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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)

Ma. Virginia V. Abo-Hamda	8584-1700
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(Contact Person)

(Company Telephone Number)

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Month Day
(Fiscal Year)

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(Form Type)

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Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

54

Total No. of Stockholders

PhP112.5 M

Domestic

n/a

Foreign

To be accomplished by SEC Personnel concerned

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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, 2020 and March 31, 2019;
- b.) Consolidated Statements of Comprehensive Income for the three (3) months, ended March 31, 2020 and March 31, 2019;
- c.) Consolidated Statements of Financial Position as of March 31, 2020 and Audited Statements of Financial Position as of December 31, 2019;
- d.) Consolidated Statements of Changes in Equity for the three (3) months ended, March 31, 2020 and March 31, 2019; and
- e.) Consolidated Statements of Cash Flows for the three (3) months ended, March 31, 2020 and March 31, 2019.

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

Results of Operations for the Period Ended March 31, 2020 vs. March 31, 2019

Revenues

For the first quarter of 2020, Pacific Online Systems Corporation (the "Company") consolidated with its subsidiaries (the "Group"), earned total revenues of P180.1 million, which is P113.7 million, or 39%, lower than last year's revenues of P293.8 million. The decrease in revenues was due to lower ELA rate for Keno, the sale of its subsidiary Lucky Circle Corporation (LCC) effective Feb. 29, 2020 and the no lottery sales from March 17 to 31, 2020 due to Enhanced Community Quarantine (ECQ).

Costs and Expenses

The Group incurred total operating expenses of P236.3 million, which is 31% or P108.3 million lower than last year's P344.6 million for the three months of the year. The decrease in costs and expenses is attributable to the following:

- Personnel costs decreased by P29.6 million (33%) due to the sale of LCC effective Feb. 29, 2020;
- Software and license fees decreased by P26.0 million (56%) due to lower lottery sales and lower rates charged by providers Intralot and Scientific Games (SG);
- Management Fees decreased by P0.9 million (100%) due to negative EBITDA;
- Operating supplies decreased by P10.7 million (64%) due to lower Keno paper consumption;
- Communications decreased by P6.1 million (19%) due to telco discount negotiated during the no sales period;
- Travel and accommodation decreased by P6.3 million (42%) due to reduced business trips;
- Rent, utilities and outside services decreased by P10.50 million (29%) due to the sale of LCC effective Feb. 29, 2020;
- Repairs and maintenance decreased by P18.7 million (67%) due to less repairs and maintenance work undertaken during the period;
- Taxes and licenses decreased by P6.0 million (52%) due to lower business taxes resulting from lower revenues;

- Professional fees decreased by P0.2 million (8%) due to timing of payment of audit fees; and
- Other expenses decreased by P0.8 million (15%) due to lower other incidental business expenses incurred.

The above decreases were offset by the increases in the following expense accounts:

- Depreciation and amortization increased by P6.8 million (12%) due to the depreciation of fixed assets acquired in 2019; and
- Marketing and promotions expense increased by P0.9 million (74%) due to marketing activities of its keno operations.

Other Income (Charges)

Other income (net of other charges) of P27.4 million decreased by 6.3 million (19%) for the period ended March 31, 2020 versus last year's P33.7 million. This change is mainly due to the P16.7 million mark to market (MTM) loss on marketable securities, offset by P9.5M net gain on the sale of LCC.

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

Due to a P113.7 million (39%) decline in revenues, the Group incurred an operating loss of P56.2 million, which is higher by P5.4 million (11%) from last year's P50.8 million operating loss. Said operating loss was incurred in spite of a P108.3 million (31%) decrease in costs and expenses. Other income of P27.4 million was lower by P6.3 million (19%) from last year's P33.7 million other income, mostly due to a P16.7 million mark to market loss on marketable securities. The Group realized a net loss of P28.9 million, which is higher by P9.6 million (49%), from the P19.3 million net loss during the same period last year,

A P145.3 million fair value loss on investment in stocks resulted to a total comprehensive loss of P174.2 million, this is a P175.9 million decline from last year's total comprehensive income of P1.5 million.

Financial Condition as of March 31, 2020 vs. December 31, 2019

The Group's total assets of P1.4 billion as of March 31, 2020 decreased by P272.3 million or 16% from P1.7 billion as of December 31, 2019. The decrease in total assets is largely attributable to the following:

- Marketable securities decreased by P64.2 million (46%) due to the redemption of P50.0 million LR preferred shares and P14.2 million mark to market loss for the period;
- Investment in stocks decreased by P145.3 million (42%) due to the fair value loss incurred during the period, and;
- Other current assets decreased by P20.8 million (10%), Right of Use (ROU) assets decreased by P30.5 million (61%), Deferred tax assets decreased by P24.0 million and Other noncurrent assets decreased by P57.7 million (20%) mainly due to the effect of sale of LCC.

The decreases above were offset by the increase of trade and other receivables of P76.9 million (45%) due to the P68.4 million note receivable and P8.5 million trade receivable.

The Group's total liabilities at P271.0 million decreased by P128.4 million, or 32% from P399.4 million as of December 31, 2019. The decrease in total liabilities is explained as follows:

- Trade and other current liabilities decreased by P55.3 million (38%), Withholding taxes payable decreased by P2.9 million (84%), Income taxes payable decreased by P3.3 million (78%) and Lease liabilities decreased by P33.8 million (50%) due to the effect of sale of LCC, and;

- Loans payable decreased by P37.5 million (25%) due to payments made during the first quarter 2020.

The decreases above were offset by the increase of defined benefit liability of P4.4 million (15%), resulting from the P1.5 million additional accrual of retirement expense and exclusion of retirement benefit asset of LCC.

Total equity as of March 31, 2020 of P1.170 billion decreased by P143.9 million from the P1.313 billion equity as of yearend 2019. The decrease in total equity resulted from the P145.3 million fair value loss on investment in stocks and the P28.9 million net loss from operations for the period. However, said decrease was offset by the exclusion of LCC's P23.6 million deficit and P6.7 million reserve for retirement benefits, as LCC was sold in February 2020. Refer to Consolidated Statement of Changes in Equity for details.

Cash Flows for the Three Months Ended March 31, 2020 vs. March 31, 2019

The Group's cash balance as of March 31, 2020 of P326.5 million was lower by P248.7 million (43%), as compared to P575.3 million in 2019, mainly due to the exclusion of LCC, partial payments of company's bank loan, capital expenditures and reduced collection of rental revenues from PCSO.

Discussion and Analysis of Material Events and Uncertainties Known to Management

It is possible that PCSO's rebidding of the PLS may be further delayed beyond July 2020 with the existing lease agreement to be extended accordingly. However, whenever the bidding will finally be completed, the Company expects that its lease agreement with PCSO will, nonetheless, be extended by at least eighteen (18) months after the contract for PLS has been awarded to a new provider which will serve as a transition period prior to a new system going in full operation. In view of the continuing uncertainty and difficulties brought about by the COVID Pandemic, however, the Company will propose to the PCSO that, in lieu of proceeding with the PLS bidding, the existing lease agreement be just extended for a period of at least three (3) years to allow the Company to be able to invest on some system upgrades that will ensure the integrity of the PCSO's online gaming operations.

The suspension of lottery operations of the PCSO due to the ECQ made a major impact on POSC. It is not yet clear how long the suspension will last. It is expected that losses will continue until lottery operations resume.

Except for what has been noted in the 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, 2019 to March 31, 2020, except those mentioned above;
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	31 March 2020	31 December 2019
Current ratio	Current assets over current liabilities	3.60:1	2.40:1
Debt to equity ratio	Total liabilities over total equity	0.23:1	0.30:1
Asset-to-equity ratio	Total assets over total equity	1.23:1	1.30:1
Solvency ratio	Total assets over total liabilities	5.32:1	4.29:1

Profitability Ratios	The manner by which the Company calculates the performance indicators	31 March 2020	31 March 2019
Operating income (loss) margin	Operating income (loss) over revenues	(31.23%)	(17.29%)
Net profit (loss) margin	Net income (loss) over revenues	(16.04%)	(6.58%)
Return on equity	Net income (loss) over total equity	(2.47%)	(1.47%)
Return on assets	Net income (loss) over total assets	(2.01%)	(1.13%)

PART II - OTHER INFORMATION

Financial Instruments

Financial Risk Management Objectives and Policies

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

Credit Risk

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

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

The table below shows the maximum exposure to credit risk for the Group's financial assets as at March 31, 2020 and December 31, 2019 without taking into account any collateral and other credit enhancements:

	Mar. 31, 2020	Dec. 31, 2019
Cash in banks and cash equivalents	P325,518,396	P332,880,313
Trade and other receivables - net*	296,465,070	212,881,594
Marketable securities	76,231,364	140,456,581
Refundable deposits	6,244,216	35,424,154
Investments in stocks	202,357,145	347,630,880
Guarantee bonds**	12,000,000	12,000,000
Total credit exposure	P918,816,191	P1,081,273,522

The table below shows the aging analysis of receivables other financial assets as at March 31, 2020 and December 31, 2019:

	March 31, 2020		
	Neither Past Due nor Impaired	Impaired	Total
Trade and other receivables - net	P92,673,073	P -	P92,673,073
Accrued receivable*	130,116,122	-	130,116,122
Note receivable	68,400,000	-	68,400,000
Guarantee bonds**	12,000,000	-	12,000,000
Refundable deposits	6,244,216	-	6,244,216
Other receivables	5,275,875	-	5,275,875
	P314,709,286	P -	P314,709,286

* Inclusive of noncurrent portion of license fee income of P86.1 million and exclusive of advance payments of P39.0 million.

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

	December 31, 2019		
	Neither Past Due nor Impaired	Impaired	Total
Trade and other receivables - net	P75,106,370	P -	P75,106,370
Accrued receivable*	136,615,655	-	136,615,655
Guarantee bonds**	12,000,000	-	12,000,000
Refundable deposits	35,424,154	-	35,424,154
Other receivables	1,159,570	-	1,159,570
	P260,305,748	P -	P260,305,748

* Inclusive of noncurrent portion of license fee income of P96.6 million and exclusive of advance payments of P56.2 million.

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

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

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

	March 31, 2020			Total
	Grade A	Grade B	Grade C	
At amortized cost:				
Cash in banks and cash equivalents	P325,518,396	P -	P -	P325,518,396
Trade and other receivables - net*	166,348,948	130,116,122	-	296,465,070
Refundable deposits	-	6,244,216	-	6,244,216
Guarantee bonds	-	-	12,000,000	12,000,000
At FVPL:				
Marketable securities	76,231,364	-	-	76,231,364
At FVOCI:				
Investments in stocks	202,357,145	-	-	202,357,145
	P770,455,853	P136,360,338	P12,000,000	P918,816,191

* Inclusive of noncurrent portion of accrued license fee income amounting to P86.1 million and exclusive of advance payments of P39.0 million.

	December 31, 2019			
	Grade A	Grade B	Grade C	Total
At amortized cost:				
Cash in banks and cash equivalents	P332,880,313	P -	P -	P332,880,313
Trade and other receivables - net*	76,265,939	136,615,655	-	212,881,594
Refundable deposits	-	35,424,154	-	35,424,154
Guarantee bonds	-	-	12,000,000	12,000,000
At FVPL:				
Marketable securities	140,456,581	-	-	140,456,581
At FVOCI:				
Investments in stocks	347,630,880	-	-	347,630,880
	P897,233,714	P172,039,809	P12,000,000	P1,081,273,522

* Inclusive of noncurrent portion of accrued license fee income amounting to P96.6 million and exclusive of advance payments of P56.2 million.

Grade A pertains to those cash in banks and guarantee bonds that are deposited in reputable banks, investments with reputable publicly listed companies and receivables from PCSO which are consistently collected before the maturity date. Grade B pertains to receivables that are collected on their due dates even without an effort from the Group to follow them up. Grade C pertains to receivables which are collected on their due dates provided that the Group made a persistent effort to collect them.

Equity Price Risk

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

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

Marketable Securities

Increase (Decrease) in Equity Price		Effect on Consolidated Income before Income Tax
March 31, 2020		
5%		P3,811,568
(5%)		(3,811,568)
December 31, 2019		
5%		P7,022,829
(5%)		(7,022,829)

Investments in Stocks

Increase (Decrease) in Equity Price		Effect on Comprehensive Net Income
March 31, 2020		
8%		P16,188,572
(8%)		(16,188,572)
December 31, 2019		
8%		P27,810,470
(8%)		(27,810,470)

Liquidity Risk

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

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

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

	March 31, 2020				Total
	Less than 3 Months	3 - 6 Months	6 - 12 Months	More than 12 Months	
Trade and other current liabilities*	P50,349,022	P7,373,487	P1,422,466	P27,704,428	P86,849,404
Loans payable	37,500,000	75,000,000	-	-	112,500,000
Lease liabilities	11,970,234	12,315,785	7,921,752	1,586,644	33,794,415
	P99,819,256	P94,689,272	P9,344,218	P29,291,073	P233,143,819

* Excluding statutory liabilities amounting to P2.1 million.

	December 31, 2019				Total
	Less than 3 Months	3 - 6 Months	6 - 12 Months	More than 12 Months	
Trade and other current liabilities*	P61,145,801	P52,988,151	P634,800	P27,627,805	P142,396,558
Loans payable	37,500,000	75,000,000	37,500,000	-	150,000,000
Lease liabilities	9,736,270	18,392,707	30,244,143	9,248,884	67,602,005
	P108,382,072	P146,380,859	P68,358,943	P36,876,689	P359,998,563

* Excluding statutory liabilities amounting to P1.8 million.

Foreign Currency Risk

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

As at March 31, 2020 and December 31, 2019, assets and liabilities denominated in US\$ include cash in banks amounting to P6.9 million (\$135,182) and P51.8 million (\$1,022,373), and consultancy and software and license fees payable amounting to P23.2 million (\$456,324) and P17.2 million (\$339,792), respectively.

In translating foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were P50.95 and P50.64 to US\$1, the Php to US\$ exchange rates, as at March 31, 2020 and December 31, 2019, respectively.

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

Increase (Decrease) in US\$ Exchange Rate	Effect on Income before Income Tax	Effect on Equity
March 31, 2020		
5%	(P818,110)	(P572,677)
(5%)	818,110	572,677
December 31, 2019		
5%	(P691,698)	(P484,188)
(5%)	691,698	484,188

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

Capital Management

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

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

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

As at March 31, 2020 and December 31, 2019, the Group is compliant with the minimum public float requirement by the PSE.

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

There were no changes in the Company's approach to capital management during the period. As at March 31, 2020 and December 31, 2019, the Company is compliant with the minimum public float requirement by PSE.

The Group's current ratio, calculated as total current assets over total current liabilities, and debt-to-equity ratio, calculated as total liabilities over equity, as at March 31, 2020 and December 31, 2019 are as follows:

Current Ratio

	Mar. 31, 2020	Dec. 31, 2019
Current assets	P845,569,574	P864,695,033
Current liabilities	235,124,348	360,318,424
Current ratio	3.60:1.00	2.40:1.00

Debt-to-Equity Ratio

	Mar. 31, 2020	Dec. 31, 2019
Total liabilities	P270,975,273	P399,410,077
Total equity	1,169,542,108	1,313,419,353
Debt-to-equity ratio	0.23:1.00	0.30:1.00

To address the prohibition in maintaining excess retained earnings over the paid in capital under Sec. 43 of the Corporation Code, the Group intends to continuously declare dividends and is considering various options in line with its business objectives and strategies and state of the gaming industry.

Fair Value of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments as at March 31, 2020 and December 31, 2019:

	March 31, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At Amortized Cost:				
Cash and cash equivalents	P326,548,396	P326,548,396	P337,471,529	P337,471,529
Trade and other receivable*	296,465,070	296,465,070	212,881,594	212,881,594
Refundable deposits	6,244,216	6,244,216	35,424,154	35,424,154
Guarantee bonds	12,000,000	12,000,000	12,000,000	12,000,000
At FVPL:				
Marketable securities	76,231,364	76,231,364	140,456,581	140,456,581
At FVOCI:				
Investments in stocks	202,357,145	202,357,145	347,630,880	347,630,880
	P919,846,191	P919,846,191	P1,085,864,738	P1,085,864,738

	March 31, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
At Amortized Cost:				
Trade and other current liabilities**	P86,849,404	P86,849,404	P142,396,558	P142,396,558
Loan payable	112,500,000	112,500,000	150,000,000	150,000,000
Lease liabilities (inclusive of noncurrent portion)	33,794,415	33,794,415	67,602,005	67,602,005
	P233,143,819	P233,143,819	P359,998,563	P359,998,563

*Inclusive of noncurrent portion of accrued license fee income amounting to P86.1 million and P96.6 million and exclusive of advances amounting to P39.0 million and P56.2 million as at March 31, 2020 and December 31, 2019, respectively.

**Excluding statutory liabilities of P2.1 million and P1.8 million as at March 31, 2020 and December 31, 2019, respectively.

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

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

The fair values of marketable securities and investments in stocks are based on quoted market prices.

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

	Level 1	Level 2	Level 3	Total
Marketable Securities				
Mar. 31, 2020	P76,231,364	P -	P -	P76,231,364
Dec. 31, 2019	155,704,892	-	-	155,704,892
Investments in Stocks				
Mar. 31, 2020	202,357,145	-	-	202,357,145
Dec. 31, 2019	455,705,930	-	-	455,705,930

There were no transfers between Levels as at March 31, 2020 and December 31, 2019.

Other Required Disclosures

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

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

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Group has adopted the following amendments to standards starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise stated, the adoption did not have a material impact on the Group's consolidated financial statements.

- *PFRS 16 Leases supersedes PAS 17 Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

The Group has adopted PFRS 16 on the date of initial application, January 1, 2019. When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The average rate applied for lease contracts with duration of 13 months to 23 months is 6% and the rate applied for lease contracts with duration of 24 months to 35 months is 6.5%.

The following amended standards and interpretations are relevant but did not have a significant impact on the Group's consolidated financial statements.

- Philippine Interpretation IFRIC-23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to PFRS 9 Financial Instruments).
- Long-term Interests in Associates and Joint Ventures (Amendments to PAS 28 Investments in Associates and Joint Ventures).
- Plan Amendment, Curtailment or Settlement (Amendments to PAS 19 Employee Benefits).
- Annual Improvements to PFRSs 2015 - 2017 Cycle.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2019. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards sets*
- *Definition of Material (Amendments to PAS 1 Presentation of Financial Statements and PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).*
- *Definition of a Business (Amendments to PFRS 3 Business Combinations).*

Effective January 1, 2023

PFRS 17 Insurance Contracts.

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. There were no material events that occurred subsequent to March 31, 2020 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, 2020, 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, 2020
8. There exist no material contingencies and other material events or transactions affecting the current interim period.

SIGNATURES

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

Issuer: **PACIFIC ONLINE SYSTEMS CORPORATION**



WILLY N. OCIER
Chairman of the Board
and President

Date: April 30, 2020



MA. VIRGINIA V. ABO-HAMDA
Chief Financial Officer

Date: April 30, 2020

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position

	March 31, 2020	December 31, 2019
	Unaudited	Audited
ASSETS		
Current Assets		
Cash	P326,548,396	P337,471,529
Marketable securities	76,231,364	140,456,581
Trade and other receivables – net	249,378,681	172,501,609
Other current assets	193,411,133	214,265,314
Total Current Assets	845,569,574	864,695,033
Noncurrent Assets		
Investments in stocks	202,357,145	347,630,880
Property and equipment – net	111,686,038	107,415,991
Right of use asset - net	19,837,434	50,298,070
Deferred tax asset-net	28,496,446	52,501,395
Other noncurrent assets	232,570,724	290,288,060
Total Noncurrent Assets	594,947,787	848,134,396
TOTAL ASSETS	P1,440,517,361	P1,712,829,429
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities	P88,925,945	P144,231,951
Withholding taxes payable	547,158	3,458,412
Income tax payable	943,474	4,274,940
Loan payable	112,500,000	150,000,000
Lease liabilities	32,207,771	58,353,121
Total Current Liabilities	235,124,348	360,318,424
Noncurrent Liabilities		
Defined benefit liability	34,264,261	29,842,768
Lease liabilities - net of current portion	1,586,644	9,248,885
Total Noncurrent Liabilities	35,850,905	39,091,653
TOTAL LIABILITIES	270,975,253	399,410,077
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	895,330,946	895,330,946
Additional paid-in capital	257,250,677	257,250,677
Treasury shares	(285,267,558)	(285,267,558)
Fair value reserve	(542,075,706)	(396,801,971)
Retirement benefits reserve	(10,932,033)	(17,614,609)
Retained earnings	850,574,515	855,178,424
	1,164,880,841	1,308,075,910
Non-controlling Interests	4,661,267	5,343,443
Total Equity	1,169,542,108	1,313,419,353
TOTAL LIABILITIES AND EQUITY	P1,440,517,361	P1,712,829,429

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income (Unaudited)
For the three months ended March 31, 2020 and 2019

	Three Months Ended Mar 31		This Quarter	
	2020	2019	2020	2019
REVENUE				
Equipment rental	P134,004,360	P199,606,320	P134,004,360	P199,606,320
Commission and distribution income	46,103,893	94,196,402	46,103,893	94,196,402
	180,108,253	293,802,722	180,108,253	293,802,722
COSTS AND EXPENSES				
Personnel costs	58,740,864	88,323,211	58,740,864	88,323,211
Software and license fees	20,582,546	46,627,809	20,582,546	46,627,809
Operating supplies	5,889,305	16,556,413	5,889,305	16,556,413
Depreciation and amortization	62,343,389	55,582,614	62,343,389	55,582,614
Communications	26,570,390	32,648,043	26,570,390	32,648,043
Travel and accommodation	8,866,750	15,186,363	8,866,750	15,186,363
Rent, utilities and outside services	26,133,464	36,622,630	26,133,464	36,622,630
Management fees	-	878,359	-	878,359
Repairs and maintenance	9,350,667	28,075,253	9,350,667	28,075,253
Taxes and licenses	5,438,317	11,409,689	5,438,317	11,409,689
Entertainment, amusement and recreation	3,460,658	3,628,859	3,460,658	3,628,859
Professional fees	2,359,784	2,560,133	2,359,784	2,560,133
Marketing and promotions	2,086,003	1,200,393	2,086,003	1,200,393
Others	4,528,471	5,312,835	4,528,471	5,312,835
	236,350,610	344,612,604	236,350,610	344,612,604
OPERATING INCOME (LOSS)	(56,242,357)	(50,809,882)	(56,242,357)	(50,809,882)
OTHER INCOME (CHARGES)				
Dividend income	29,302,224	26,947,224	29,302,224	26,947,224
Interest income	116,161	474,604	116,161	474,604
Finance charges	(2,340,487)	(1,196,375)	(2,340,487)	(1,196,375)
Mark-to-market gain (loss) on marketable securities	(14,225,217)	2,475,550	(14,225,217)	2,475,550
Gain (loss) on sale of Property and equipment	850	20,000	850	20,000
Foreign exchange gain (loss)	(205,522)	236,873	(205,522)	236,873
Others – net	14,704,415	4,715,627	14,704,415	4,715,627
	27,352,424	33,673,503	27,352,424	33,673,503
INCOME (LOSS) BEFORE INCOME TAX	(28,889,933)	(17,136,379)	(28,889,933)	(17,136,379)
INCOME TAX EXPENSE (BENEFIT)				
Current	-	5,231,934	-	5,231,934
Deferred	-	(3,030,718)	-	(3,030,718)
	-	2,201,215	-	2,201,215
NET INCOME (LOSS)	(P28,889,933)	(P19,337,594)	(P28,889,933)	(P19,337,594)
Attributable to:				
Equity holders of the Parent Company	(28,207,756)	(19,349,047)	(28,207,756)	(19,349,047)
Non-controlling interests	(682,177)	11,452	(682,177)	11,452
	(P28,889,933)	(P19,337,594)	(P28,889,933)	(P19,337,594)
Attributable to Equity Holders of the Parent Company				
Basic Earnings Per Share	(P0.0334)	(P0.0458)	(P0.0334)	(P0.0458)
Diluted Earnings Per Share	(P0.0334)	(P0.0229)	(P0.0334)	(P0.0229)

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Unaudited)
For the three months ended March 31, 2020 and 2019

	Three Months Ended Mar 31		This Quarter	
	2020	2019	2020	2019
NET INCOME (LOSS)	(P28,889,933)	(P19,337,594)	(P28,889,933)	(P19,337,594)
OTHER COMPREHENSIVE INCOME				
Items that will never be reclassified to profit or loss				
Fair value gain (loss) on investment in shares of stock	(145,273,735)	20,857,040	(145,273,735)	20,857,040
Remeasurements of retirement benefits, net of tax	-	-	-	-
	(145,273,735)	20,857,040	(145,273,735)	20,857,040
TOTAL COMPREHENSIVE INCOME (LOSS)	(P174,163,668)	P1,519,446	(P174,163,668)	P1,519,446
Attributable to:				
Owners of the Parent Company	(173,481,491)	1,507,994	(173,481,491)	1,507,994
Non-controlling interests	(682,177)	11,452	(682,177)	11,452
	(P174,163,668)	P1,519,446	(P174,163,668)	P1,519,446

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
For the three months ended March 31, 2020 and 2019

	For the three months ended Mar. 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	(P28,889,933)	(P17,136,379)
Adjustments for:		
Depreciation and amortization	31,882,753	55,582,614
Dividend income	(29,302,224)	(26,947,224)
Retirement cost	1,500,000	2,385,530
Finance charges	2,340,487	1,196,375
Unrealized foreign exchange loss (gain)	205,522	(236,873)
Interest income	(116,161)	(474,604)
Fair value gain on marketable securities	14,225,217	(2,475,550)
Gain on sale of:		
Subsidiary	(9,547,745)	-
Property and equipment	(850)	(20,000)
Operating income before working capital changes	(17,702,934)	11,873,889
Decrease (increase) in:		
Trade and other receivables	(80,761,311)	13,886,022
Other current assets	(27,193,504)	(2,365,135)
Right of use assets	-	(15,767,714)
Other noncurrent assets	28,417,399	12,917,795
Increase (decrease) in:		
Trade and other payables	102,406,399	(23,705,093)
Withholding taxes payable	(1,133,457)	(394,803)
Interest received	116,161	474,604
Income tax paid	(356,854)	(9,620,482)
Net cash flows provided by operating activities	3,791,899	(12,700,918)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of		
Property and equipment	(57,118,506)	(11,425,011)
Proceeds from sale of:		
Subsidiary	137,413,892	-
Marketable securities	50,000,000	-
Property and equipment	850	20,000
Dividends received	29,302,224	26,947,224
Net cash flows provided by investing activities	159,597,460	15,542,213
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Loan payable	(37,500,000)	-
Lease liabilities	(6,733,048)	-
Increase (decrease) in		
Obligation under capital lease	-	11,347,702
Installment payable	-	(9,205,042)
Finance charges paid	(2,340,487)	(1,196,375)
Net cash flows used in financing activities	(46,573,535)	946,285
NET INCREASE (DECREASE) IN CASH	116,816,824	3,787,580
CASH AT BEGINNING OF YEAR	209,937,094	571,260,258
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(205,522)	236,873
CASH AT END OF PERIOD	P326,548,396	P575,284,711

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

	Capital Stock	Additional Paid-in Capital	Treasury Shares	Stock Dividend Payable	Fair Value Reserve	Reserve for Retirement Benefits	Retained Earnings	Total	Non- Controlling Interest	Total Equity
January 1, 2019	P447,665,473	P257,250,677	(P285,267,558)	P422,431,981	(P288,726,921)	P538,390	P1,199,822,935	P1,753,714,977	P6,904,799	P1,760,619,776
Change in fair value of investments in stocks	-	-	-	-	20,857,040	-	-	20,857,040	-	20,857,040
Remeasurements of retirement benefits net of tax	-	-	-	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	20,857,040	-	-	20,857,040	-	20,857,040
Net income (loss) for the year	-	-	-	-	-	-	(19,349,047)	(19,349,047)	11,452	(19,337,594)
Total comprehensive income (loss) for the year	-	-	-	-	20,857,040	-	(19,349,047)	1,507,993	11,452	1,519,446
March 31, 2019	P447,665,473	P257,250,677	(P285,267,558)	P422,431,981	(P267,869,881)	P538,390	P1,180,473,888	P1,755,222,971	P6,916,251	P1,762,139,222
January 1, 2020	P895,330,946	P257,250,677	(P285,267,558)	-	(P396,801,971)	(P17,614,609)	P855,178,424	P1,308,075,910	P5,343,443	P1,313,419,353
Change in fair value of investments in stocks	-	-	-	-	(145,273,735)	-	-	(145,273,735)	-	(145,273,735)
Remeasurements of retirement benefits net of tax	-	-	-	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	(145,273,735)	-	-	(145,273,735)	-	(145,273,735)
Net income (loss) for the year	-	-	-	-	-	-	(28,207,756)	(28,207,756)	(682,177)	(28,889,933)
Total comprehensive income (loss) for the year	-	-	-	-	(145,273,735)	-	(28,207,756)	(173,481,491)	(682,177)	(174,163,668)
Sale of subsidiary	-	-	-	-	-	6,682,576	23,603,846	30,286,421	-	30,286,421
Total transactions with owners in their capacity as owners	-	-	-	-	-	6,682,576	23,603,846	30,286,421	-	30,286,421
March 31, 2020	P895,330,946	P257,250,677	(P285,267,558)	-	(P542,075,706)	(P10,932,033)	P850,574,515	P1,164,880,840	P4,661,266	P1,169,542,108

PACIFIC ONLINE SYSTEMS CORPORATION
Attachments to Unaudited Financial Statements
Trade and Other Receivables
As of March 31, 2020

1.) Aging of Trade and Other Receivables

	Neither Past Due nor Impaired	Impaired	Total
a.) Trade Receivables			
1.) PCSO – Equipment rentals	P87,388,462	P -	P87,388,462
2.) Note receivable	68,400,000	-	68,400,000
3.) Accounts receivable	43,732,761	-	43,732,761
4.) Accrued license fee income-current	44,003,427	-	44,003,427
	243,524,649	-	243,524,649
b.) Non-Trade Receivables			
1.) Advances to officers and employees	1,798,530	-	1,798,530
2.) Contractors and suppliers	927,017	-	927,017
3.) Other receivables	3,128,484	-	3,128,484
	5,854,032	-	5,854,032
Total	P249,378,681	P -	P249,378,681

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 March 31, 2020

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

The Group is engaged in the businesses of leasing gaming equipment to PCSO (leasing activity) and sale of lottery, sweepstake and instant scratch tickets (distribution and retail activities), among others.

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

	For the Three Months ended March 31, 2020			
	Equipment Leasing Activities	Distribution and Retail Activities	Eliminations	Consolidated
Revenue				
Equipment rental	P134,004,360	P -	P -	P134,004,360
Commission and distribution income	-	46,103,893	-	46,103,893
Total revenue	P134,004,360	P46,103,893	P -	P180,108,252
Segments Results				
Income (loss) before income tax	(51,090,435)	(23,219,782)	45,420,286	(28,889,932)
Income tax expense (benefit)	-	-	-	-
Net income (loss)	(51,090,435)	(23,219,782)	45,420,286	(28,889,932)
Segment assets	P1,701,051,035	P99,802,796	(P360,336,470)	1,440,517,361
Deferred tax assets – net	27,277,145	542,893	676,408	28,496,446
Segments assets (excluding deferred tax assets - net)	1,673,773,890	99,259,903	(361,012,878)	1,412,020,915
Segment liabilities	267,818,872	34,787,653	(31,631,272)	270,975,253
Other Information				
Capital expenditures	57,118,506	-	-	57,118,506
Depreciation and amortization	58,911,293	3,432,097	-	62,343,389
Finance charges	(2,340,487)	-	-	(2,340,487)
Interest income	102,340	13,731	-	116,161

End of Report