects. Pacific Online Systems Corporation will at all times comply with all regulatory requirements of the Philippines, its customers and other external parties.</div> <div>At POSC, we intend:</div> <div><div>To maintain safe and healthy working conditions;</div><div>To provide and maintain safe office equipment;</div><div>To prevent accidents and cases of work-related illnesses;</div><div>To provide information, instruction and supervision for employees;</div><div>To ensure all employees are competent to do their tasks and to give them adequate training;</div><div>To consult our employees on matters affecting their health and safety;</div><div>To provide adequate control of the health and safety risk arising from our work activities;</div><div>To review and revise the policy as necessary regular intervals.</div></div> <div>Structure and Functions of OSH Committee</div> <div>Overall and final responsibility for health and safety is that of the General Services Department Head. Ensuring that this policy is put into practice and this task is delegated to the Safety Officer.</div>																		

	 <p>To ensure health and safety standards are maintained / improved, the Department Heads shall ensure compliance in their respective departments/areas.</p> <p>All employees have to:</p> <ul style="list-style-type: none"> <li>• Cooperate with their Immediate Superior and Department Head on health and safety matters;</li> <li>• Not interfere with anything provided to safeguard their health and safety;</li> <li>• Take reasonable care of their own health and safety; Report all health and safety concerns to Immediate Superior or Safety Officer.</li> </ul>
<b>Disclosure 403-2</b>	<p style="text-align: center;"><b>HAZARD IDENTIFICATION, RISK ASSESSMENT AND INCIDENT INVESTIGATION</b></p> <p><b>Hazard identification, risk assessment, and incident investigation</b></p> <p>A Risk Assessment is conducted by the Company to ensure business continuity in times of certain negative events. Threats and Vulnerabilities are measured and offset with controls in place to arrive at an acceptable level of risk.</p> <p>Incidents are screened for information security breaches and documented in an Incident Report. Non-conformities are followed up by the auditor until a correction and corrective action is deemed acceptable. Regular audits are conducted to ensure that such incidents are not repeated.</p>
<b>Disclosure 403-3</b>	<p style="text-align: center;"><b>OCCUPATIONAL HEALTH SERVICES</b></p> <p>Refer to Disclosure 403-1 and 403-2</p> <p><b>OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM and HAZARD IDENTIFICATION, RISK ASSESSMENT AND INCIDENT INVESTIGATION</b></p>
<b>Disclosure 403-4</b>	<p style="text-align: center;"><b>WORKER PARTICIPATION, CONSULTATION, AND COMMUNICATION ON OCCUPATIONAL HEALTH AND SAFETY</b></p> <p>Refer to Disclosure 403-1</p> <p><b>OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM</b></p>
<b>Disclosure 403-5</b>	<p style="text-align: center;"><b>WORKER TRAINING ON OCCUPATIONAL HEALTH AND SAFETY</b></p> <p>As per OSH policy, training are held every other year with the last one being held last March 2022. The next schedule of OSH training will be on 2024.</p>
<b>Disclosure 403-6</b>	<p style="text-align: center;"><b>PROMOTION OF WORKER HEALTH</b></p> <ol style="list-style-type: none"> <li>1. Full HMO coverage (room &amp; board and maximum benefit limit based on rank) of all employees upon hiring. Benefit package includes preventive healthcare, out-patient care and hospitalization, emergency care, dental care, and financial assistance.</li> <li>2. Annual Physical Exam / Executive Check-Up – this is being scheduled annually to check the employees' health condition and suitability to perform their job.</li> <li>3. Health and wellness activities are being conducted to help employees improve further their health and well-being.</li> </ol>

	<p><b>POSC SEMINARS/TRAININGS:</b></p> <p><b>1. Getting out of Debt</b> Getting out of Debt is Part 1 of the Financial Health Series. This is a 1-hour session of the Health &amp; Wellness activities for all employees. The seminar tackled the importance and ways of getting out of debt to reach financial freedom.</p> <p><b>2. Re-assessing your Finances</b> Re-assessing your Finances is the Part 2 of Financial Health Series. This is a 1-hour session of the Health &amp; Wellness activities for all employees. The seminar tackled the next step to do after getting out debt and that is to re-assess one’s finances. How they spend their discretionary income, how they approach savings and the way in which they invest have all been areas of serious consideration to achieve financial wellness. The seminar also tackled the role money plays in one’s life and how it relates to overall happiness.</p> <p><b>3. How to Start your Business with the tools you already have</b> How to start your Business with the Tools you already have is the last part of the Financial Health Series. This is a 1-hour session of the Health &amp; Wellness activities of all employees. The seminar tackled the process of starting a small business. It also provided marketing tips for new entrepreneurs.</p>																														
Disclosure 403-7	<p><b>PREVENTION AND MITIGATION OF OCCUPATIONAL HEALTH AND SAFETY IMPACTS DIRECTLY LINKED BY BUSINESS RELATIONSHIPS</b></p> <p>Refer to Disclosure 403-2</p> <p><b>HAZARD IDENTIFICATION, RISK ASSESSMENT AND INCIDENT INVESTIGATION</b></p>																														
Disclosure 403-8	<p><b>WORKERS COVERED BY AN OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM</b></p> <p>100% of the Company’s employees are covered by the Occupational Health and Safety (OSH) Management System. All OSH incidents are investigated internally. The Company does not utilize a third-party auditor for OSH issues.</p>																														
Disclosure 403-9	<p><b>WORK-RELATED INJURIES</b></p> <table><tr><th>OCCUPATIONAL HEALTH AND SAFETY</th><th>2023</th><th>Rate of injuries</th><th>2022</th><th>Rate of injuries</th></tr><tr><td>Safe man-hours recorded, in man-hours</td><td>2,088</td><td></td><td>2,088</td><td></td></tr><tr><td>No. of work-related injuries reported</td><td>0</td><td>0%</td><td>0</td><td>0%</td></tr><tr><td>No. of work-related fatalities reported</td><td>0</td><td>0%</td><td>0</td><td>0%</td></tr><tr><td>No. of work-related ill-health</td><td>0</td><td>0%</td><td>0</td><td>0%</td></tr><tr><td>No. of safety drills conducted</td><td>0</td><td></td><td>0</td><td></td></tr></table>	OCCUPATIONAL HEALTH AND SAFETY	2023	Rate of injuries	2022	Rate of injuries	Safe man-hours recorded, in man-hours	2,088		2,088		No. of work-related injuries reported	0	0%	0	0%	No. of work-related fatalities reported	0	0%	0	0%	No. of work-related ill-health	0	0%	0	0%	No. of safety drills conducted	0		0	
OCCUPATIONAL HEALTH AND SAFETY	2023	Rate of injuries	2022	Rate of injuries																											
Safe man-hours recorded, in man-hours	2,088		2,088																												
No. of work-related injuries reported	0	0%	0	0%																											
No. of work-related fatalities reported	0	0%	0	0%																											
No. of work-related ill-health	0	0%	0	0%																											
No. of safety drills conducted	0		0																												
Disclosure 403-10	<p><b>WORK-RELATED ILL HEALTH</b></p> <table><tr><th>OCCUPATIONAL HEALTH AND SAFETY</th><th>2023</th><th>Rate of injuries</th><th>2022</th><th>Rate of injuries</th></tr><tr><td>No. of fatalities as a result of work-related ill health</td><td>0</td><td>0%</td><td>0</td><td>0%</td></tr><tr><td>No. of cases of recordable work-related ill health</td><td>0</td><td>0%</td><td>0</td><td>0%</td></tr></table> <p>The Company does not conduct any business activity that has high risk of work-related ill health.</p>	OCCUPATIONAL HEALTH AND SAFETY	2023	Rate of injuries	2022	Rate of injuries	No. of fatalities as a result of work-related ill health	0	0%	0	0%	No. of cases of recordable work-related ill health	0	0%	0	0%															
OCCUPATIONAL HEALTH AND SAFETY	2023	Rate of injuries	2022	Rate of injuries																											
No. of fatalities as a result of work-related ill health	0	0%	0	0%																											
No. of cases of recordable work-related ill health	0	0%	0	0%																											

**GRI 404: TRAINING AND EDUCATION 2016****Disclosure  
404-1****AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE****By Gender**

	Male	Female	Total
Total No. of Training Hours Recorded	696	358	1054
No. of Employees Trained	127	72	199
Average Training Hours	66%	34%	

**By Employee Category/Rank**

	Rank & File	Junior Mngt.	Middle Mngt.	Senior Mngt.	Total
Total No. of Training Hours Recorded	670	223	97	64	1054
No. of Employees Trained	125	44	19	11	199
Average Training Hours	64%	21%	9%	6%	

**Disclosure  
404-2****PROGRAMS FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION ASSISTANCE PROGRAMS**

Training Type/ Classification	Specific classes/sessions included in this training category	# of sessions conducted 2023	# of sessions conducted 2022
Core/Business Compliance	1. Orientation on New Employees (2) 2. 10th Annual SEC – PSE Annual Governance Forum (1) 3. Orientation Refresher: ISO 27001:2013 4. Orientation Refresher: Internal Audit Workshop	5	22
Job- based/Professional Skills	1. ILTS FFLX New Terminal Training	1	2
Leadership	N/A		
Others, please specify	1. Getting out of Debt (Online Learning Lesson) 2. Re-assessing your Finances (Online Learning Lesson) 3. How to Start your Business with the tools you already have (Online Learning Lesson)	3	1

Amount spent on Training and Development			
Unit: In Philippine pesos		<b>FY JAN-DEC 2023</b>	<b>FY JAN-DEC 2022</b>
Total amount spent on training and development of employees		₱ 235,200	₱ 10,290

**Disclosure  
404-3****PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS**

The Company practices is every 1<sup>st</sup> quarter of the year for performance review for all regular employees.



<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016</b>	
<b>Disclosure 405-1</b>	<b>DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES</b>
	<p>We believe in a just and equitable vision for the country, without discrimination against all women and girls and ensuring them equal opportunities for leadership. In Pacific Online Systems Corporation, while the proportion of women in the workforce is only 21%, 75% of women hold top positions in the organization. The company's Board of Directors also has 1 female member, who is an Independent Director.</p> <p>Refer to Disclosure 2-7 <b>Employees</b></p>
<b>Disclosure 405-2</b>	<b>RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN</b>
	Refer to Disclosure 202-1 <b>RATIOS OF STANDARD ENTRY LEVEL WAGE BY GENDER COMPARED TO LOCAL MINIMUM WAGE</b>

## APPENDIX 1. GRI CONTENT INDEX IN ACCORDANCE

Statement of use	PACIFIC ONLINE SYSTEMS CORPORATION has reported in accordance with the GRI Standards for the period January 1 – December 31, 2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not applicable

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOC	OMMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREM ENT(S) OMMITED	REASON	EXPLANATION	
GENERAL DISCLOSURE						
GRI 2: General Disclosures 2021	2-1 Organizational details	1				
	2-2 Entities included in the organization's Sustainability reporting	1				
	2-3 Reporting period, frequency and contact point	1-2				
	2-4 Restatements of information	2				
	2-5 External assurance	2				
	2-6 Activities, value chain and other business relationships	2-3				
	2-7 Employees	3-4				
	2-8 Workers who are not employees	4				
	2-9 Governance structure and composition	5-6				
	2-10 Nomination and selection of the highest governance body	7				
	2-11 Chair of the highest governance body	7				
	2-12 Role of the highest governance body in overseeing the management of impacts	7				
	2-13 Delegation of responsibility for managing impacts	7				
	2-14 Role of the highest governance body in sustainability reporting	7				
	2-15 Conflicts of interest	7				
	2-16 Communication of critical concerns	7				
	2-17 Collective knowledge of the highest governance body	8				
	2-18 Evaluation of the performance of the highest governance body	8				
	2-19 Remuneration policies	8-9				
	2-20 Process to determine remuneration	9				
	2-21 Annual total compensation ratio	9				
	2-22 Statement on sustainable development strategy	9				
	2-23 Policy commitments	10				
	2-24 Embedding policy commitments	10-11				
	2-25 Processes to remediate negative impacts	11				
	2-26 Mechanisms for seeking advice and raising concerns	11				
	2-27 Compliance with laws and regulations	11				
	2-28 Membership associations	11				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOC	OMMISION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMMITED	REASON	EXPLANATION	
	2-29 Approach to stakeholder engagement	11-12				
	2-30 Collective bargaining agreements	12				
<b>MATERIAL TOPICS</b>						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	12-13				
	3-2 List of material topics	13				
	3-3 Management of material topics	13-14				
<b>ECONOMIC PERFORMANCE</b>						
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	14				
	201-2 Financial implications and other risks and opportunities due to climate change		201-2-a-i 201-2-a-ii 201-2-a-iii 201-2-a-iv 201-2-a-v	Not applicable	The Company does not have risk and opportunities due to climate change	
	201-3 Defined benefit plan obligations and other retirement plans	14-15				
	201-4 Financial assistance received from government		201-4-a-i 201-4-a-ii 201-4-a-iii 201-4-a-iv 201-4-a-v 201-4-a-vi 201-4-a-vii 201-4-a-viii 201-4-b 201-4-c	Not applicable	The Company does not receive financial assistance from government	
<b>MARKET PRESENCE</b>						
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	15				
	202-2 Proportion of senior management hired from the local community	15				
<b>ENERGY</b>						
GRI 302: Energy 2016	302-1 Energy consumption within the organization	16				
	302-2 Energy consumption outside of the organization		302-2-a 302-2-b 302-2-c	Not applicable	The Company does not have energy consumption outside of the organization	
	302-3 Energy intensity	16				
	302-4 Reduction of energy consumption		302-4-a 302-4-b 302-4-c 302-4-d	Not applicable	The Company does not have energy reduction initiatives at present	
	302-5 Reductions in energy requirements of products and services		302-5-a 302-5-b	Not applicable	The Company does not have	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOC	OMMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMMITED	REASON	EXPLANATION	
			302-5-c		any energy reduction initiatives at present for sold services	
<b>EFFLUENTS AND WASTE</b>						
GRI 306: Effluents And Waste	306-1 Water discharge by quality and destination		306-1-a-i 306-1-a-ii 306-1-a-iii 306-1-b	Not applicable	The Company has no activity involving water bodies and related habitats	
	306-2 Waste by type and disposal method	16-17				
	306-3 Significant spills		306-3-a-i 306-3-a-ii 306-3-a-iii 306-3-a-iv 306-3-b 306-3-c	Not applicable	The Company has no activity involving potential oil spills	
GRI 306: Effluents And Waste	306-4 Transport of hazardous waste		306-4-a-i 306-4-a-ii 306-4-a-iii 306-4-a-iv 306-4-b 306-4-c	Not applicable	The Company does not transport hazardous waste	
	306-5 Water bodies affected by water discharges and/or runoff		306-5-a-i 306-5-a-ii 306-5-a-iii	Not applicable	The Company has no activity involving water discharges and/or runoff	
<b>EMPLOYMENT</b>						
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	17				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	18				
	401-3 Parental leave	18				
<b>OCCUPATIONAL HEALTH AND SAFETY</b>						
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	18-19				
	403-2 Hazard identification, risk assessment, and incident investigation	19				
	403-3 Occupational health services	19				
	403-4 Worker participation, consultation, and communication on occupational health and safety	19				
	403-5 Worker training on occupational health and safety	19				
	403-6 Promotion of worker health	19-20				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	20				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOC	OMMISION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMMITED	REASON	EXPLANATION	
	403-8 Workers covered by an occupational health and safety management system	20				
	403-9 Work-related injuries	20				
	403-10 Work-related ill health	20				
<b>TRAINING AND EDUCATION</b>						
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	21				
	404-2 Programs for upgrading employee skills and transition assistance programs	21				
	404-3 Percentage of employees receiving regular performance and career development reviews	21				
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>						
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	22				
	405-2 Ratio of basic salary and remuneration of women to men	22				

TOPICS IN THE APPLICABLE GRI SECTOR STANDARDS DETERMINED AS NOT MATERIAL	
TOPIC	EXPLANATION
GRI 11: Oil and Gas Sector 2021	The Company does not engage in activities related to the Oil and Gas Sector
GRI 12: Coal Sector 2022	The Company does not engage in activities related to the Coal Sector
GRI 13: Agriculture Aquaculture and Fishing Sectors 2022	The Company does not engage in activities related to the Agriculture Aquaculture and Fishing Sectors

## GRI CONTENT INDEX WITH REFERENCE

Statement of use	PACIFIC ONLINE SYSTEMS CORPORATION has reported in accordance with the GRI Standards for the period January 1 – December 31, 2023
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARDS	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-1 Organizational details	1
	2-2 Entities included in the organization's sustainability reporting	1
	2-3 Reporting period, frequency and contact point	1-2
	2-4 Restatements of information	2
	2-5 External assurance	2
	2-6 Activities, value chain and other business relationships	2-3
	2-7 Employees	3-4
	2-8 Workers who are not employees	4
	2-9 Governance structure and composition	5-6
	2-10 Nomination and selection of the highest governance body	7
	2-11 Chair of the highest governance body	7
	2-12 Role of the highest governance body in overseeing the management of impacts	7
	2-13 Delegation of responsibility for managing impacts	7
	2-14 Role of the highest governance body in sustainability reporting	7
	2-15 Conflicts of interest	7
	2-16 Communication of critical concerns	7
	2-17 Collective knowledge of the highest governance body	8
	2-18 Evaluation of the performance of the highest governance body	8
	2-19 Remuneration policies	8-9
	2-20 Process to determine remuneration	9
	2-21 Annual total compensation ratio	9
	2-22 Statement on sustainable development strategy	9
	2-23 Policy commitments	10
	2-24 Embedding policy commitments	10-11
	2-25 Processes to remediate negative impacts	11
	2-26 Mechanisms for seeking advice and raising concerns	11
	2-27 Compliance with laws and regulations	11
	2-28 Membership associations	11
	2-29 Approach to stakeholder engagement	11-12
	2-30 Collective bargaining agreements	12
GRI 3: Material Topics 2021	3-1 Process to determine material topics	12-13
	3-2 List of material topics	13
	3-3 Management of material topics	13-14
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	14
	201-3 Defined benefit plan obligations and other retirement plans	14-15
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	15
	202-2 Proportion of senior management hired from the local community	15
GRI 302: Energy 2016	302-1 Energy consumption within the organization	16
	302-3 Energy intensity	16
GRI 306: Effluents and Waste	306-2 Waste by type and disposal method	16-17
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	17
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	18
	401-3 Parental leave	18

GRI STANDARDS	DISCLOSURE	LOCATION
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	18-19
	403-2 Hazard identification, risk assessment, and incident investigation	19
	403-3 Occupational health services	19
	403-4 Worker participation, consultation, and communication on occupational health and safety	19
	403-5 Worker training on occupational health and safety	19
	403-6 Promotion of worker health	19-20
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	20
	403-8 Workers covered by an occupational health and safety management system	20
	403-9 Work-related injuries	20
	403-10 Work-related ill health	20
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	21
	404-2 Programs for upgrading employee skills and transition assistance programs	21
	404-3 Percentage of employees receiving regular performance and career development reviews	21
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	22
	405-2 Ratio of basic salary and remuneration of women to men	22

# COVER SHEET

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

SEC Registration Number

[illegible]

**(Company's Full Name)**

[illegible]

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

<b>Maria Neriza C. Banaria</b>	<b>8584-1700</b>
(Contact Person)	(Company Telephone Number)

**(Contact Person)**

(Company Telephone Number)

1	2	3	1
<i>Month</i>		<i>Day</i>	
<b>(Fiscal Year)</b>			

**Month**      **Day**  
(Fiscal Year)

1	7	-	Q	
---	---	---	---	--

(Form Type)

(Form Type)

*Month Day*  
 (Annual Meeting)

**Month**      **Day**  
(Annual Meeting)

(Secondary License Type, If Applicable)

CFD
Dept. Requiring this Doc.

Dept. Requiring this Doc.

Amended Articles Number/Section

Amended Articles Number/Section

**61**  
**Total No. of Stockholders**

**Total No. of Stockholders**

Total Amount of Borrowings	
<b>P441.2M</b>	<b>n/a</b>
Domestic	Foreign

### Total Amount of Borrowings

**P441.2M**

## Domestic

**n/a**

## Foreign

**To be accomplished by SEC Personnel concerned**

--	--	--	--	--	--	--	--	--	--

**File Number**

File Number

LCU

Document ID

Document ID

**Cashier**

## STAMPS

## STAMPS

**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 **March 31, 2024**
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**  
Province, Country or other jurisdiction of Industry Classification Code  
Incorporation or organization
6. \_\_\_\_\_ (SEC Use Only)
7. **28/F, East Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City**  
Address of principal office **1605**  
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**  
**Common Stock, £1.00 par value**

**Number of Shares of Common Stock Outstanding**  
**895,330,946**

**Amount of Debt Outstanding**  
**Php441.2M**

11. Are any or all of these securities listed on the Philippine Stock Exchange  
Yes [ x ]                      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 [ x ]      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 three (3) months ended March 31, 2024 and March 31, 2023;
- b.) Consolidated Statements of Comprehensive Income for the three (3) months ended March 31, 2024 and March 31, 2023;
- c.) Consolidated Statements of Financial Position as of March 31, 2024 and Audited Statements of Financial Position as of December 31, 2023;
- d.) Consolidated Statements of Changes in Equity for the three (3) months ended March 31, 2024 and March 31, 2023; and
- e.) Consolidated Statements of Cash Flows for the three (3) months ended, March 31, 2024 and March 31, 2023.

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

#### **Results of Operations for the Period Ended March 31, 2024 vs. March 31, 2023**

##### **Revenues**

Pacific Online Systems Corporation (the "Company") consolidated with its subsidiaries (the "Group"), earned total revenues of P138.9 million for the three months ended March 31, 2024. Revenues decreased by P7.6 million (5%) from revenues of the same period in 2023 amounting to P146.5 million mainly due to the transition from the legacy system to the nationwide lottery system under its joint operation, PinoyLotto Technologies Corp.

##### **Cost and expenses**

Costs and expenses increased by P45.6 million (64%) to P116.8 million for the period ended March 2024 from P71.2 million for the same period in 2023 due to higher variable costs such as personnel cost, depreciation, communication, and repairs and maintenance, which increased due to nationwide operations of Pinoylotto's Philippine Lottery System (PLS) for Philippine Charity Sweepstakes Office effective October 1, 2023.

##### **Operating income**

Due to the foregoing, the Group realized an operating income of P22.1 million for the three months ended March 31, 2024, which is lower compared to the P75.3 million operating income for the same period in 2023.

##### **Other income (expenses)**

Other income (expense) decreased by P47.2 million (120%) to P7.7 million other expenses as of March 31, 2024 compared to P39.5 million other income for the period ended March 31, 2023. The decrease is mainly due to the following: the Company recorded dividend income of P18.9 million in 2023 as well as a one-off other income of P20.4M pertaining to collection of deficiency claims. In 2024, the Company incurred other expenses pertaining to interest expense in relation to the loans availed by PinoyLotto to fund its capital expenditures and nationwide operations.

##### **Net income**

As a result, the Group recognized net income amounting to P13.4 million for the three months ended March 31, 2024, lower by P80.1 million (86%) from the P93.5 million for the same period in 2023.

##### **Other comprehensive income and Total comprehensive income**

Other comprehensive income of the Group pertains to the unrealized valuation gains and losses on its financial assets at fair value through other comprehensive income. The Group posted a gain of P75.4 million during the three months period ended March 31, 2024 versus P1.9 million for the same period in 2023.

Because of this, total comprehensive income for the first quarter ended March 31, 2024 is at P88.9 million, lower by P6.5 million (7%) from the P95.4 million other comprehensive income for the same period in 2023.

#### **Financial Condition as of March 31, 2024 vs. December 31, 2023**

##### **TOTAL ASSETS**

The Group's total assets of P1,883.4 million as of March 31, 2024 decreased by P18.4 million or 1% from P1,901.8 million as of December 31, 2023. The main movements in the asset accounts are as follows:

##### **Cash and cash equivalents**

Cash and cash equivalents decreased by P28.2 million (8%) to P315.8 million as at March 31, 2024 from P343.9 million as at December 31, 2023 due to the payment of cash dividend to shareholders for the quarter and payment of loan amortization for the period, offset by collections made.

##### **Investments held for trading**

As at March 31, 2024, investments held for trading of the Group consists of investments in listed shares of stock of DigiPlus Interactive Corp (PLUS) (formerly Leisure and Resorts World Corporation), Vantage Equities, Inc. and APC Group, Inc. The amount of the Group's investments held for trading decreased by P52.9 million (63%) as at March 31, 2024 due to mark to market valuations as well as disposals of marketable securities for the period.

##### **Trade and other receivables**

Trade and other receivables decreased by P5.7 million (2%) to P278.7 million as at March 31, 2024 from P284.4 million as at December 31, 2023 due to collection of trade receivables from PCSO.

##### **Creditable withholding taxes (CWTs)**

Creditable withholding taxes increased by P24.1 million (24%) to P125.8 million as at March 31, 2024 from P101.8 million as at December 31, 2023 due to additional creditable withholding tax as a result of collection of receivable.

##### **Other current assets**

Other current assets of the Group are composed of spare parts and supplies, prepayments and input taxes. This account increased by P5.4 million (5%) to P123.7 million as at March 31, 2024 from P118.3 million as at December 31, 2023 due mainly to the additional input taxes for the current period.

##### **Financial assets at fair value through other comprehensive income (FVOCI)**

The financial assets at FVOCI pertains to the investment in shares of Premium Leisure Corp (PLC). The account increased by P75.4 million (32%) to P313.0 million as at March 31, 2024 from P237.6 million as at December 31, 2023 due to unrealized valuation gains for the period.

##### **Property and equipment**

The Company's property and equipment is composed of lottery equipment, leasehold improvements, office furniture, fixtures and equipment and transportation equipment. This account decreased by P35.7 million (5%) to P670.5 million as at March 31, 2024 from P706.2 million as at December 31, 2023 mainly due to depreciation expense recognized for the period.

##### **Net retirement asset**

Net retirement asset decreased by P0.9 million (21%) to P3.2 million as at March 31, 2024 from P4.1 million as at December 31, 2023 because of retirement expense accrued for the period.

##### **LIABILITIES**

The Group recorded total liabilities at P735.0 million as at March 31, 2024, higher by P8.90 million (1%) compared to the total liabilities of P726.1 million as at December 31, 2023.

**Trade and other current liabilities**

Trade and other current liabilities increased by P38.4 million (15%) to P293.3 million as at March 31, 2024 coming from P255.0 million as at December 31, 2023. The increase is due to the withholding taxes from the cash dividend declaration and the VAT payables from collection of receivables.

**Loans Payable**

Loans payable of the Company amounted to P441.2 million as at March 31, 2024, decreasing by P29.4 million (6%) from the balance of P470.6 million as at December 31, 2023. Loans payable were availed by PinoyLotto to fund its capital expenditures for the nationwide lottery system. The decrease in the loan balance pertains to the payment of principal for the period.

**EQUITY**

Total equity of the Company decreased by P27.4 million (2%) to P1,148.4 million as at March 31, 2024 from P1,175.7 million as at December 31, 2023. The decrease is mainly brought the cash dividends declared and paid during the first quarter of the year, offset with unrealized valuation gains for the period.

**Cash Flows for the Three Months Ended March 31, 2024 vs. March 31, 2023**

The Group's cash balance as of March 31, 2024 of P315.8 million was lower by P72.4 million (19%) compared to the cash balance of P388.2 million in March 31, 2023, due to lower net income and payment of loan amortization for the period.

**Discussion and Analysis of Material Events and Uncertainties Known to Management**

The equipment lease agreement between Pacific Online with the Philippine Charity Sweepstakes Office (PCSO) expired effective October 1, 2023. In its place, PinoyLotto, a joint operations company owned by Pacific Online, Philippine Gaming Management Corp (PGMC) and International Lottery & Totalizator Systems, Inc. (ILTS) has started nationwide operations in providing lottery equipment to PCSO.

On August 30, 2023, Pacific Online signed a Memorandum of Agreement (MOA) PCSO in connection with the latter's implementation of a One (1)-Year Trial Run for a Web-Based Application Betting Platform (WABP). Through the WABP, the PCSO aims to develop and promote more marketable, adaptable, resilient, and trendy betting platforms, considering the evolution of the gaming market and the advancements in technology. The MOA will cover a trial period for the WABP for one (1) year, subject to renewal, during which Pacific Online will be acting as PCSO's exclusive agent. The trial period commenced on December 15, 2023.

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, 2023 to March 31, 2024;
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:

<b>Liquidity &amp; Financial Leverage Ratios</b>	<b>The manner by which the Company calculates the performance indicators</b>	<b>31 March 2024</b>	<b>31 December 2023</b>
Current ratio	Current assets over current liabilities	<b>2.76:1</b>	<b>3.02:1</b>
Debt to equity ratio	Total interest-bearing debt over total equity	<b>0.38:1</b>	<b>0.40:1</b>
Asset-to-equity ratio	Total assets over total equity	<b>1.64:1</b>	<b>1.62:1</b>
Solvency ratio	Total assets over total liabilities	<b>2.56:1</b>	<b>2.62:1</b>
Operating income margin	Operating income over revenues	<b>15.93%</b>	<b>53.42%</b>
Net profit (loss) margin	Net income over revenues	<b>9.67%</b>	<b>52.19%</b>
Return on equity	Net income over total equity	<b>1.17%</b>	<b>7.95%</b>
Return on assets	Net income over total assets	<b>0.71%</b>	<b>4.92%</b>

## PART II - OTHER INFORMATION

### Financial Instruments

#### Financial Risk Management Objectives and Policies

The financial instruments mainly comprise cash, trade and other receivables (excluding advances to suppliers, officers and employees) and guarantee and refundable deposits (presented as part of "Other current assets" or "Other noncurrent assets"), investment held for trading and financial assets at FVOCI, trade payables and other current liabilities (excluding statutory payables) and lease liabilities. The main purpose of these financial instruments is to finance the Group's projects and operations.

It is the policy that no trading of financial instruments should be undertaken by the Group. The main risks arising from the financial instruments are credit risk, equity price risk, liquidity risk and foreign currency risk. The BOD reviews and approves policies for managing these risks.

**Credit Risk.** Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group does not offer credit terms without the specific approval of the management. There is no significant concentration of credit risk.

With respect to credit risk arising from the financial assets of the Group, which comprise of cash (excluding cash on hand) trade and other receivables (excluding advances to suppliers, officers and employees) and guarantee and refundable deposits (presented as part of "Other current assets" or "Other noncurrent assets"), the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these financial assets.

The table below shows the Group's aging analysis of financial assets.

	March 31, 2024						Total
	Neither Past Due nor Impaired	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	
Cash and cash equivalents*	P 315,337,907	P-	P-	P-	P-	P-	P 315,337,907
Trade and other receivables**	272,493,677	-	-	-	-	115,825,004	388,318,681
Refundable deposit***	2,860,759	-	-	-	-	-	2,860,759
Guarantee bonds***	91,000,000	-	-	-	-	-	91,000,000
	P 681,692,343	P-	P-	P-	P-	P115,825,004	P 797,517,347

\*Excluding cash on hand.

\*\*Excluding advances to suppliers, officers and employees.

\*\*\*Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statement of financial position.

December 31, 2023							
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days		
Cash and cash equivalents*	P343,548,614	P–	P–	P–	P–	P–	P343,548,614
Trade and other receivables**	281,668,641	–	–	–	–	115,825,004	397,163,645
Refundable deposit***	3,036,529	–	–	–	–	–	3,036,529
Guarantee bonds***	91,000,000	–	–	–	–	–	91,000,000
	P718,923,784	P–	P–	P–	P–	P115,825,004	P834,748,788

\*Excluding cash on hand.

\*\*Excluding advances to suppliers, officers and employees.

\*\*\*Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statement of financial position.

Financial assets are considered past due when collections are not received on due date.

### Credit Quality of Financial Assets

The financial assets are grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The credit quality of the Group's financial assets are as follows:

	March 31, 2024			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Financial Assets at Amortized Cost				
Cash and cash equivalents*	₱ 315,337,907	₱–	₱–	₱ 315,337,907
Trade and other receivables-net**	272,493,677	–	115,825,004	388,318,681
Refundable deposit ***	2,860,759	–	–	2,860,759
Guarantee bonds***	91,000,000	–	–	91,000,000
Gross Carrying Amount	₱ 681,692,343	₱–	₱115,825,004	₱ 797,517,347

\*Excluding cash on hand.

\*\*Excluding advances to contractors, suppliers, officers and employees.

\*\*\*Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statement of financial position.

December 31, 2023				
ECL Staging				
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<b>Financial Assets at Amortized Cost</b>				
Cash and cash equivalents*	₱343,548,614	₱—	₱—	₱343,548,614
Trade and other receivables-net**	281,338,641	—	115,825,004	397,163,645
Refundable deposit ***	3,036,529	—	—	3,036,529
Guarantee bonds***	91,000,000	—	—	91,000,000
<b>Gross Carrying Amount</b>	<b>₱718,923,784</b>	<b>₱—</b>	<b>₱115,825,004</b>	<b>₱834,748,788</b>

\*Excluding cash on hand.

\*\*Excluding advances to contractors, suppliers, officers and employees.

\*\*\*Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statement of financial position.

High grade financial assets pertain to receivables from clients or customers who have no history of delayed payment while medium grade includes receivables from clients or customers who have history of delayed payment but is currently updated.

Cash in banks are deposited with the top ten banks in the Philippines; hence, considered high grade.

Quoted marketable securities and financial assets at FVOCI are assessed as high grade based on financial status of the counterparty and its current stock price performance in the market.

**Equity Price Risk.** Equity price risk is the risk that the fair value of quoted marketable securities and financial assets at FVOCI in listed equities decreases as a result of changes in the value of individual stock. The Group's exposure to equity price risk relates primarily to the Group's marketable securities. The Group monitors the equity investments based on market expectations. Significant movements 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 2024 and 2023 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	Mar. 31, 2024	Dec. 31, 2023
Impact in profit or loss		
5%	₱2,354,821	₱5,022,327
(5%)	(2,354,821)	(5,022,327)
Impact in comprehensive income		
8%	25,042,295	19,008,007
(8%)	(25,042,295)	(19,008,007)

**Liquidity Risk.** Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and service its maturing debts. The Group's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information. The Group considers obtaining borrowings as the need arises.

The table also analyzes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.



March 31, 2024					
	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
Trade payables and other current liabilities*	₱215,754,227	₱ 1,172,500	₱-	₱ 42,362,353	₱259,289,080
Loan payable	9,803,922	9,803,922	9,803,922	411,764,706	441,176,472
Lease liabilities	73,576	73,756	146,971	208,495	502,798
	₱ 225,631,725	₱11,050,178	₱ 9,950,893	₱454,335,554	₱700,968,350

\*excluding statutory payables

December 31, 2023					
	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
Trade payables and other current liabilities*	₱168,761,749	₱-	₱67,500,000	₱-	₱236,261,749
Loan payable	-	-	58,823,529	411,764,707	470,588,236
Lease liabilities	73,576	73,756	146,971	208,495	502,798
	₱168,835,325	₱73,756	₱126,470,500	₱411,973,202	₱707,352,783

\*excluding statutory payables

**Foreign Currency Risk.** Foreign currency risk is the risk that the fair value or future cash flows of financial asset or financial liability will fluctuate due to changes in foreign exchange rates.

As at March 31, 2024 and December 31, 2023, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	Mar. 31, 2024		Dec. 31, 2023	
	USD	Peso Equivalent	USD	Peso Equivalent
Cash and cash equivalents	\$20,006	₱1,122,947	\$989,831	₱54,608,951
Software license fee payable*	-	-	(160,700)	(8,865,861)
Net foreign currency-denominated assets (liabilities)	\$20,006	₱1,122,947	\$829,131	₱45,743,090

\*Presented under "Trade payables and other current liabilities" account.

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was ₱56.13 to US\$1.0 and ₱55.17 to US\$1.0, as at March 31, 2024 and December 31, 2023, respectively.

It is the Group's policy to ensure that capabilities exist for active but conservative management of its foreign currency risk. The Group seeks to mitigate its transactional currency exposure by maintaining its costs at consistently low levels, regardless of any upward or downward movement in the foreign currency exchange rate.

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rates, with all other variables held constant, of the Group's consolidated income before tax as at March 31, 2024 and December 31, 2023. There is no other impact on the Group's equity other than those already affecting the profit or loss in the consolidated statement of comprehensive income.

	Mar. 31, 2024		Dec. 31, 2023	
	Increase in US\$ Rate	Decrease in US\$ Rate	Increase in US\$ Rate	Decrease in US\$ Rate
Change in US\$ rate*	5%	(5%)	5%	(5%)

	Mar. 31, 2024		Dec. 31, 2023	
	Increase in US\$ Rate	Decrease in US\$ Rate	Increase in US\$ Rate	Decrease in US\$ Rate
Effect on income before income tax	₱56,147	(₱56,147)	₱2,287,155	(₱2,287,155)

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

### **Capital Management**

The primary objective of the Group's capital management is to safeguard its ability to continue as a going concern, so that it can continue to 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 or issue new shares. There were no changes made in the objectives, policies or processes in 2024 and 2023.

The Group considers the following as its capital:

	Mar. 31, 2024	Dec. 31, 2023
Common stock	₱895,330,946	₱895,330,946
Additional paid-in capital	254,640,323	254,640,323
Cost of Parent Company common shares held by a subsidiary	(317,804,998)	(285,267,558)
	₱832,166,271	₱864,703,711

### **Fair Value of Assets and Financial Liabilities**

Set out below is a comparison by category and by class of carrying values and fair values of the Group's assets and financial liabilities:

	Mar. 31, 2024		Dec. 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
<b>At amortized cost:</b>				
Cash and cash equivalents	₱315,786,309	₱315,786,309	₱343,945,679	₱343,945,679
Trade and other receivables*	272,493,677	272,493,677	281,338,641	281,338,641
Refundable security deposits**	2,860,759	2,860,759	3,036,529	3,036,529
Guaranteed deposits**	91,000,000	91,000,000	91,000,000	91,000,000
<b>At FVPL</b>				
Investment held for trading	47,096,430	47,096,430	100,012,769	100,012,769
<b>At FVOCI</b>				
Financial assets at FVOCI	313,028,690	313,028,690	237,600,090	237,600,090
	₱1,042,265,865	₱1,042,265,865	₱1,056,933,708	₱1,056,933,708
<b>Financial Liabilities</b>				
<b>At amortized cost:</b>				
Trade payables and other current liabilities***	₱259,289,080	₱259,289,080	₱236,261,749	₱236,261,749
Loan payable	441,176,472	441,176,472	470,588,236	463,882,778
Lease liabilities	502,798	502,798	502,798	502,798
	₱700,968,350	₱700,968,350	₱707,352,783	₱700,673,788

\*Excluding advances to suppliers, officers and employees.

\*\*Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statements of financial position.

\*\*\*Excluding statutory payables

The Group has no financial liabilities measured at fair value as at March 31, 2024 and December 31, 2023. There were no transfers between fair value measurements as at March 31, 2024 and December 31, 2023.

The following methods and assumptions are used to estimate the fair value of each class of financial assets and financial liabilities:

*Cash, Trade and Other Receivables, Trade Payables and Other Current Liabilities (excluding Statutory Payables).* The carrying values of these financial instruments approximate their fair values due to the relatively short-term maturities of these financial assets and financial liabilities.

*Financial Assets at FVPL and Financial Assets at FVOCI.* The fair values of Financial Assets at FVPL and financial assets at FVOCI in quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date. There are no quoted market prices for the unlisted shares and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

*Loan Payable and Lease Liabilities.* The fair values are based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. Discount rate used for loan payable is 5.31% in 2023 and 5.78% to 5.25% for lease liabilities in 2024 and 2023.

## **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.

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 March 31, 2024 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 March 31, 2024, 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 March 31, 2024.
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.

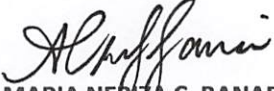
Issuer: **PACIFIC ONLINE SYSTEMS CORPORATION**



**WILLY N. OSIER**  
Chairman of the Board  
Date: May 9, 2024



**JACKSON T. ONGSIP**  
President and Chief Executive Officer  
Date: May 9, 2024



**MARIA NERIZA C. BANARIA**  
Chief Financial Officer and Treasurer  
Date: May 9, 2024

**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Financial Position**

	Mar. 31, 2024	Dec. 31, 2023
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P315,786,309	P343,945,679
Investments held for trading	47,096,430	100,012,769
Trade and other receivables	278,717,265	284,426,917
Creditable withholding taxes (CWTs)	125,819,010	101,764,077
Other current assets	123,731,748	118,272,603
Total Current Assets	891,150,762	948,422,045
<b>Noncurrent Assets</b>		
Financial assets at fair value through other comprehensive income (FVOCI)	313,028,690	237,600,090
Property and equipment	670,491,702	706,208,497
Right-of-use (ROU) assets	541,486	541,486
Net retirement asset	3,223,616	4,098,008
Net deferred tax assets	426,979	426,979
Other noncurrent assets	4,507,759	4,482,115
Total Noncurrent Assets	992,220,232	953,357,175
	<b>P1,883,370,994</b>	<b>P1,901,779,220</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade payables and other current liabilities	P293,341,340	P254,980,348
Current portion of loan payable	29,411,765	58,823,529
Current portion of lease liabilities	294,303	294,303
Total Current Liabilities	323,047,408	314,098,180
<b>Noncurrent Liabilities</b>		
Loan payable - net of current portion	411,764,706	411,764,707
Lease liabilities - net of current portion	208,495	208,495
Total Noncurrent Liabilities	411,973,201	411,973,202
Total Liabilities	735,020,609	726,071,382

(Forward)

	Mar. 31, 2024	Dec. 31, 2023
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock	<b>₱895,330,946</b>	<b>₱895,330,946</b>
Additional paid-in capital	<b>254,640,323</b>	<b>254,640,323</b>
Cost of Parent Company common shares held by a subsidiary	<b>(317,804,998)</b>	<b>(285,267,558)</b>
Other equity reserves	<b>(148,623,717)</b>	<b>(224,052,317)</b>
Retained earnings	<b>461,136,174</b>	<b>530,917,448</b>
	<b>1,144,678,728</b>	<b>1,171,568,842</b>
<b>Non-controlling Interest</b>	<b>3,671,657</b>	<b>4,138,996</b>
<b>Total Equity</b>	<b>1,148,350,385</b>	<b>1,175,707,838</b>
	<b>₱1,883,370,994</b>	<b>₱1,901,779,220</b>

**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income (Unaudited)**  
**For the three months ended March 31, 2024 and 2023**

	Three Months Ended Mar 31		This Quarter	
	2024	2023	2024	2023
<b>REVENUES</b>				
Equipment rentals	P138,910,714	P146,513,635	P138,910,714	P146,513,635
Total Revenues	P138,910,714	P146,513,635	P138,910,714	P179,188,478
<b>COSTS AND EXPENSES</b>				
Personnel costs	19,336,161	16,831,656	19,336,161	16,831,656
Software and license fees	14,978,156	19,488,093	14,978,156	19,488,093
Operating supplies	1,424,067	694,490	1,424,067	694,490
Depreciation and amortization	37,315,764	1,496,157	37,315,764	1,496,157
Communications	16,648,971	9,036,378	16,648,971	9,036,378
Travel and accommodation	4,415,438	4,353,086	4,415,438	4,353,086
Rent and utilities	7,516,921	5,969,455	7,516,921	5,969,455
Repairs and maintenance	10,908,339	3,487,030	10,908,339	3,487,030
Taxes and licenses	1,810,672	1,238,684	1,810,672	1,238,684
Entertainment and representation	1,030,909	33,576	1,030,909	33,576
Professional fees	725,368	1,198,053	725,368	1,198,053
Marketing and promotion	-	-	-	-
Pre-operating expenses	-	6,887,548	-	6,887,548
Directors fees	373,856	489,330	373,856	489,330
Others	295,556	10,387	295,556	10,387
Total Costs and Expenses	116,780,178	71,168,921	116,780,178	71,168,921
<b>OPERATING INCOME</b>	<b>22,130,536</b>	<b>75,344,714</b>	<b>22,130,536</b>	<b>75,344,714</b>
<b>OTHER INCOME (CHARGES)</b>				
Dividend income	-	18,947,664	-	18,947,664
Interest income	852,091	724,774	852,091	724,774
Finance charges	(11,973,644)	(19,896)	(11,973,644)	(19,896)
Mark-to-market gain (loss) on marketable securities	2,279,905	(1,470,129)	2,279,905	(1,470,129)
Others – net	1,147,128	21,273,629	1,147,128	21,273,629
Total Other Income (Charges)	(7,694,520)	39,456,042	(7,694,520)	39,456,042
<b>INCOME BEFORE INCOME TAX</b>	<b>14,436,016</b>	<b>114,800,756</b>	<b>14,436,016</b>	<b>114,800,756</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>				
Current	1,000,633	21,281,370	1,000,633	21,281,370
Deferred	-	-	-	-
	1,000,633	21,281,370	1,000,633	21,281,370
<b>NET INCOME (LOSS)</b>	<b>P13,435,383</b>	<b>P93,519,386</b>	<b>P13,435,383</b>	<b>P93,519,386</b>
<b>Attributable to:</b>				
	13,902,722	93,166,149	13,902,722	93,166,149
Equity holders of the Parent Company				
Non-controlling interests	(467,339)	353,237	(467,339)	353,237
	P13,435,383	P93,519,386	P13,435,383	P93,519,386
<b>Attributable to Equity Holders of the Parent Company</b>				
Basic / diluted earnings (loss) per share	P0.0166	P0.1103	P0.0166	P0.1103



**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income (Unaudited)**  
**For the three months ended March 31, 2024 and 2023**

	Three Months Ended Mar 31		This Quarter	
	2024	2023	2024	2023
<b>NET INCOME (LOSS)</b>	<b>P13,435,383</b>	<b>P93,519,386</b>	<b>P13,435,383</b>	<b>P93,519,386</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will never be reclassified to profit or loss				
Fair value gain (loss) on investment in shares of stock	75,428,600	1,885,715	75,428,600	1,885,715
Remeasurements of retirement benefits, net of tax	-	-	-	-
	75,428,600	1,885,715	75,428,600	1,885,715
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>P88,863,983</b>	<b>P95,405,101</b>	<b>P88,863,983</b>	<b>P95,405,101</b>
<b>Attributable to:</b>				
Equity holders of the Parent Company	89,331,322	95,051,864	89,331,322	95,051,864
Non-controlling interests	(467,339)	353,237	(467,339)	353,237
	<b>P88,863,983</b>	<b>P95,405,101</b>	<b>P88,863,983</b>	<b>P95,405,101</b>

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

	Mar. 31, 2024	Mar. 31, 2023
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY:</b>		
<b>CAPITAL STOCK</b>	<b>₱895,330,946</b>	<b>₱895,330,946</b>
<b>ADDITIONAL PAID-IN CAPITAL</b>	<b>254,640,323</b>	<b>254,640,323</b>
<b>COST OF PARENT COMPANY SHARES HELD BY SUBSIDIARIES</b>	<b>(317,804,998)</b>	<b>(285,267,558)</b>
<b>OTHER EQUITY RESERVES</b>		
<b>Cumulative Unrealized Valuation Losses on Financial Assets at FVOCI</b>		
Balance at beginning of year	(234,391,670)	(292,848,835)
Unrealized valuation gains (losses)	75,428,600	1,885,715
Realized portion of the fair value reserve	-	-
Balance at end of period	(158,963,070)	(290,963,120)
<b>Cumulative Remeasurement Gains (Losses) On Retirement Benefits</b>		
Balance at beginning of year	7,728,999	16,962,065
Net remeasurement gains (losses)	-	-
Balance at end of period	7,728,999	16,962,065
<b>Other Reserves</b>	<b>2,610,354</b>	<b>2,610,354</b>
	<b>(148,623,717)</b>	<b>(271,390,701)</b>
<b>RETAINED EARNINGS</b>		
Balance at beginning of year	530,917,448	342,701,848
Net income (loss)	13,902,722	93,166,149
Dividends declared	(83,683,996)	(84,486,396)
Balance at end of period	461,136,174	351,381,601
<b>NON-CONTROLLING INTEREST</b>		
Balance at beginning of year	4,138,996	1,976,176
Share in net income (loss)	(467,339)	353,237
Balance at end of period	3,671,657	2,329,413
	<b>₱1,148,350,385</b>	<b>₱947,024,024</b>

**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows (Unaudited)**  
**For the three months ended March 31, 2024 and 2023**

	For the three months ended March 31	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (Loss) before income tax	₱14,436,016	₱114,800,756
Adjustments for:		
Depreciation and amortization	37,315,764	1,528,652
Retirement benefits	874,392	1,725,350
Finance charges	11,973,644	19,896
Unrealized foreign exchange loss (gain)	(22,987)	(221,874)
Interest income	(852,091)	(724,774)
Marked-to-market losses (gains) on investments held for trading	(2,279,905)	1,470,129
Dividend income	-	(18,947,664)
Gain on sale of property and equipment	14,333	140,321
Gain on sale of investments held for trading	-	-
Operating income (loss) before working capital changes	61,459,166	99,790,792
Decrease (increase) in:		
Trade and other receivables	5,709,653	(10,639,795)
Other current assets	(5,459,145)	(1,453,125)
Other noncurrent assets	(25,644)	(140,520,212)
Increase (decrease) in:		
Trade and other payables	38,360,991	4,328,060
Net cash generated from (used for) operations		
Retirement contributions	-	-
Interest received	852,091	724,774
Income tax paid	(25,055,566)	(13,780,073)
Net cash provided by (used in) operating activities	75,841,546	(61,549,579)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	-	18,947,664
Proceeds from sale of:		
Investments held for trading	55,196,244	-
Property and equipment	69,000	21,800
Acquisitions of:		
Treasury Shares	(32,537,440)	-
Property and equipment	(1,682,301)	-
Net cash flows provided by (used in) investing activities	21,045,503	18,969,464
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (payment of) loan	(29,411,766)	214,500,000
Cash dividend paid	(83,683,996)	(84,486,396)
Payment of lease liabilities	-	(1,129,908)
Finance charges paid	(11,973,644)	(19,896)
Net cash flows provided by (used in) financing activities	(125,069,406)	128,863,800
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(28,182,357)	86,283,687
<b>CASH AT BEGINNING OF YEAR</b>	343,945,679	301,656,383
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	22,987	221,874
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱315,786,309</b>	<b>₱388,161,944</b>

**PACIFIC ONLINE SYSTEMS CORPORATION**  
**Attachments to Unaudited Financial Statements**  
**Trade and Other Receivables**  
**As of March 31, 2024**

**1.) Schedule of Trade and Other Receivables**

	<b>Amount</b>
<b>a.) Trade and Nontrade Receivables</b>	
1.) Trade receivables	P127,384,924
2.) Nontrade receivable	138,500,000
	<b>265,884,924</b>
<b>b.) Other Receivables</b>	
1.) Advances to officers and employees	1,261,429
2.) Advances to contractors and suppliers	2,814,767
3.) Other receivables	8,756,145
	<b>12,832,341</b>
<b>Total</b>	<b>P278,717,265</b>

**2.) Description of other 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	Non-interest bearing and are subject to liquidation	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 March 31, 2024**

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. Thus, 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 businesses of leasing lottery equipment to PCSO (leasing activities. Revenue generated from the leasing activities account for 100% of the Group's revenue in 2024.


**End of Report**

## Certification

We, **Willy N. Ocier**, Chairman of the Board, **Jackson T. Ongsip**, President and Chief Executive Officer, and **Maria Neriza C. Banaria**, Chief Financial Officer and Treasurer of **PACIFIC ONLINE SYSTEMS CORPORATION**, a corporation duly registered under and by virtue of the laws of the Republic of the Philippines, with SEC registration number **AS93008809** and with principal office address at **28<sup>th</sup> Floor East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City**, on oath state:

- 1) That we have caused this **SEC Form 17-Q (Quarterly Report)** for the period ended **March 31, 2024** to be prepared on behalf of **Pacific Online Systems Corporation**;
- 2) That we have read and understood its contents which are true and correct based on our own personal knowledge and/or authentic records;
- 3) That the company, **Pacific Online Systems Corporation**, will comply with the requirements set forth in SEC Notice dated May 12, 2021 to effect a complete and official submission of reports and/or documents through electronic mail;
- 4) That we are fully aware that submitted documents which will require pre-evaluation and/or payment of processing fee shall be considered complete and officially received only upon payment of a filing fee; and
- 5) That the e-mail account designated by the company pursuant to SEC Memorandum Circular No. 28, s.2020 shall be used by the company in its submission to CGFD.

IN WITNESS WHEREOF, we have hereunto set our hands this 9<sup>th</sup> day of May 2024.

  
WILLY N. OCIER

  
JACKSON T. ONGSIP

  
MARIA NERIZA C. BANARIA

SUBSCRIBED AND SWORN to before me this 9<sup>th</sup> day of May 2024, In Pasig City, Philippines.

Doc. No. 496 ;  
Page No. 12 ;  
Book No. 14 ;  
Series of 2024.

NOTARY PUBLIC  
**GAUDENCIO A. BARBOZA, JR.**  
NOTARY PUBLIC  
Cities of Pasig, San Juan and  
in the Municipality of Pateros, Metro Manila  
Until December 31, 2024  
PTR No. 0112601 / 01/02/2024 Pasig City  
BP No. 326534 / 12/11/2023 For Year 2024/RSM  
Roll No. 41969  
MCLE Comp. VII-0028557/April 19, 2023  
No. 11, Unit J Freemont Arcade Bldg.  
Shaw Blvd. Brgy. San Antonio, Pasig City  
Appointment No. 61 (2023-2024)