

COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

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

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

María Neriza C. Banarìa

(Contact Person)

8584-1700

(Company Telephone Number)

1 2 3 1
Month Day
(Fiscal Year)

1 7 - Q
(Form Type)

Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

59

Total No. of Stockholders

Total Amount of Borrowings

n/a

Domestic

n/a

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2022**
2. SEC Identification Number: **AS093-008809** 3. BIR Tax Identification No. **003-865-392-000**
4. Exact name of registrant as specified in its charter: **PACIFIC ONLINE SYSTEMS CORPORATION**
5. **Metro Manila, Philippines** 6. _____ (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code
Incorporation or organization
7. **28/F, East Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City** **1605**
Address of principal office Postal Code
8. **(632) 8584-1700**
Registrant's telephone number, including area code
9. **Not applicable**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, ₱1.00 par value	895,330,946

Amount of Debt Outstanding
n/a

11. Are any or all of these securities listed on the Philippine Stock Exchange
Yes [] No []

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 1 (a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes [] No []

(b) has been subject to such filing requirements for the past 90 days.
Yes [] No []

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

- a.) Consolidated Statements of Income for the six (6) months ended, June 30, 2022 and June 30, 2021;
- b.) Consolidated Statements of Comprehensive Income for the six (6) months, ended June 30, 2022 and June 30, 2021;
- c.) Consolidated Statements of Financial Position as of June 30, 2022 and Audited Statements of Financial Position as of December 31, 2021;
- d.) Consolidated Statements of Changes in Equity for the six (6) months ended, June 30, 2022 and June 30, 2021; and
- e.) Consolidated Statements of Cash Flows for the six (6) months ended, June 30, 2022 and June 30, 2021.

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

Results of Operations for the Period Ended June 30, 2022 vs. June 30, 2021

Revenues

Pacific Online Systems Corporation (the "Company") consolidated with its subsidiaries (the "Group"), earned total revenues of P218.9 million for the six months ended June 30, 2022. Revenues increased by P13.5 million (7%) from revenues of the same period in 2021 of P205.4 million, driven largely by the higher Lotto sales which increased by P27.8M (15%) as a result of the loosening of restrictions as the economy gradually recovers from the effects of the COVID-19 pandemic in the second quarter of the year. KENO revenues, on the other hand, declined by P14.3M (69%) due to the cessation of KENO operations effective April 1, 2022.

Cost and expenses

Costs and expenses decreased by P86.2 million (33%) to P176.6 million for the six months ended June 30, 2022 from P262.8 million for the same period in 2021. This is mainly due to the following: 1) lower variable costs such as software license fees and operating supplies because of the termination of KENO operations effective second quarter of 2022, and 2) the continuing effect of the cost efficiency measures implemented both at the operations and back office levels which aimed to rationalize manpower, telecommunications, rental and utilities expenses. In addition to this, fully utilized property and equipment allowed the Group to report lower depreciation expense in 2022.

Operating income

Due to the combination of higher revenues and efficiently controlled costs and expenses, the Group realized operating income of P42.3 million for the six months ended June 30, 2022, which is P99.7 million (174%) better compared to the P57.4 million operating loss for the first six months of 2021.

Other income (charges)

Other income (net of other charges) increased by P11.0 million (87%) to P23.7 million as of June 30, 2022 compared to P12.7 million for the period ended June 30, 2021. The improvement in other income is because of higher dividend income and lower to mark-to-market loss on its marketable securities in 2022 and a one-off gain on sale on property and equipment in 2022.

Net income

Because of the foregoing, the Group recognized net income amounting to P48.8 million for the six months ended June 30, 2022, showing a P93.5 million (209%) improvement from the net loss of P44.7 million for the same period in 2021.

Other comprehensive income and Total comprehensive income

Other comprehensive income (loss) of the Group pertains to the mark to market gains and losses on its financial assets at fair value through other comprehensive income. The Group posted a P12.6 million loss during the six months of 2022 versus a P22.2 million loss for the same period in 2021. Because of this, total comprehensive income year to date June 30, 2022 is at P36.2 million, increasing by P103.1 million (154%) from the P66.9 million other comprehensive loss for the same period in 2021.

Financial Condition as of June 30, 2022 vs. December 31, 2021**TOTAL ASSETS**

The Group's total assets of P891.4 million as of June 30, 2022 increased by P36.2 million or 4% from P855.2 million as of December 31, 2021. The main movements in the asset account are as follows:

Cash

Cash increased by P81.6 million (83%) to P180.3 million as at June 30, 2022 from P98.6 million as at December 31, 2021 due to collections of the Company's receivables and the P18.9M cash dividends received.

Marketable securities

As at June 30, 2022, marketable securities of the Group consist of investment in listed shares of stock of Leisure and Resorts World Corporation, Vantage Equities, Inc. and PLDT, Inc. The amount of the Group's marketable securities decreased by P4.2 million (7%) to P57.4 million as at June 30, 2022 from P61.6 million as at December 31, 2021 due to the mark-to-market loss recognized during the period.

Trade and other receivables

Trade and other receivables increased by P88.9 million (3%) to P318.3 million as at June 30, 2022 from P229.4 million as at December 31, 2021 due to advance payments made to suppliers.

Other current assets

Other current assets of the Company is composed of creditable withholding taxes, spare parts and supplies and prepayments. It increased by P10.0 million (6%) to P167.2 million as at June 30, 2022 from P157.3 million as at December 31, 2021 due mainly to the additional creditable withholding taxes for the current period.

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 P101.3M (40%) to P150.9 million as at June 30, 2022 from P252.2 million as at December 31, 2021 is due to the sale of financial assets, tempered by the mark to market of the share prices during 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 decreased by P16.6 million (71%) to P6.8 million as at June 30, 2022 from P23.4 million as at December 31, 2021 because of depreciation expense recognized for the period.

Right of use assets (ROU)

Right of use assets decreased by P2.7 million (40%) to P4.0 million as at June 30, 2022 from P6.7 million as at December 31, 2021 because of the amortization of ROU assets during the period.

Other noncurrent assets

Other noncurrent assets decreased by P2.2 million (47%) to P2.4 million as at June 30, 2022 from P4.6 million as at December 31, 2021. The decrease is mainly because of a refund of security deposit during the period.

LIABILITIES

The Group recorded total liabilities at P135.9 million as at June 30, 2022, which is virtually the same as the liabilities recorded as at December 31, 2021.

EQUITY

Total equity of the Company increased by P36.2 million (5%) to P755.5 million as at June 30, 2022 from P719.3 million as at December 31, 2021. The increase is mainly brought about by the net income earned during the period offset by the fair value loss from its investments.

Cash Flows for the Six Months Ended June 30, 2022 vs. June 30, 2021

The Group's cash balance as of June 30, 2022 of P180.3 million was higher by P51.0 million (39%) compared to the cash balance of P129.3 million in June 30, 2021, mainly due to increase in revenues and income for the period.

Discussion and Analysis of Material Events and Uncertainties Known to Management

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, 2021 to June 30, 2022;
7. Any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation; and
8. Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.

Key Performance Indicators

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

Liquidity & Financial Leverage Ratios	The manner by which the Company calculates the performance indicators	30 June 2022	31 December 2021
Current ratio	Current assets over current liabilities	6.27:1	4.64:1
Debt to equity ratio	Total liabilities over total equity	0.18:1	0.19:1
Asset-to-equity ratio	Total assets over total equity	1.18:1	1.19:1
Solvency ratio	Total assets over total liabilities	6.56:1	6.29:1
Operating income (loss) margin	Operating income (loss) over revenues	19.34%	(11.80%)
Net profit (loss) margin	Net income (loss) over revenues	22.31%	(10.60%)
Return on equity	Net income (loss) over total equity	6.46%	(1.81%)
Return on assets	Net income (loss) over total assets	5.48%	(1.52%)

The Group's current ratio as of June 30, 2022 improved compared to the current ratio as of December 31, 2021 mainly due to the increase in the Group's current assets.

Operating income margin, net profit margin, return on equity and return on assets all considerably improved as of June 30, 2022 compared to the ratios as of December 31, 2021 due to the improvement in the Company's financial results from operations.

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 contractors and suppliers) and guarantee and refundable deposits (presented as part of "Other current assets" or "Other noncurrent assets"), marketable securities and financial assets at FVOCI, trade 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 contractors and 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.

	June 30, 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*	P179,880,285	P-	P-	P-	P-	P-	P179,880,285	
Trade and other receivables**	202,455,562	-	-	-	-	115,825,004	318,280,566	
Refundable deposit***	2,429,645	-	-	-	-	-	2,429,645	
Guarantee bonds***	14,500,000	-	-	-	-	-	14,500,000	
	P 399,265,492	P-	P-	P-	P-	P115,825,004	P515,090,496	

*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, 2021							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*	P98,103,751	P-	P-	P-	P-	P-	P98,103,751	
Trade and other receivables**	266,064,430	-	-	-	-	115,825,004	381,889,434	
Refundable deposit***	3,706,928	-	-	-	-	-	3,706,928	
Guarantee bonds***	14,500,000	-	-	-	-	-	14,500,000	
	P382,375,109	P-	P-	P-	P-	P115,825,004	P498,200,113	

*Excluding cash on hand.

**Including noncurrent portion of accrued license fee and excluding advances to contractors, suppliers, officers and employees.

***Presented under "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:

	June 30, 2022			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Financial Assets at Amortized Cost				
Cash*	P179,880,285	P-	P-	P179,880,285
Trade and other receivables-net**	202,455,562	-	115,825,004	318,280,566
Refundable deposit ***	2,429,645	-	-	2,429,645
Guarantee bonds***	14,500,000	-	-	14,500,000
Gross Carrying Amount	P399,265,492	P-	P115,825,004	P515,090,496

*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, 2021			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Financial Assets at Amortized Cost				
Cash*	P98,103,753	P-	P-	P98,103,752
Trade and other receivables-net**	266,064,430	-	115,825,004	381,889,434
Refundable deposit ***	3,706,928	-	-	3,706,928
Guarantee bonds***	14,500,000	-	-	14,500,000
Gross Carrying Amount	P382,375,111	P-	P115,825,004	P498,200,114

*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 2022 and 2021 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	Jun. 30, 2022	Dec. 31, 2021
Impact in profit or loss		
5%	₱2,869,006	₱3,081,475
(5%)	(2,869,006)	(3,081,475)
Impact in comprehensive income		
8%	12,068,576	20,173,323
(8%)	(12,068,576)	(20,173,323)

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.

	June 30, 2022				Total
	Less than 3 months	3-6 months	6-12 months	More than 12 months	
Trade and other current liabilities*	₱26,635,437	₱8,042,840	₱5,475,742	₱66,842,130	₱106,996,148
Lease liabilities	1,100,696	1,115,206	1,129,907	761,534	4,107,344
	₱27,736,133	₱9,158,046	₱6,605,649	₱67,603,664	₱111,103,492

*excluding statutory payables

	December 31, 2021				Total
	Less than 3 months	3-6 months	6-12 months	More than 12 months	
Trade and other current liabilities*	₱18,353,479	₱48,156,775	₱6,765,172	₱29,593,727	₱102,869,152
Lease liabilities	1,457,623	1,486,180	1,943,134	1,986,015	6,872,952
	₱19,811,102	₱49,642,955	₱8,708,306	₱31,579,742	₱109,742,104

*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 June 30, 2022 and December 31, 2021, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	Jun. 30, 2022	Dec. 31, 2021
Cash	₱11,712,536	₱10,653,717
Software license fee payable*	(76,900,634)	(54,002,683)
Foreign currency-denominated financial assets (liabilities)	(₱65,188,098)	(₱43,348,965)

*Presented under "Trade and other current liabilities" account in the consolidated statement of financial position.

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was ₱54.95 to US\$1.0 and ₱51.09 to US\$1.0, as at June 30, 2022 and December 31, 2021, 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, 2021 and 2020. 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.

	Jun. 30, 2022		Dec. 31, 2021	
	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	₱3,259,405	(₱3,259,405)	₱2,167,448	₱2,167,448

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 2022 and 2021.

The Group considers the following as its capital:

	Jun. 30, 2022	Dec. 31, 2021
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	(285,267,558)	(285,267,558)
	₱864,703,711	₱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:

	Jun. 30, 2022		Dec. 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash	₱179,880,285	₱179,880,285	₱98,103,751	₱98,103,751
Trade and other receivable	202,455,562	202,455,562	266,064,430	266,064,430
Refundable security deposits	2,429,645	2,429,645	3,706,928	3,706,928
Guaranteed deposits	14,500,000	14,500,000	14,500,000	14,500,000
At FVPL				
Marketable securities	57,380,116	57,380,116	61,629,495	61,629,495
At FVOCI				
Financial assets at FVOCI	150,857,200	150,857,200	252,166,540	252,166,540
	₱607,502,808	₱607,502,808	₱696,171,144	₱696,171,144

	Jun. 30, 2022		Dec. 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
At amortized cost:				
Trade and other current liabilities	₱106,996,148	₱106,996,148	₱102,869,152	₱102,869,152
Lease liabilities	4,107,344	4,107,344	11,605,367	11,605,367
	₱111,103,492	₱111,103,492	₱114,474,519	₱114,474,519

The Group has no financial liabilities measured at fair value as at June 30, 2022 and December 31, 2021. There were no transfers between fair value measurements as at June 30, 2022 and December 31, 2021.

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 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.

Lease Liabilities. The fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. Discount rates used are 5.25% to 6.50% in 2022 and 2021.

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 June 30, 2022 and up to the date of this report that need disclosure herein.
6. Except as disclosed in the MD & A, there were no changes in the composition of the Group since June 30, 2022, such as business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring, and discontinued operations.
7. There were no changes in contingent liabilities or contingent assets since June 30, 2022.
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

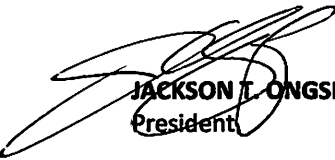
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **PACIFIC ONLINE SYSTEMS CORPORATION**



WILLY N. OJIER
Chairman of the Board

Date: August 4, 2022



JACKSON T. ONGSIP
President

Date: August 4, 2022



MARIA NERIZA C. BANARIA
Chief Financial Officer

Date: August 4, 2022

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position

	Jun. 30, 2022	Dec. 31, 2021
ASSETS		
Current Assets		
Cash	P180,284,285	P98,638,883
Marketable securities	57,380,116	61,629,495
Trade and other receivables	318,280,566	229,355,532
Other current assets	167,232,831	157,272,264
Total Current Assets	723,177,798	546,896,174
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI)	150,857,200	252,166,540
Property and equipment	6,760,043	23,398,041
Right-of-use assets	3,993,876	6,672,570
Deferred tax assets	4,160,643	21,398,655
Other noncurrent assets	2,429,645	4,624,920
Total Noncurrent Assets	168,201,407	308,260,726
	P891,379,205	P855,156,900
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities	P111,232,218	P112,922,359
Lease liabilities	4,107,344	4,886,938
Income tax payable	-	-
Total Current Liabilities	115,339,562	117,809,297
Noncurrent Liabilities		
Lease liabilities - net of current portion	-	1,986,014
Retirement liability	20,557,010	16,062,627
Total Noncurrent Liabilities	20,557,010	18,048,641
Total Liabilities	135,896,572	135,857,938

(Forward)

	Jun. 30, 2022	Dec. 31, 2021
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	P895,330,946	P895,330,946
Additional paid-in capital	254,640,323	254,640,323
Cost of Parent Company common shares held by a subsidiary	(285,267,558)	(285,267,558)
Fair value reserve	(504,913,861)	(492,266,311)
Retirement benefits reserve	12,544,249	12,544,249
Other reserve	2,610,354	2,610,354
Retained earnings	378,669,105	329,713,024
	753,613,558	717,305,027
Non-controlling Interest	1,869,075	1,993,935
Total Equity	755,482,633	719,298,962
	P891,379,205	P855,156,900

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income (Unaudited)
For the six months ended June 30, 2022 and 2021

	Six Months Ended Jun 30		This Quarter	
	2022	2021	2022	2021
REVENUES				
Equipment rentals	P218,889,744	P205,374,674	P114,782,354	P82,558,493
Total Revenues	P218,889,744	P205,374,674	P114,782,354	P82,558,493
COSTS AND EXPENSES				
Personnel costs	44,025,106	61,246,442	22,603,035	33,196,676
Software and license fees	25,205,678	29,653,665	13,414,222	9,109,246
Operating supplies	2,842,983	4,055,056	1,348,588	1,875,393
Depreciation and amortization	29,386,452	72,930,168	2,590,664	34,934,553
Communications	27,122,188	44,162,421	13,015,434	22,836,345
Travel and accommodation	9,898,194	12,675,651	4,842,296	6,194,463
Rent and utilities	12,954,583	15,081,918	6,889,303	8,241,665
Repairs and maintenance	7,043,175	8,824,134	3,537,537	915,028
Taxes and licenses	2,633,241	9,566,808	922,762	5,724,241
Entertainment and representation	372,767	371,379	190,174	186,777
Professional fees	3,976,462	3,071,755	1,878,454	1,512,709
Marketing and promotion	28,000	14,929	2,000	-
Pre-operating expenses	8,412,616	-	2,353,558	-
Others	2,661,959	1,136,221	2,046,353	758,810
Total Costs and Expenses	176,563,404	262,790,547	75,634,380	125,485,906
OPERATING INCOME (LOSS)	42,326,340	(57,415,873)	39,147,974	(42,927,413)
OTHER INCOME (CHARGES)				
Dividend income	18,947,664	15,368,577	18,947,664	15,368,577
Interest income	42,651	46,767	25,944	43,293
Finance charges	(161,339)	(420,232)	(62,682)	(101,437)
Mark-to-market gain (loss) on marketable securities	(4,249,379)	(6,068,814)	(4,343,521)	(2,486,369)
Gain (loss) on sale of				
Property and equipment	1,633,225	10,000	10,000	10,000
Foreign exchange gain (loss)	503,676	758,525	361,783	359,421
Others – net	7,026,395	3,020,387	660,129	(1,945,506)
Total Other Income (Charges)	23,742,892	12,715,210	15,599,317	11,247,979
INCOME (LOSS) BEFORE INCOME TAX	66,069,232	(44,700,663)	54,747,291	(31,679,434)
INCOME TAX EXPENSE (BENEFIT)				
Current	-	-	-	-
Deferred	17,238,011	-	17,238,011	-
	17,238,011	-	17,238,011	-
NET INCOME (LOSS)	P48,831,221	(P44,700,663)	P37,509,280	(P31,679,434)
Attributable to:				
Equity holders of the Parent Company	48,956,081	(44,551,566)	37,567,945	(31,786,123)
Non-controlling interests	(124,860)	(149,097)	(58,665)	106,689
	P48,831,221	(P44,700,663)	P37,509,280	(P31,679,434)
Attributable to Equity Holders of the Parent Company				
Basic / diluted earnings (loss) per share	P 0.0579	(P 0.0527)	P 0.0445	(P 0.0376)

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Unaudited)
For the six months ended June 30, 2022 and 2021

	Six Months Ended Jun 30		This Quarter	
	2022	2021	2022	2021
NET INCOME (LOSS)	P48,831,221	(P44,700,663)	P37,509,280	(P31,679,434)
OTHER COMPREHENSIVE INCOME				
Items that will never be reclassified to profit or loss				
Fair value gain (loss) on investment in shares of stock	(12,647,550)	(22,208,720)	(22,628,580)	16,418,980
Remeasurements of retirement benefits, net of tax	-	-	-	-
	(12,647,550)	(22,208,720)	(22,628,580)	16,418,980
TOTAL COMPREHENSIVE INCOME (LOSS)	P36,183,671	(P66,909,383)	P14,880,700	(P15,260,454)
Attributable to:				
Equity holders of the Parent Company	36,308,531	(66,760,286)	14,939,365	(15,367,143)
Non-controlling interests	(124,860)	(149,097)	(58,665)	106,689
	P36,183,671	(P66,909,383)	P14,880,700	(P15,260,454)

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
For the six months ended June 30, 2022 and 2021

	For the six months ended June 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	P66,069,232	(P44,700,663)
Adjustments for:		
Depreciation and amortization	29,386,452	72,930,168
Retirement benefits	4,494,383	5,324,130
Finance charges	161,339	420,232
Unrealized foreign exchange loss (gain)	(503,676)	(758,525)
Interest income	(42,651)	(46,767)
Fair value loss on marketable securities	4,249,379	6,068,814
Dividend income	(18,947,664)	15,368,577
Gain on sale of property and equipment	(1,633,225)	(10,000)
Operating income before working capital changes	83,233,569	23,858,812
Decrease (increase) in:		
Trade and other receivables	(88,925,033)	15,577,270
Other current assets	(21,096,931)	(38,858,575)
Increase (decrease) in:		
Trade and other payables	(1,690,140)	(37,724,220)
Interest received	42,651	46,767
Retirement contributions paid		(5,000,000)
Net cash flows provided by operating activities	(28,435,884)	(42,099,945)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of		
Property and equipment	-	(2,079,149)
Proceeds from sale of		
Financial assets at fair value through other comprehensive income (FVOCI)	88,661,790	-
Property and equipment	2,487,684	10,000
Dividend received	18,947,664	15,368,577
Decrease (increase) in other noncurrent assets	2,195,275	3,142,788
Net cash flows provided by investing activities	112,292,413	16,442,217
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(2,553,464)	(7,644,092)
Finance charges paid	(161,339)	(420,232)
Net cash flows used in financing activities	(2,714,803)	(8,064,324)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	81,141,726	(33,722,052)
CASH AT BEGINNING OF YEAR	98,638,883	162,274,833
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	503,676	758,525
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P180,284,285	P129,311,305

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

	Capital Stock	Additional Paid-in Capital	Cost of Parent Company common shares held by a subsidiary	Fair Value Reserve	Reserve for Retirement Benefits	Other reserve	Retained Earnings	Total	Non- Controlling Interest	Total Equity
January 1, 2021	P895,330,946	254,640,323	(P285,267,558)	(P462,610,486)	(P14,014,805)	P2,620,354	P469,987,087	P860,675,861	P2,464,691	P863,140,552
Other comprehensive income (loss)	-	-	-	(22,208,720)	-	-	-	(22,208,720)	-	(22,208,720)
Net income (loss) for the period	-	-	-	-	-	-	(44,551,566)	(44,551,566)	(149,097)	(44,700,663)
Total comprehensive income (loss) for the period	-	-	-	(22,208,720)	-	-	(44,551,566)	(66,760,286)	(149,097)	(66,909,383)
Total transactions with owners in their capacity as owners	-	-	-	(22,208,720)	-	-	(44,551,566)	(66,760,286)	(149,097)	(66,909,383)
June 30, 2021	P895,330,946	254,640,323	(P285,267,558)	(P501,238,186)	(P14,014,805)	P2,620,254	P425,435,521	P793,915,575	P2,315,594	P796,231,169
January 1, 2022	P895,330,946	P254,640,323	(P285,267,558)	(P492,266,311)	(P12,544,249)	P2,610,354	P329,713,024	P717,305,027	P1,993,935	P719,298,962
Other comprehensive income (loss)	-	-	-	(12,647,550)	-	-	-	(12,647,550)	-	(12,647,550)
Net income (loss) for the period	-	-	-	-	-	-	48,956,081	48,956,081	(124,860)	48,831,221
Total comprehensive income (loss) for the period	-	-	-	(12,647,550)	-	-	48,956,081	36,308,531	(124,860)	36,183,671
Dividends paid	-	-	-	-	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	(12,647,550)	-	-	48,956,081	36,308,531	(124,860)	36,183,671
June 30, 2022	P895,330,946	P254,640,323	(P285,267,558)	(P504,913,861)	(P12,544,249)	P2,610,354	P378,669,105	P753,613,558	P1,869,075	P755,482,633

PACIFIC ONLINE SYSTEMS CORPORATION
Attachments to Unaudited Financial Statements
Trade and Other Receivables
As of June 30, 2022

1.) Aging of Trade and Other Receivables

	Neither Past Due nor Impaired	Impaired	Total
a.) Trade and Nontrade Receivables			
1.) Trade receivables	P67,733,881	P -	P67,733,881
2.) Nontrade receivable	12,027,605	115,825,004	127,852,609
3.) Accrued license fee income-current	23,537,897	-	23,537,896
	103,299,383	115,825,004	219,124,387
b.) Other Receivables			
1.) Advances to officers and employees	93,363	-	93,363
2.) Advances Contractors and suppliers	98,879,704	-	98,879,704
3.) Other receivables	183,112	-	183,112
	99,156,179	-	99,156,179
Total	P202,455,562	P115,825,004	P318,280,566

2.) Description of receivables

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

3.) Normal operating cycle: 365 days

PACIFIC ONLINE SYSTEMS CORPORATION
Attachments to Unaudited Financial Statements
Segment Information
For the period ended June 30, 2022

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 2022.

End of Report