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PHILSTOCKS FINANCIAL, INC.
Formerly, Accord Capital Equities Corporation
(Republic of the Philippines)

**Prospectus Relating to the Offering of
98,880,000 Primary Common Shares
with a par value of PHP 1.00 per Share
through an Initial Public Offering
at an Offer Price of up to PHP 1.88**

**To be listed and traded on the SME Board of
The Philippine Stock Exchange, Inc.**

Issue Manager and Underwriter



Selling Agents

**The Trading Participants of
The Philippine Stock Exchange, Inc.**

This Preliminary Prospectus is dated November 10, 2015

**THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE
SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR
COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL
OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND
EXCHANGE COMMISSION.**

PHILSTOCKS FINANCIAL, INC.

G/F EC-05B East Tower
Philippine Stock Exchange Center
Exchange Road, Ortigas Center,
Pasig City, Philippines 1605
Telephone No (+632) 588-1900
Fax No. (+632) 687-3738

Branch Office

G/F Unit 101 MBTC Downtown Center
Tytana Plaza Lorenzo Ruiz, Binondo
Manila, Philippines 1006
Telephone No. (+632) 242-0815
Fax No. (+632) 242-0814
Website: www.philstocks.ph

This Prospectus relates to the offer and sale of up to [Ninety Eight Million Eight Hundred Eighty Thousand (98,880,000)] common shares with a par value of [One Peso (PHP 1.00)] per share ("the Offer Shares") of Philstocks Financial, Inc. ("Philstocks", the "Company" or the "Issuer"), formerly, Accord Capital Equities Corporation, a corporation organized under the laws of the Republic of the Philippines, at an offer price of up to [One Peso and Eighty-Eight Centavos (PHP 1.88)] per share (the "Offer Price"). Up to [Ninety Eight Million Eight Hundred Eighty Thousand (98,880,000)] new shares are being issued by the Company from its authorized and unissued capital stock by way of a primary offer ("the Offer"). The Offer Shares shall be listed and traded under the stock symbol "PH" on the Small, Medium and Emerging Board (the "SME Board") of The Philippine Stock Exchange, Inc. ("PSE" or the "Exchange").

The Company presently has an authorized capital stock of Seven Hundred Twenty Five Million Pesos (PHP 725,000,000.00) divided into [Seven Hundred Twenty Five Million (725,000,000)] common shares with a par value of [One Peso (PHP 1.00)] per share, of which [Two Hundred Seventy Five Million (275,000,000)] shares are subscribed and fully paid-up. Upon completion of the offering, the total outstanding shares of the Company shall be [Three Hundred Seventy Three Million Eight Hundred Eighty Thousand (373,880,000)] common shares. At an Offer Price of up to [One Peso and Eighty-Eight Centavos (PHP 1.88)] per share, the market capitalization of the Company upon listing will be approximately PHP 702.89 Million.

All of the common shares of the Company which have been issued and are to be issued are unclassified and have identical rights and privileges. The common shares may be owned by any person or entity regardless of citizenship or nationality subject to the limits prescribed by Philippine laws on foreign ownership for certain types of domestic companies. See "Terms and Conditions of the Offer" on page [19] of this Prospectus and "Philippine Foreign Investment", "Foreign Ownership and Exchange Controls" on page [136] of this Prospectus.

The Offer Shares shall be offered at the Offer Price of [up to One Peso and Eighty-Eight Centavos (PHP 1.88) per share]. The Offer Price is determined based on a book-building process and discussions between the Company and its Issue Manager and Underwriter. See the section "Determination of Offer Price" on page [51] of this Prospectus.

Through the Offer and based on the Offer Price set forth above, the Company expects to raise gross proceeds of up to [One Hundred Eighty Five Million Eight Hundred Ninety Four Thousand Four Hundred Pesos (PHP 185,894,400.00)]. The underwriting and selling fees to be paid by the Company in relation to the Offer shall be equivalent to Four Percent (4.0%) of the gross proceeds from the Offer.

After deducting from the gross proceeds the issue management fees, underwriting and selling fees, listing fees, taxes and other related fees and expenses of the Offer, the Company expects to raise net proceeds of approximately One Hundred Sixty Seven Million Five Hundred Thirteen Thousand Four Hundred Thirty Two and Sixty-Six Centavos (PHP 167,513,432.66). The net proceeds from the Offer will be used by the Company to finance the following: (1) Margin Financing; (2) Expansion of Existing IT Infrastructure and Software Development; (3) Branch Expansion; (4) Advertising, Marketing, and Promotions; (5) Establishment of Research Team and Private Clients Management Group; (6) Renovation of Existing Branches; and (7) for general working capital purposes. See "Use of Proceeds" on page [37] of this Prospectus.

Up to 19,776,000 or 20% of the Offer Shares are being offered at the Offer Price to all of the trading participants of The Philippine Stock Exchange, Inc. ("PSE Trading Participants") and [9,888,000] or 10% of the Offer Shares to local small investors under the Local Small Investors Program of the PSE. To ensure that the shares will be fully subscribed, Unicapital, Inc. (the "Underwriter") has committed to take up and distribute all unsubscribed Offer Shares on a firm basis. Any allocation of Offer Shares not taken up by the PSE Trading Participants and the local small investors shall be distributed by the Underwriter to its clients or the general public. The commission to be received by the Underwriter is discussed in the "Plan of Distribution" section on page [54] of this Prospectus.

Unicapital, Inc. was incorporated in the Philippines on 29 June 1994. It is duly licensed by the Securities Exchange Commission ("SEC") to operate as an investment house and was licensed by the SEC to engage in underwriting or distribution of securities to the public in 1994. Its senior executives have extensive experience in the capital markets and were involved in a lead role in a substantial number of major equity and debt issues, both locally and internationally. Unicapital's Board of Directors is chaired by Mr. Menardo R. Jimenez, Sr.

Each holder of the Shares will be entitled to dividends as may be declared by the Company's Board of Directors. The Company has approved a dividend policy that would entitle stockholders to receive dividends equivalent to up to 10% of the prior year's net income after tax subject to (i) the availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, and (iv) working capital requirements. See the section on Dividend Policy on page [91].

Prior to making an investment decision, investors are advised to carefully consider the risks associated with an investment in the Offer Shares. See "Risk Factors" on page [25] for a more detailed discussion on the risks, which while not intended to be an exhaustive enumeration of all risks, must be considered in connection with an investment in the Offer Shares.

On 22 May 2015, the Company filed with the SEC a registration statement (the "Registration Statement") relating to the Offer Shares. The SEC issued an order on [•] 2015, rendering effective the Registration Statement and a Certificate of Permit to Offer Securities for Sales (the "Permit to Sell"). The issuance of the Permit to Sell is merely permissive and does not constitute a recommendation or endorsement by the SEC of the Offer Shares.

On 01 June 2015, the Company also filed its application for the listing and trading of the common shares in the PSE. The Board of Directors of the PSE approved the listing of the common shares on [•] 2015. However, such approval for listing is merely permissive and does not constitute a recommendation or endorsement of the Offer by the PSE. The PSE assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus. Furthermore, the PSE makes no representation as to the completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon the whole or any part of the contents of this Prospectus.

Unless otherwise stated, the information contained in this document relating to the Company and its operations has been supplied by the Company, which accepts full responsibility for the accuracy of the information and confirms that to the best of its knowledge and belief, there are no other material facts the omission of which would make any statement in this document incorrect. Any subsequent transaction made shall not, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

The Issue Manager and Underwriter confirms that it has exercised the required due diligence in verifying that all material information in this Prospectus are true and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading. The Underwriter assumes no liability for any information supplied by Philstocks in relation to this Prospectus.

Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

No representation or warranty, express or implied, is made by the Issue Manager and Underwriter as to the accuracy or completeness of the information herein and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Issue Manager and Underwriter. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares are prohibited. Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

No dealer, salesman or other person has been authorized by the Company or the Underwriter to issue any advertisement or to give any information or make any representation in connection with the Offer other than those contained in this document, and if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorized by the Company or by the Underwriter.

Market data and certain industry information used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified and neither the Company nor the Underwriter makes any representation as to the accuracy and completeness of such information.

This Prospectus includes forward-looking statements. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting its business and operations. Words including, but not limited to, "believes", "may", "will", "estimates", "continues", "anticipates", "intends", "expects" and similar words are intended to identify forward-looking statements. In light of the risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances in this Prospectus may or may not occur. The Company's actual results could differ significantly from those anticipated in the Company's forward-looking statements.

This document does not constitute an offer or a solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized, or to any person to whom it is unlawful to make such offer

or solicitation. Each investor in the Offer Shares must comply with all applicable laws and regulations in force in the jurisdiction in which it purchases, offers or sells such securities and must obtain the necessary consent, approval or permission for the purchase, offer or sale of such securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchase, offer or sales. Foreign investors interested in subscribing to or purchasing the Offer Shares should apprise themselves as to the applicable legal requirements under the laws and regulations of the countries of their nationality, residence, or domicile, and as to any relevant tax or foreign exchange control laws and regulations that may affect them. Prospective investors to the Offer Shares must conduct their own evaluation of the Company, and the terms and conditions of the Offer.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE THEREBY, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

PHILSTOCKS FINANCIAL, INC.

By:

Angel S. Mercado

President and Chief Executive Officer

SUBSCRIBED AND SWORN to before me this ____ day of ____ at _____, affiant exhibiting to me his Philippine Passport EB 8051738 issued on 07 May 2013 at DFA Manila.

Doc. No.: _____;

Page No.: _____;

Book No.: _____;

Series of 2015.

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GLOSSARY OF TERMS

"ACEC"	Accord Capital Equities Corporation
"Agent"	An agent is a natural person hired to buy and sell securities or stocks on a commission basis, passed the Certified Securities Representative examination and has been properly endorsed to the Securities and Exchange Commission by Philstocks. An agent, who is not an employee of the Company, earns through commissions per trade of its clients through an agreed commission rate which could range from 0.25% up to 1.5%.
"AMLA"	Anti-Money Laundering Act
"Application"	The application to subscribe to the Offer Shares.
"Articles"	Articles of Incorporation
"ASEAN"	Association of South East Asian Nations
"Associated Person"	"Associated person of a broker or dealer" is an employee thereof who, directly exercises control of supervisory authority, but does not include a salesman, or an agent or a person whose functions are solely clerical or ministerial
"ATM"	Automated Teller Machine
"Banking Day"	A day on which banks and financial institutions are open for business in Metro Manila.
"BDO"	BDO Unibank, Inc.
"BIR"	Philippine Bureau of Internal Revenue
"Board of Directors" or "Board"	The Board of Directors of the Company
"BPI"	Bank of the Philippine Islands
"Brokerage"	A brokerage firm, or simply "brokerage", is a financial institution that facilitates the buying and selling of financial securities between a buyer and a seller. Philstocks Financial, Inc. is a stock brokerage.
"BSP"	Bangko Sentral ng Pilipinas, the central banking authority of the Republic of the Philippines.

"Business Days"	Every official working day of the week. These are the days between and including Monday to Friday and do not include public holidays and weekends.
"CAIF"	Customer Account Information Form
"Chupitero Calculator"	This calculator is a feature of Philstocks' online trading platform. It computes the number of shares that a client can buy for an investment of PHP 20,000, and it also calculates the net gain from a list of selling.
"CMIC"	Capital Markets Integrity Corporation
"Company" or "Philstocks" or "Issuer"	Philstocks Financial, Inc.
"Constitution"	The 1987 Constitution of the Philippines.
"Corporation Code"	Batas Pambansa Blg. 68, otherwise known as the Corporation Code of the Philippines.
"CSR"	Certified Securities Representatives are individuals who passed the Certified Securities Representative (CSR) examination by the SEC. A CSR is licensed to buy and sell securities and execute them to the Exchange on behalf of its clients.
"Dealers' Accounts"	Own securities trading account of any brokerage firm.
"DR"	Disaster Recovery
"Escrow Agent"	BDO Unibank, Inc. – Trust and Investments Group
"ESOP"	Employee Stock Option Plan
"Government"	The government of the Republic of the Philippines.
"Haircut Value"	The difference between the market value of a security used as margin collateral and the amount of the credit limit in the Margin Account.
"HIPAA"	HIPAA is the federal Health Insurance Portability and Accountability Act of 1996. The primary goal of the law is to make it easier for people to keep health insurance, protect the confidentiality and security of healthcare information and help the healthcare industry control administrative costs.
"Hold Order"	No purchase or sell order from the customer on the Margin

	Account shall be executed by the Company from the time of insufficient margin call up to the satisfaction of the call.
“In-house traders”	In-house traders are Certified Securities Representative employed by Philstocks and are paid on a salary basis. This is in direct contrast to the agents who are paid on a commission basis based on their client’s trades.
“IPO”	Initial public offering of up to 98,880,000 shares of Philstocks Financial, Inc. at the SME Board of the PSE.
“Issue Manager and Underwriter”	Unicapital, Inc., a corporation organized and existing under Philippine law and duly licensed as an investment house by the SEC.
“IT”	Information Technology
“Local Small Investor” or “LSI”	A share subscriber or purchaser who is willing to subscribe or purchase a minimum board lot or whose subscription or purchase does not exceed PHP 25,000
“Manual”	Manual of Corporate Governance
“Margin Account”	A margin account is an account offered by brokerages that allows investors to borrow money to buy securities.
“Margin Call”	A demand by a broker that an investor deposit further cash or securities to cover possible losses.
“Marketable Securities”	Liquid securities that can be converted into cash at a reasonable price. Examples of marketable securities are stocks, bonds, treasury bills and other money market instruments.
“Offer”	The offer for subscription to the Offer Shares, subject to the terms and conditions stated herein.
“Offer Period”	The period commencing at 9:00 a.m. on [23 November 2015] and ending at 12:00 noon, Manila time, on [27 November 2015] unless extended by agreement between the Company, the Underwriter, and the Exchange.
“Offer Price”	The price of up to PHP [1.88] per Offer Share.
“Offer Shares”	A total of up to 98,880,000 new common shares to be issued by the Company from its authorized and unissued capital stock at the Offer Price.
“PCI-DSS”	The Payment Card Industry Data Security Standard is a proprietary information security standard for organizations

that handle branded credit cards from the major card schemes including Visa, MasterCard, American Express, Discover, and JCB.

"PDTC"	Philippine Depository & Trust Corporation (formerly Philippine Central Depository, Inc.)
"PSE" or "Exchange"	The Philippine Stock Exchange, Inc.
"Pesos" or "PHP"	Philippine Pesos
"PGA"	Philippe Gadgets and Accessories, Inc. engages in the business of trading goods such as audio, video and electronic on wholesale/retail basis.
"Philippines"	The Republic of the Philippines
"Prospectus"	This document together with all its annexes and attachments.
"RBCA"	Risk-Based Capital Adequacy. Every broker dealer is expected to comply with all the requirements of the RCBA rules based on SEC memorandum Circular No. 16 dated November 11, 2004. As of December 1, 2005, the RCBA report is prepared based on the guidelines which cover the following risks: (a) position or market risk, (b) credit risks such as counterparty, settlement, large exposure, and margin financing risk, and (c) operational risk.
"Receiving Agent"	Rizal Commercial Banking Corporation – Trust and Investments Division
"SEC"	The Securities and Exchange Commission of the Philippines.
"SRC"	Securities Regulation Code
"Selling Agents"	Trading Participants of the Exchange
"Shares"	The shares of the Company representing its authorized capital stock, or when the context requires, the Company's subscribed and/or outstanding capital stock including the Offer Shares.
"Shareholders" or "Stockholders"	The holders of the Shares.
"SME Board"	The Small, Medium, and Emerging Board of the PSE.
"SQL"	Structured Query Language (SQL) is used to communicate with a database. According to ANSI (American National

Standards Institute), it is the standard language for relational database management systems.

"SSAE"	Statement on Standards for Attestation Engagements (SSAE) No. 16 is an attestation standard put forth by the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) that addresses engagements undertaken by a service auditor for reporting on controls at organizations (i.e., service organizations) that provide services to user entities, for which a service organization's controls are likely to be relevant to a user entities internal control over financial reporting (ICFR).
"SSL"	Secure Sockets Layer (SSL) is the standard security technology for establishing an encrypted link between a web server and a browser. This link ensures that all data passed between the web server and browsers remain private and integral.
"Stock Transfer Agent"	BDO Unibank, Inc. – Trust and Investments Group
"Trading Day"	A day when the PSE is open for business.
"USA"	United States of America
"VPN"	A Virtual Private Network (VPN) extends a private network across a public network, such as the Internet. It enables a computer or network-enabled device to send and receive data across shared or public networks as if it were directly connected to the private network, while benefiting from the functionality, security and management policies of the public network.
"Weepay"	An online payment processing facility currently being used by Philstocks to enable clients to fund their Philstocks accounts real-time using their Bancnet or Megalink ATM.

SUMMARY

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus. For a discussion of certain matters that need to be considered in evaluating an investment in the Offer Shares, see the section entitled "Risk Factors" beginning on page [25] of this Prospectus. The readers are advised to read this entire Prospectus carefully, including the financial statements and related notes contained herein.

COMPANY OVERVIEW

Philstocks Financial, Inc., formerly Accord Capital Equities Corporation, is a full service brokerage firm incorporated and registered with the SEC on September 27, 2001. Its primary purpose is to engage in the business of broker and/or dealer of securities of any kind and of every description, as well as interests in all such securities, and to engage in all activities that may be useful, directly or indirectly, in connection with such business, and in all other activities related thereto including online stockbrokerage services through innovative internet technology and the purchase, acquisition, sale, exchange, or distribution of such securities or interest in securities and otherwise effecting transaction in such securities, the giving of financial advice, the gathering and distribution of financial and investment information and statistics and acting as a financial, commercial or business representative. The Company secured its broker dealer license from the SEC in 2004 and has as its principal place of business at G/F East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City.

Since the Company's establishment in 2001, Philstocks has been consistently at the forefront of providing precise and top quality trading experience through robust technology and high quality service and customer support. In 2006, the Company created, developed, and launched its own trading platform, www.philstocks.ph, in line with its mission to develop the latest innovations and technologies for efficient trade executions of clients and to take advantage of the growing use of the internet. This innovative investment solution has made Philstocks to be one of the first and few local brokerage firms to offer online stock trading in the Philippines.

In 2007, the Company has reached another milestone by integrating the largest ATM consortiums facility in the Philippines for real-time funding of the Company's online stock trading accounts. The first in the industry, the Company enabled its clients to use their Bancnet and Megalink ATM and Debit Cards to fund their online trading accounts real-time.

In 2010, with the launch of PSE's new trading system called PSETrade to replace the MakTrade System, Philstocks integrated PSETrade in its own trading platform via the Customer Common Gateway ("CCG") of the Exchange.

Through the years, the Company has continuously improved its online stock trading platform by investing in the upgrade of its network infrastructure and by enhancing its product features so that it could cater to more clients, deliver reliable real-time market information, and to execute buy and sell orders faster.

In 2011, with the increase in the use of smartphones and similar devices in the Philippines, the Company saw a unique opportunity to develop a mobile software for traders-on-the-go (investors requiring mobility). Thus, in 2013, after a year of review and discussion with the SEC, the Company launched Philstocks XAVi, the first and only mobile stock trading application in the local industry available to both Android and iOS devices. Adding another milestone to the Company, Philstocks XAVi enables clients to get stock market quotes, view their watch list and their portfolio, and most importantly, execute buy and sell trades anytime, anywhere using their smartphones and tablets.

Today, Philstocks continues to invest heavily in technology for the continuous improvement and enhancement of its online trading platform and mobile application XAVi. The Company also holds training services for clients and potential investors through stock market briefings and programs. Further, the Company maintains a branch at Tytana Plaza in Binondo, Manila to cater to the retail and institutional Filipino-Chinese community investors.

Philstocks currently offers the following services: (1) Online stock trading, (2) Broker-Assisted Trading, and (3) Stock Certificate Lodgement. See "Services" on page [63] for a more detailed discussion. The Company also offers Tools and Platforms which are furnished with state-of-the-art technology allowing investors, traders, and licensed agents to conduct their trades with convenience and reliability. Please refer to the "Tools and Platforms" section on page [69] for a more detailed discussion.

The Company is majority owned by Mr. Paul Wee and Ms. Pleshette Wee who collectively own 95.64% of the Company pre-IPO and 70.34% post-IPO.

For a detailed discussion of the Company, please refer to section "The Company" starting on page [58] of this Prospectus.

COMPETITIVE STRENGTHS

The Company's competitive strengths include the following:

- Highly Competent and Well Experienced Management Team
- High Level Understanding of Applications of Technology
- Fast, Robust and Highly Scalable Online Trading Platform
- Strong Relationship with Clients

Please refer to "Competitive Strengths" on page [60] of this Prospectus for a more detailed discussion.

BUSINESS STRATEGIES

The Company's business strategies include the following:

- Enhance Philstocks' Brand Awareness
- Expand Online Stock Trading Market Share
- Acquire New Institutional and Corporate Clients
- Increase Client Engagement
- Maintain the Strength of its Online Trading Platform

Please refer to "Business Strategies" on page [61] of this Prospectus for a more detailed discussion.

INVESTMENT CONSIDERATIONS AND RISK FACTORS

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Company's common shares. These risks include:

Risks Relating to the Company and its Business

- Market Volatility;
- Market Manipulation;
- Dealer Account Portfolio;
- Event of Client Default;

- Margin Account/Credit Lines;
- Client Complaints;
- Status of Membership;
- Revocation and Suspension of Secondary License;
- KYC Procedures;
- Cyber Attacks;
- Loss of Clients When Agents Leave;
- Dependence on Certain Customers;
- System Downtimes;
- Implementation of Improved Customer Experience;
- Reliance and Retention of Key Personnel;
- Increased Competition;
- Regulatory Compliance;
- Risk-Based Capital Adequacy Ratios; and
- Failure to Implement Business Plans.

Risks Relating to the Offer Shares

- No guarantee of listing on the PSE;
- Potential limited liquidity in the market for the Offer Shares and market volatility of the price for the Offer Shares; and
- Foreign ownership limitations.

Risks Relating to the Philippines

- Slowdown in the Philippine economy;
- Political or social instability;
- Natural calamities and power shortages; and
- Foreign exchange risk.

Please refer to "Risk Factors" on page [25] of this Prospectus for a more detailed discussion.

CORPORATE INFORMATION

The Company maintains the following offices:

Address	Telephone Number	Fax Number
Principal Place of Business		
G/F EC-05B East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City, Philippines 1605	(+632) 588-1900	(+632) 687-3738
Branch Office		
G/F Unit 101 MBTC Downtown Center, Tytana Plaza Lorenzo Ruiz, Binondo Manila, Philippines 1006	(+632) 242-0815	(+632) 242-0814

INFORMATION RELATING TO THE SHARES

Authorized capital stock	PHP 725,000,000
Shares outstanding before the Offer	275,000,000
Shares outstanding after the Offer	373,880,000

Market Capitalization at the Offer Price of
up to [PHP 1.88] per Offer Share

PHP 702,894,400

Information on the Company may be obtained at www.philstocks.ph. The information on the Company's website is not intended to be incorporated by reference into, and does not constitute part of the Prospectus.

For investor relations matters, investors may contact Ms. Sylvie V. Duldulao, the Company's Investor Relations Head, at telephone number (+632) 588-1911 or through email at svduldulao@philstocks.ph.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary consolidated financial information for the Company and should be read in conjunction with the auditors' reports, the Company's consolidated financial statements including the notes thereto included in this Prospectus, and the section entitled "MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS". The selected financial information set forth in the following table has been derived from the Company's financial statements for the fiscal years ended 31 December 2012, 2013, and 2014, and the financial statements as of 30 June 2015, including the related notes, as examined and audited by KL Siy & Associates in accordance with Philippine Financial Reporting Standards ("PFRS"). All these information should be read in conjunction with the financial statements and notes thereto contained in this Registration Statement.

The summary of financial information set out below does not purport to project the results of operations or financial condition of the Company for any future period or date.

STATEMENT OF FINANCIAL POSITION

<i>In million pesos</i>	For the years ended December 31			As of June 30
	2012	2013	2014	2015
ASSETS				
Current Assets				
Cash and cash equivalents	70.0	78.6	266.1	147.0
Trade and other receivables	91.1	87.0	37.8	46.1
Financial assets at fair value through profit or loss	7.4	10.4	23.3	44.6
Due from related parties	0.0	2.7	0.0	0.0
Prepayments	4.0	4.7	4.8	18.9
Total Current Assets	172.5	183.5	332.0	256.6
Noncurrent Assets				
Available for sale financial assets	0.6	0.1	0.1	0.1
Investment property	41.5	42.6	42.6	42.6
Property, plant, and equipment	6.3	3.9	6.2	58.1
Intangible assets	32.5	37.6	33.9	60.1
Deferred tax asset	4.0	4.0	4.3	5.9
Other non-current assets	4.7	5.6	5.2	6.6
Total Noncurrent Assets	89.7	93.9	92.2	173.5
Total Assets	262.2	277.3	424.3	430.1
LIABILITIES AND EQUITY				
Current Liabilities				
Trade payables	133.4	138.5	137.9	149.9
Payable to non-customers	0.0	2.7	2.2	0.0
Income tax payable	0.7	0.0	0.0	0.0
Other current liabilities	3.4	9.3	4.8	3.8
Total Current Liabilities	137.4	150.5	144.9	153.6
Noncurrent Liabilities				

Deferred tax liability	0.0	0.4	0.3	0.3
Retirement liability	1.5	1.6	2.0	2.1
Mortgage payable	1.7	1.7	1.4	1.1
Long term provisions	0.1	0.1	0.1	1.2
Total Noncurrent Liabilities	3.3	3.8	3.9	4.7

EQUITY

Share capital	124.5	124.5	125.0	275.0
Share premium	0.0	0.0	150.0	0.0
Reserves	(0.1)	0.0	0.0	0.0
Retained earnings	(2.9)	(1.5)	0.4	(3.2)
Total Equity	121.5	123.0	275.4	271.8
Total Liabilities and Equity	262.2	277.3	424.3	430.1

STATEMENT OF COMPREHENSIVE INCOME

	For the years ended December 31			For the period ended June 30	
<i>In million pesos, except for per share amounts</i>	2012	2013	2014	2014	2015
Revenue	59.5	57.0	47.6	26.7	19.6
Cost of Service	26.5	26.1	20.1	11.9	7.7
Gross Profit	33.0	30.9	27.5	14.8	11.9
Other Revenue	2.4	6.6	7.3	4.6	7.7
Operating Expenses	31.1	30.5	28.5	16.7	19.3
Other Expenses	3.1	3.7	4.0	1.1	5.1
Income Before Tax	1.1	3.2	2.3	1.6	(4.8)
Income Tax (Expense) Benefit	1.6	(1.8)	(0.4)	(0.0)	1.1
NET INCOME	2.7	1.4	1.9	1.6	(3.7)

OTHER COMPREHENSIVE INCOME

Realization of revaluation	0.0	0.0	0.0	0.0	0.0
Market valuation of available for sale financial asset	0.0	0.2	(0.0)	0.0	0.0
TOTAL COMPREHENSIVE INCOME	2.7	1.6	1.9	1.6	(3.7)

STATEMENT OF CASH FLOW

	For the years ended December 31			For the period ended June 30	
<i>In million pesos</i>	2012	2013	2014	2014	2015
Net cash (used in) provided by operating activities	21.1	26.5	56.4	65.9	(9.8)
Net cash (used in) provided by investing activities	(16.2)	(16.0)	(21.8)	(5.1)	(110.0)
Net cash provided by financing	1.7	(1.9)	152.8	3.3	0.70

activities

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6.6	8.7	187.5	64.1	(119.1)
CASH AND CASH EQUIVALENTS, END OF YEAR	70.0	78.6	266.1	142.8	147.0

KEY PERFORMANCE INDICATORS

<i>As Indicated</i>	For the years ended December 31			As of June 30	
	2012	2013	2014	2014	2015
Current Ratio (x) ⁽¹⁾	1.26x	1.22x	2.29x	1.18x	1.67x
Liquidity Ratio(x) ⁽²⁾	1.23x	1.17x	2.26x	1.13x	1.55x
Working Capital to Total Assets ⁽³⁾	13.92%	11.88%	44.10%	11.00%	95.38%
Solvency Ratio (x) ⁽⁴⁾	0.06x	0.05x	0.06x	0.02x	0.00x
Debt to Equity Ratio (x) ⁽⁵⁾	1.26x	1.25x	0.54x	0.68x	0.58x
Asset to Equity Ratio ⁽⁶⁾	2.26x	2.25x	1.54x	1.13x	1.58x
Interest Rate Coverage Ratio (x) ⁽⁷⁾	17.23x	29.37x	10.57x	8.80x	(150.66x)
Return on Assets ⁽⁸⁾	2.14%	1.02%	5.37%	6.00%	(1.70%)
Return on Equity ⁽⁹⁾	4.84%	2.29%	1.38%	1.00%	(2.69%)
Gross Profit Margin ⁽¹⁰⁾	55.41%	54.22%	57.70%	55.37%	60.71%
Net Income Margin ⁽¹¹⁾	4.52%	2.47%	3.99%	5.90%	(18.88%)

Notes:

(1) Current ratio [Current assets/Current liabilities]

(2) Liquidity ratio (Liquid assets/Current Liabilities)

(3) Working Capital to Total Assets (Working Capital/Total Assets)

(4) Solvency Ratio (Net Profit (loss) before depreciation)/Total Liabilities)

(5) Debt to equity ratio [Total Liabilities/Total Equity]

(6) Asset to Equity ratio (Total Assets/Total Equity)

(7) Interest Rate Coverage Ratio (Pre-tax profit (loss) before interest/ Interest Expense)

(8) Return on Assets [Net Income/Average Total Assets]

(9) Return on Equity [Net Income/ Average Total Equity]

(10) Gross Profit Margin (Gross Profit/Revenue)

(11) Net Income Margin (Net Income/Revenue)

TERMS AND CONDITIONS OF THE OFFER

The following is a general summary of the Offer. This summary is derived from and should be read in conjunction with the rest of the information in this Prospectus.

Issuer Philstocks Financial, Inc. is a corporation duly organized and existing under Philippine laws.

The Offer The Company is offering for subscription up to Ninety Eight Million Eight Hundred Eighty Thousand (98,880,000) primary Offer Shares with a par value of One Peso (PHP 1.00) per share. After the completion of the Offer, the Offer Shares will comprise 26.4% of the Company's outstanding capital stock of Three Hundred Seventy Three Million Eight Hundred Eighty Thousand (373,880,000) shares.

Out of the Offer Shares, up to Nineteen Million Seven Hundred Seventy Six Thousand (19,776,000) Shares will be allocated to all PSE Brokers at the Offer Price and up to Nine Million Eight Hundred Eighty-Eight Thousand (9,888,000) Shares will be allocated at the Offer Price to Local Small Investors ("LSIs") as part of the Offer. Offer Shares not taken up by the PSE Trading Participants and by the LSIs shall be distributed by the Underwriter to its clients or the general public prior to the close of the Offer.

Each PSE Trading Participant shall initially be allocated [One Hundred Forty Nine Thousand] (149,000) Offer Shares (computed by dividing 19,776,000 Offer Shares among the 132 active PSE Trading Participants) and subject to reallocation as may be determined by the Underwriter, in coordination with the PSE. Based on the initial allocation for each PSE Trading Participant of [One Hundred Forty Nine Thousand] (149,000) Offer Shares, there will be a total of [One Hundred Eight Thousand] (108,000) residual Offer Shares to be allocated as may be determined by the Underwriter, in coordination with the PSE.

Each LSI applicant may subscribe up to a maximum of [10,000] Offer Shares.

Offer Shares not taken up by the PSE Trading Participants and the LSIs shall be distributed by the Underwriter to its respective clients or to the general public. Offer Shares not taken up by the PSE Trading Participants, the Underwriter's clients or the general public shall be purchased by the Underwriter in exercise of its firm commitment pursuant to the underwriting agreement executed by and between the Company and the Underwriter (the "Underwriting Agreement").

Offer Price The Offer Shares are being offered at the price of up to [One Peso and Eighty-Eight Centavos (PHP 1.88)] per share, which was established using the book-building approach. Prior to the Offer, there has been no public trading market for the Shares.

Offer Period The Offer Period shall begin at 9:00 a.m. on [23 November 2015] and

end on [27 November 2015] at 12:00 noon, Manila time, or on such other dates as the Company and the Underwriter may agree to in writing. Duly accomplished "Application to Subscribe" forms and signature cards together with the supporting documents and corresponding payments must be received by the Selling Agents or the Underwriter not later than 12:00 noon, Manila time, on [27 November 2015].

If for any reason the aforementioned date for the end of the Offer Period should fall on a day when Philippine banks are closed, the Offer Period will expire on the Banking Day immediately succeeding the end of the Offer Period.

Use of Proceeds

The Company expects to raise gross proceeds of approximately PHP 185,894,400.00. After deducting all estimated expenses related to the Offer, all of which will be for the account of the Company, the estimated net proceeds is PHP 167,513,432.66. The Company intends to use the net proceeds from the Offer for margin financing, expansion of existing IT infrastructure and software development, branch expansion, advertising, marketing, and promotions, establishment of research team and Private Clients Management Group, renovation of existing branches, and general working capital purposes. For a more detailed discussion on the Company's proposed use of proceeds, see "Use of Proceeds" on page [37] of this Prospectus.

Dividends

The Company has approved a dividend policy that would entitle stockholders to receive dividends equivalent to up to 10% of the prior year's net income after tax subject to (i) availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, and (iv) working capital requirements. The declaration and payment of dividends is subject to compliance with regulatory requirements of the SEC and PSE. The Company is allowed to declare dividends, annually or as often as the Board of Directors may deem appropriate, in cash or in kind and/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.

Listing and Trading of the Shares

The Company has filed an application with the PSE for the listing of the Shares on the SME Board under the stock symbol "[PH]". Acceptance of all applications is conditioned on the listing of the Offer Shares with the PSE. It is expected that all of the common shares issued and will be issued, including the Offer Shares, will be listed on [08 December 2015] and trading of the Offer Shares is expected to commence on the same date.

In the event the common shares are not listed on the PSE for any reason, the Company will return within five (5) Banking Days from the end of the Offer Period the payments made under the Applications, without any interest, to the respective applicants.

Eligible Applicants

The Offer Shares may be subscribed by any individual of legal age, or any corporation, association, partnership or trust, regardless of

citizenship or nationality. However, because the Company owns land, Philippine laws limit foreign shareholdings in the Company to a maximum of 40% of its issued and outstanding capital stock. Any subsequent transfer of the Company's common shares by Filipinos to non-Filipinos will, hence, be subject to the limitation that any such transfers will not cause foreign shareholdings in the Company to exceed 40% of the Company's issued and outstanding capital stock. In the event that foreign ownership of the Company's issued and outstanding capital stock will exceed 40%, the Company has the right to reject a transfer request by a stockholder to persons other than Philippine Nationals or corporations organized under Philippine laws and whose capital stock is at least 60% owned by Filipinos, and has the right not to record such purchases in the books of the Company.

Moreover, if any share is inadvertently issued and/or transferred in violation of said restriction, the shares issued and/or transferred in excess of the 40% limit shall be null and void and the Company may immediately proceed to cancel, and demand the surrender of the certificate of stock covering, such shares. Should any stockholder acquire shares in excess of the foregoing restriction, said stockholder shall not be considered a stockholder and shall have no right with respect to such shares except to demand payment therefore from the Company or transferor, as the case may be, or to dispose of the same to qualified stockholders within 30 days of receipt of notice from the Company.

As of 30 June 2015, none of the Company's outstanding common shares are held by foreign nationals.

Minimum Subscription

Applications shall be for a minimum of [Ten Thousand (10,000)] Offer Shares. Applications in excess of this minimum shall be in multiples of One Thousand (1,000) shares. No subscription for multiples of any other number shall be considered.

However, each applicant under the LSI Program may only apply to purchase Ten Thousand (10,000) Offer Shares.

Procedure for Application

Application forms and signature cards may be obtained from the Underwriter or PSE Trading Participants. Applicants shall fill up the application to purchase form, indicating all pertinent information such as the applicant's name, address, taxpayer's identification number, citizenship and all other information as may be required in the application form. Applicants shall sign all documents and do all necessary acts to enable them to be registered as holders of the Offer Shares applied for or any portion thereof. Failure to completely fill up the application form may result in the rejection of the Application.

Restriction on Disposal of Shares

The PSE rules require an applicant to the SME Board to cause all its existing shareholders not to sell, assign or in any manner dispose of their shares for a period of one (1) year after the listing of the shares. To implement this lock-up requirement, the PSE requires the applicant company to lodge the shares with the PDTC through a PCD Participant

for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution. The following shareholders are covered by the lock-up requirement:

Shareholder	No of Shares	Percentage
Paul L. Wee	224,999,500	82%
Pleshette Y. Wee	38,000,099	14%
Antonio B. Herbosa	12,000,000	4%
Angel S. Mercado	100	Nil
Francis Julian Lorica	100	Nil
Teddison Siy Liao	100	Nil
Benson Pua Ng	100	Nil
Christine P. Base	1	Nil
Total	275,000,000	100%

The Revised Listing Rules of the PSE also require that if there is any issuance or transfer of shares or securities (i.e., private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of shares or securities (i.e., convertible bonds, warrants or a similar instrument) done and fully paid for within one hundred eighty (180) days prior to the start of the offering period, and the transaction price is lower than that of the Offer Price in the initial public offering, all shares or securities availed of shall be subject to a lock-up period of at least one (1) year from listing of the shares or securities.

The Company shall likewise be prohibited from issuing or offering additional securities, except offerings for stock dividend and employee stock option plans ("ESOPs"), for one hundred eighty (180) calendar days from the date of listing.

Payment Terms

The purchase price must be paid in full in Philippine Pesos upon the submission of the duly accomplished and signed application form and signature card together with the requisite attachments.

Payment for the Offer Shares shall be made either by: (i) a personal or corporate check/s drawn against an account with a BSP authorized bank at any of its branches located in Metro Manila; or (ii) a manager's or cashier's check issued by such authorized bank.

All checks should be made payable to "PHILSTOCKS IPO," crossed "Payee's Account Only," and dated the same date as the application.

The applications and the related payments will be received at any of the offices of the Underwriter or the Selling Agents.

Requirements for Applications

If the applicant is an individual, the application form must be accomplished in quadruplicate and accompanied by the following documents: (i) corresponding check payments; and (ii) a fully executed signature card.

If the applicant is a corporation, partnership or trust account, the application must be accompanied by the following documents: (a) certified true copy of the applicant's Articles of Incorporation or other constitutive document and By-Laws, as amended; (b) certified true copy of the applicant's SEC Certificate of Registration or equivalent document in case of a foreign corporation; and (c) duly notarized secretary's certificate: (i) setting forth the resolutions of the applicant's Board of Directors or equivalent body authorizing the subscription to the Offer Shares and designating signatories for the purpose; (ii) specifying the percentage holdings of Filipinos in the corporation; and, (iii) containing specimen signatures of the signatories.

**Representation and
Warranty of Foreign
Investors**

Foreign investors, both corporate and individual, shall represent and warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction, and that they have the capacity and authority to acquire, purchase, and hold the Offer Shares.

**Registration of Foreign
Investments**

Registration of foreign investments with the proper government authorities shall be the responsibility of the foreign investor. While registration of foreign investments with the BSP is not required, it will be necessary in order to source the foreign exchange needed to service the repatriation of the proceeds of sale of the investments and remittance of dividends and other distributions from the Philippine banking system.

**Acceptance or Rejection of
Application to Subscribe
and Reduction of
Allotment of Offer Shares**

"Application to Subscribe" forms are subject to confirmation by the Underwriter and the final approval of the Company. The Company and the Underwriter reserve the right to accept, reject or scale down the number and amount of shares covered by any application. The Company and the Underwriter have the right to reallocate available Offer Shares in the event that the Offer Shares are insufficient to satisfy the total applications received. The Offer Shares will be allotted in such a manner as the Company and the Underwriter may, in their sole discretion, deem to be appropriate, subject to the distribution guidelines of the PSE. Applications with checks dishonored upon first presentation and "Application to Subscribe" forms which do not comply with terms of the Offer will be automatically rejected. Notwithstanding the acceptance of any "Application to Subscribe" forms, the actual subscription of the Offer Shares by the applicant will be effective only upon the listing of the Shares at the PSE.

Refunds

Refunds of payments for any application not accepted in whole or in part shall be made without interest within five (5) Banking Days after the end of the Offer Period. In the event that the conditions of the underwriting agreement between the Company and the Underwriter are not fulfilled and are not waived, refunds will be made without interest within five (5) Banking Days from the end of the Offer Period. Each refund check shall be made in favor of the respective applicant, crossed "Payee's Account Only," and mailed by registered mail or delivered, at the applicant's risk, to the address specified by the applicant.

Documentary Stamp Taxes (DST) All DST on the issuance of the Offer Shares and any other taxes on the Offer shall be for the account of the Company.

PDTC Lodgment The Offer Shares must be lodged with PDTC. The applicants shall provide the required information in the application to effect the lodgment. The Offer Shares will be lodged with the PDTC at least two (2) Trading Days prior to the Listing Date.

The applicant may request for the uplifting of his/her/its shares and to receive stock certificates evidencing his/her/its investment in the Offer Shares through his/her/its broker after the Listing Date. The applicant shall bear any expense to be incurred by such issuance of certificates.

Timetable The tentative timetable for the Offer is as follows:

Bookbuilding Period	:	17 November 2015
Notice of the Final Offer Price	:	17 November 2015
Start of the Offer	:	23 November 2015
TP Commitment Period	:	23 – 25 November 2015
LSI Offer Period	:	23 - 27 November 2015
End of the Offer	:	27 November 2015
Deadline of Submission of Application and Payment of TPs	:	27 November 2015
Lodgment of Shares with PDTC	:	4 December 2015
Expected Listing Date	:	8 December 2015

RISK FACTORS

Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Prospectus, including the Company's consolidated financial statements attached hereto and incorporated herein by reference, before making any investment decision relating to the Offer Shares. However, this section does not purport to disclose all the risks and other significant aspects of investing in the Offer Shares. Additional risk factors and uncertainties not at present known to the Company, or which the Company currently deems immaterial, may also adversely affect the Company's business, financial condition or results of operations. The Company's past performance is not an indication of its future performance. Investors deal in a range of investments, each of which may carry a different level of risk. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or that are currently considered immaterial could have a material adverse effect on the Company's business, results of operations, financial condition and prospects and cause the market price of the Offer Shares to fall significantly and investors may lose all or part of their investment.

This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company adopts what it considers conservative financial and operational controls and policies to manage its business risks. The actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences, thereby making any investment in the Offer Shares speculative or risky, may be summarized into those that pertain to the business and operations of the Company, in particular, and those that pertain to the over-all political, economic and business environment in general. These risk factors and the manner by which these risks may be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

GENERAL RISK WARNING

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profits made as a result of buying and selling securities. Past performance is not a guide to future performance. There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying price and the selling price of these securities. An investor deals in a range of investments each of which may carry a different level of risk.

PRUDENCE REQUIRED

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. An investor should undertake his/her/its own research and study on the trading of securities before commencing any trading activity. Investors may request information on the securities and Issuer thereof from the SEC which are available to the public.

PROFESSIONAL ADVICE

Investors should seek professional advice regarding any aspect of the securities such as the nature of the risks involved in the trading of the securities, especially in the trading of high-risk securities. Each investor should consult his/her/its own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of an investment in the Offer Shares.

RISKS RELATING TO THE COMPANY AND ITS BUSINESS

Risks Associated with Market Volatility

The Company expects its online electronic brokerage services to continue to account for substantially all of its revenues in the near and foreseeable future. Per 2014 PSE data, online trading accounts are growing at an average rate of 43.9%, and the growth rate of Philstocks online trading clients is at 42% year-on-year since 2012, and more trading participants are moving to online trading for its clients. Based on these data and trends, and the Company's thrust to expand and acquire more clients, the Company expects that its online trading clients will continually grow and outpace the growth of its traditional brokerage services.

As of 30 June 2015, online gross revenues account for 22.9% of the Company's total gross revenues, whilst broker-assisted services and other revenues such as trading gains from dealer accounts, interest and rental income contributed 50.2% and 26.9% of total gross revenues, respectively.

Like other securities firms, revenues are basically influenced by trading volume and prices. In periods of low volume and transaction revenue, the Company's financial performance may be adversely affected. To lessen the adverse effects of market volatility to the revenues of the Company, Philstocks will look into expanding its sources of revenue by investing in synergistic business lines that would provide technology solutions to financial institutions. The income derived from such investments will help augment its income in times of low trade from the stock market.

Risks on Market Manipulation

Artificial movement of a stock price is called market manipulation. It generally involves arranged sales of stocks intended to inflate or deflate the real sales volume, demand and eventually, the stock price.

There are several market manipulation schemes in the stock market industry, the most common scheme is "hype and dump." In this scheme, perpetrators amass stocks of a company, artificially inflate (or hype) the price of the stock, and after the price reaches its peak, sell (or dump) their shares at a gain. The hype includes influencing innocent investors to buy stocks that the perpetrators would like to manipulate through deceptive sales practices, misleading public information and corporate disclosures. These days, social media is now being used by perpetrators to "hype" particular stocks which they are currently holding. As the innocent investors purchase these stocks, the price of these stocks consequently rise as a result of the increase in demand for these "hyped" stocks. Once the price of the stock reaches its peak, the perpetrators dump their stocks at a gain and leave innocent investors with stock that has extremely low price and no more buyers.

There are plenty of other market manipulation schemes aside from hype and dump such as marking the close, painting the tape, squeezing the float, boiler room operations and such other similar devices.

As such, there is the risk that the Company's officers, agents, clients or even employees may become involved in market manipulation, knowingly or unknowingly in such schemes. The Company takes and implements measures similar to those adopted by companies engaged in brokerage business to minimize, if not prevent, the occurrence of market manipulation in its market trades as made by the Company's officers, directors, agents, and employees in the course or performance of their duties or employment with the Company or the Company's clients in the course of their trades with the Company. The Company has a policy on anti-market manipulation, which should be observed by the Company's officers, directors, agents, and employees. Without prejudice to the provisions of law, the sanctions imposed by the Company on violation of such policy on anti-market manipulation vary from suspension to dismissal after thorough investigation and due process. Also as a policy, all officers', directors', employees' and agents' accounts are tagged as "associated accounts". Being associated

accounts, officers, directors, employees and agents of the Company can only course trades through the Company's Vice President-Sales and monitored by the Associated Person in order to ensure that trades will abide by the trading rules. Also, the Company has a policy on anti-market manipulation relating to its clients, which policy should be observed by and adhered to by its clients. Failure to abide by such policy will result in the termination of the client's account with the Company, without prejudice to the sanctions as may be provided by law. The Company also provides trainings, reviews and updates regarding industry policies and procedures related to anti-market manipulation to its officers, directors, agents, clients and employees. The Company also provides strict monitoring of every trade within the Company's system. Should unusual or doubtful trades be detected, the Company will immediately report or call the attention of the relevant Philippine regulatory body. The Company also utilizes stringent screening processes in employing agents and employees or appointing officers and directors to ensure the integrity of such persons. Also, the Company abides by the strict Know-Your-Client ("KYC") process set about by the regulators to its clients.

Risks Associated with Dealer Account Portfolio

The Company faces operational risk arising from mistakes made in the confirmation or settlement of transactions or from transactions not being properly recorded, evaluated or accounted for. The Company's business is highly dependent on its ability to process, on a daily basis, a large number of transactions. Consequently, the Company relies heavily on its financial, accounting and other data processing systems. If any of these systems do not operate properly or are disabled, the Company could suffer financial loss, disruption to the Company businesses, potential liability to clients, regulatory intervention or reputational damage. The inability of the Company's systems to accommodate an increasing volume of transactions may also constrain its ability to expand its business.

The Company runs the risk that dealer misconduct may occur. Misconduct by dealers could include binding the Company to transactions that exceed authorized limits or present unacceptable risks, or concealing from the Company unauthorized or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. Dealer misconduct may also involve the improper use or disclosure of confidential information, which could result in regulatory sanctions and serious reputational or financial harm. It is not always possible to deter dealer misconduct and the precautions the Company takes to prevent and detect this activity may not be effective in all cases.

The Company is also subject to claims arising from disputes with dealers.

To lessen the risks associated with the dealer account portfolio, the Company invests in competent and trustworthy employees to handle the dealer account. Also, trades made on the Company's dealer account are subject to daily internal audit to make sure that all trades are accounted for and that all the dealers adhere to the trading error prevention policy of the Company.

Risks Associated with Event of Client Default

Economic or political pressures in the Philippines, including those arising from local market disruptions or currency crises, may adversely affect the ability of clients to perform their obligations to the Company.

The Company through its credit and collection team makes the necessary follow-ups to the client to ensure timely payments of broker-assisted clients. The Company's securities trading agreement provides that the Company may sell or transfer the cash or securities to satisfy any or all obligations of their account with full discretion to determine which securities are to be sold. Most of the cash accounts strictly comply with the T+3 trading settlements. However, some of the accounts may default from payment but it is eventually settled after a short period. For account with overdue balance, the

Company makes a convenient arrangement for the clients to settle on staggered payments. Also, it is the agent's responsibility to evaluate and assess the trading limit capacity of their clients so that their clients won't go beyond their trading capacity.

Risks Associated with Margin Account/Credit lines

As the Company extends credit to its clients through margin loans or other arrangement, the Company is exposed to the risk that customers or clients who owe money, securities or other assets will not perform their obligations. Customers may default on their obligations to the Company due to bankruptcy, lack of liquidity, operational failure or other reasons.

To lessen the risk of margin account/credit line facilities, the Company has a margin committee that screens qualified clients. To prevent excessive use of credit, each margin account is monitored by the accounting officer based on its credit limit set and approved by the margin committee which is equivalent to 30% maximum of the total haircut value of the total current portfolio. The haircut value is 25% for blue chip stocks and 35% for 2nd and 3rd liner stocks. This limit has been set to be very conservative.

Risks Associated with Client Complaints

The Company faces significant legal risks in its business. These risks include potential liability under securities or other laws for materially false or misleading statements made in connection with securities and other transactions, and disputes over the terms and conditions of trading arrangements.

New laws or regulations or changes in enforcement of existing laws or regulations applicable to the Company's customers may also adversely affect the Company's business resulting to the Company incurring significant legal expenses in defending against litigation.

To help mitigate this risk, the Company mandates all its clients to read and understand the securities trading agreement before signing-up as a client. The Company has made available to all its clients its hotlines, email address, and social media accounts in order to provide its clients access to the Company should they have questions or complaints. The Company has a dedicated Customer Experience Group that handles questions or complaints from its clients to ensure timely response.

Should there be any new policies released by the SEC, PSE or CMIC, the Company informs all clients through email, SMS, its social media accounts and its website. These policies are posted in the Company's website for viewing of the clients.

To date, while the Company encounters complaints relating to its day to day operations, there has been no complaint that has had a material impact on its business as it tries its best to address client concerns.

Risks Associated with Status of Membership

The securities industry is subject to extensive regulation. The Company is subject to regulation by governmental and self-regulatory organizations. The Company's membership in the PSE grants the Company with trading rights.

The requirements imposed by regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with the Company. Consequently, these regulations may limit the Company's activities, including through net capital, customer protection and market conduct requirements. The Company faces the risk of significant intervention by regulatory authorities, including extended investigation and surveillance activity, adoption of costly or restrictive

new regulations and judicial or administrative proceedings that may result in substantial penalties. There is also a risk of the Company's membership or trading right being revoked if it fails to comply with the implementing rules and regulations of SEC, PSE and CMIC.

The Company ensures timely submission of regulatory compliance reports required by the SEC, PSE and CMIC through its Associated Person. The Company also keeps abreast with the latest regulations through internal trainings.

Risks on Revocation and Suspension of Secondary License as Broker and Dealer

The registration of the Company's license may be revoked, suspended, or limitations placed thereon, by the Securities and Exchange Commission due to, among others: (a) willful violation of any provision of the Securities Regulation Code, any rule, regulation or order made hereunder, or any other law administered by the SEC or failure to supervise, with a view to preventing such violation, another person who commits such violation; (b) materially false or misleading statement in any application for registration or report filed with the SEC or a self-regulatory organization, or has willfully omitted to state any material fact that is required to be stated therein; (c) is enjoined or restrained by a competent judicial or administrative body from engaging in securities, commodities, banking, real estate or insurance activities or from willfully violating laws governing such activities; (d) if the Company is subject to an order of a competent judicial or administrative body refusing, revoking or suspending any registration, license or other permit under the Securities Regulation Code, the rules and regulations promulgated there under, any other law administered by the SEC or to an order of a self-regulatory organization suspending or expelling the Company from membership or participation therein or from association with a member or participant thereof; or (e) if Company is found by a competent judicial or administrative body to have willfully violated any provisions of securities, commodities, banking, real estate or insurance laws, or has willfully aided, abetted, counseled, commanded, induced or procured such violation.

In order to mitigate this risk, the Company's Audit and Compliance Department conducts periodic review of the Company's internal policies and procedures as against applicable laws or changes or developments in applicable laws or regulations relevant to brokerage houses. Additionally, the Company holds regular monthly management meetings for the purpose of (a) apprising and updating the Company's officers, management and board of directors of any developments, issues, concerns or problems within the Company or its trading business; and (b) suggesting policy changes or formulating new policies to address specific problems or to align the Company's policies with applicable laws or recent developments in applicable laws. The Company's Audit and Compliance Department also oversees regulatory filings and compliance by the Company with applicable laws.

RBCA levels are likewise tested daily to ensure that the Company is compliant with the requirements of the SEC.

Also, to ensure that all employees, officers and agents understand and adhere to regulatory requirements and industry best practices in performing their tasks, annual compliance reviews are conducted by the Company. Sanctions/penalties are imposed by the Company in case of non-compliance by employees, officers and agents with the Company's policies, regulatory requirements and industry best practices. Likewise, the Company's employees, officers, board of directors and agents are required to update their personal information annually. Further, the Company maintains records for a period of 10 years relevant to its trading business such as client information data, daily RBCA levels, salesman's and employee's trading activities, accounting and settlement books and records.

Risks Associated with KYC Procedures

Although the Company has measures to determine the identity and background of its customers before extending credit, default risk may arise from events or circumstances that are difficult to detect, such as fraud or failure to receive full information from its customers.

The Company's licensed agents and in-house traders ensure the identity of clients by requiring the clients to present original valid government-issued identification cards. The Company also conducts random due diligence on its existing clients.

Risk of Cyber-Attacks

Cyber-attack is an attempt by hackers to damage or destroy a computer network or system. Philstocks is exposed to risk related to its information and technology processes and systems.

Cyber Attack Mitigation is handled three-fold.

- a) Infrastructure-wise, security is implemented through firewalls and secured Virtual Private Network connections to the Company's network servers. Servers and database further uses username/password authentication security (strong password policy) and Philstocks have intentionally minimized administrative privileges to minimize possible breach.
- b) All data are further encrypted using a powerful SHA-1 and 2048-bit encryption plus additional data parameter validation to ensure no SQL injection ever happens. The Company's SSL certification is classified level 'High' which protects multiple websites as well as all subdomains.
- c) Philstocks ensures that only licensed Operating System and softwares are used when applicable and latest antivirus, malware and internet securities are updated regularly.

The IT Department of Philstocks also follows and applies the credo of "Assess, Clean, Educate and Adjust". Regular review of the system and network application is done with subsequent adjustment and patches implemented (update versions are logged and recorded). A regular training is conducted by the IT department to all network users to ensure critical awareness and high degree of readiness against any possible cyber attacks.

Risk of Loss of Clients When Agents Leave

As a brokerage firm, clients are brought in and serviced by agents and in-house traders, as such the Company's traditional revenues may be directly affected by movements of agents and in-house traders. As of 30 June 2015, there are more broker-assisted clients compared to online clients with Philstocks having 6,568 online clients and 9,168 broker-assisted clients.

The contracts of the Company with agents contain non-compete clauses such that when they leave, the clients they handle stays with the Company. Similarly, as a matter of Company policy, in-house traders are bound by non-compete obligations to the Company.

To mitigate this risk, the Company provides non-monetary benefits and incentives to its agents outside the regular commission scheme and also provides incentives schemes to its in-house traders aside from regular compensation and benefits.

Risks of Dependence on Certain Customers

It is inherent in the business of the Company that a certain portion will be generated from a number of big individual, corporate, or institutional accounts with trade value per month of PHP 50.0 Million

and above each. In each of the past three (3) years, the Company has had a single institutional client who has contributed more than 5% of its gross revenues. These big clients will contribute substantially to the revenues of the Company. The Company realizes that it will have to take extra effort to satisfy the requirements of these accounts in order for these clients to stay with the Company. The Company realizes that there is a risk of business declining if these types of clients should cease trading with the Company.

In order to manage this risk, the Company will create the Private Clients Management Group to strengthen the relationship and provide VIP service to these accounts. Also, the Company will create a Research Team to further support the research and analysis requirements of these types of clients. These teams will also be tasked to get as many big clients as possible so as to mitigate dependence on very few big accounts.

Risks of System Downtimes

The Company is heavily dependent on the integrity of the network and system supporting its proprietary trading platform. During peak trading especially on heavy volume of trades, the Company's trading platform could operate at low speed or delayed accessibility. Any downtime in the system or facilities by Philstocks or its Third Party Providers such as Globe Telecom, Eastern Telecom Philippines, Inc., and PLDT could disrupt the Company's business, reduce its profitability and adversely affect its results of operations and financial condition.

Philstocks' main and production servers (where its online trading platform, website and databases are deployed) are hosted in a Tier-3 data center that is SSAE 16, PCI-DSS and HIPAA Compliant located in San Francisco, USA. In addition, all network, application and database servers as well as network connectivities and broadband services are set up and are configured to have a primary line and a back-up line in the primary data center. These network connections are also configured at nominal usage but scalability is almost instantaneous when demand for more bandwidth is required. This makes the system both adaptable and agile during peak and volume trade episodes.

Philstocks also boasts of a very reliable and robust network and system wherein the average age of the Company's servers and all network elements are less than one year old.

Philstocks Disaster Recovery ("DR") is located at the same DR premises/hosting of PSE that will be put into production mode should a major event, catastrophe or calamity happen at its main location in PSE Ayala Center.

A redundant system is planned to be hosted in a similar data center in Singapore in October 2015 to ensure network and system reliability with minimum to zero outage occurrence. Currently, the Company is evaluating proposals received for its target RFS ("Ready for Service") Singapore Infrastructure.

Risks on Implementation of Improved Customer Experience

The Company's Customer Experience team handles inquiries and concerns from clients through different channels: phone, e-mail, walk-in and social media. A surge of activity in the stock market could cause the Company to provide a slowdown in customer experience. Insufficient customer experience could lead to a damaged Philstocks brand name and could lead to potential loss of clients by transferring to other brokers, lesser trading activity with Philstocks and even stop trading online and go back to traditional way of trading through the phone via brokers.

The Company continues to improve its customer experience by benchmarking itself with best practices in customer experience and by investing in best technology available and skilled customer experience personnel to provide faster response times and better customer experience to its clients.

Reliance and Retention of Key Personnel

The Company's current business, expansion plans, and future business performance will be dependent on its ability to attract capable personnel and retain the services of its existing management and employees. In the event that Philstocks is unable to retain its existing key personnel or develop capable replacements for these individuals, it will have a material adverse effect on the Company's business, financial condition and operating results. Competition for highly technical and managerial personnel including qualified customer experience personnel is intense. Philstocks expansion plans will require it to attract and recruit new managers and employees and given the increasing competition, there is no assurance that Philstocks will be able to employ such individuals or employ these at salary and compensation arrangements that are favorable to Philstocks.

Philstocks currently implements a performance appraisal system that will reward employees based on performance merits as basis for salary adjustments and performance bonuses.

The Company also plans to provide stock options via the Company's ESOP and long-term incentive plan (LTIP) to ensure tenure.

All its employees, especially those holding key strategic and skilled positions, are provided with continuous learning and education training opportunities to further enhance their performance.

Risks on Increased Competition

The Company is aware that competition is inevitable with the increasing number of established stock brokerage firms offering online trading services. In the past two years, the number of brokerage firms offering online trading services increased from 11 to 18 and the Company recognizes that this will continue to grow.

The Company also understands the possibility of competing with companies who specialize in software development as well as banks and similar financial institutions that may develop their own online trading systems. In the advent of availability and accessibility of a new and more advanced technology, the Company expects that more and more trading participants will adapt the use of online trading systems.

The Company understands that technology is continuously updated and is committed to developing new and more advanced online and mobile trading platforms to stay ahead of the competition.

Risks on Regulatory Compliance

The Philippine securities industry is governed by regulations that encompass all aspects of the securities business which must be observed by broker-dealers. Further, as the Company is engaged in online trading and software development in support of its online trading business, it is also governed by the Electronic Commerce Act (R.A. 8792) and Anti-Money Laundering Act (R.A. 9160) (See detailed discussion in the Regulatory Framework section on page [Regulatory Framework111]). Any new laws, rules or regulations as decreed by the SEC, the Anti-Money Laundering Council ("AMLC"), the Bureau of Internal Revenue ("BIR"), the PSE, and the Bangko Sentral ng Pilipinas ("BSP"), and any modifications, amendments or changes in the interpretations of the existing laws, rules and regulations of the Philippines may have an adverse effect on the Company's business and operations.

As of the date of this Prospectus, the Company has been fully compliant with existing and applicable laws, rules or regulations and shall continue to maintain such compliance.

Risks on Risk-Based Capital Adequacy Ratios

Broker-dealers are required to maintain and preserve specific levels of Risk-Based Capital Adequacy Ratios ("RBCA"). Failure to comply with the RBCA requirements will result in the suspension of trading activities, or ultimately the nullification of a broker-dealer's registration. Changes in or enforcement of new rules which would increase the RBCA level could significantly hinder or adversely impact the Company's business, financial performance and its ability to expand its operations. There is no assurance that violation of the RBCA rule shall not occur albeit the Company's' efforts to strictly adhere to the same.

As of June 30, 2015, the Company's RBCA level was at 257%. The Company has been fully compliant with the RBCA minimum requirement of 110% and shall continue to maintain such compliance.

Risks on Failure to Implement Business Plans

The Company realizes that in as much as it has made business plans, unforeseen events, both internal and external may affect implementation of some or part of its business plans.

Should internal and external unforeseen events occur, the Company has incorporated in its business plans, short, mid and long-term milestones or performance indicators and regularly reviews the same so that strategies and plans can be adjusted or implemented accordingly.

RISKS RELATING TO THE COMPANY'S OFFER SHARES

There can be no guarantee that the Offer Shares will be listed on the PSE.

Subscribers of the Offer Shares are required to pay for their purchase upon submission of their Applications during the Offer Period. Although the PSE has approved the Company's application to list the Offer Shares, because the Listing Date is scheduled after the Offer Period, there can be no guarantee that listing will occur on the anticipated Listing Date. The Company has taken steps to ensure that it fully complies with the registration and listing requirements and regulations in order to ensure that the Offer Shares will be listed. However, there can be no guarantee that listing will occur on the anticipated Listing Date or at all. Delays in the admission and the commencement of trading of shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares for listing on the PSE, the market for these will be illiquid and holders may not be able to trade the Offer Shares. However, they would be able to sell these by negotiated sale. This may materially and adversely affect the value of the Offer Shares.

There may be no liquidity in the market for the Offer Shares and the prices of these may fall.

The Offer Shares will be listed in the PSE where trading volumes have been historically and significantly smaller and highly volatile compared to major securities markets in more developed countries. There can be no assurance that an active market for the Offer Shares will develop following the Offer or, if developed, that such market will be sustained.

The Offer Price will be determined through a book-building process. The price at which the Offer Shares will trade on the PSE at any point after the Offer may vary significantly from the Offer Price.

The Company's common shares are subject to Philippine foreign ownership limitations.

The Constitution and related statutes restrict land ownership to Philippine nationals. The Company owns private land in the Philippines and therefore foreign ownership in the Company is limited to a maximum of 40% of the Company's issued and outstanding capital stock. The Company cannot allow the issuance or the transfer of shares to persons other than Philippine nationals and cannot record

transfers in the books of the Company if such issuance or transfer would result in the Company ceasing to be a Philippine national for purposes of complying with nationality restrictions on land ownership. This restriction may adversely affect the liquidity and market price of the Offer Shares to the extent that international investors are restricted from purchasing these in normal secondary transactions.

RISKS RELATING TO THE PHILIPPINES

The Company is exposed to risks associated with the Philippines, including the performance of the Philippine economy.

The Philippine economy remains exposed to significant economic and political risks. The performance of the Philippine economy may influence, in general, the results of the Company's operations. Any deterioration in the economic conditions in the Philippines may adversely affect consumer sentiment. There can be no assurance that current or future Governments will adopt economic policies conducive to sustaining economic growth.

The Company's results of operations depend on the performance of the Philippine economy. Movement in interest rates will affect the Company's cost of capital as well as the financial viability of its projects. Any deterioration in the Philippine economy could materially and adversely affect the Company's financial condition and results of operations.

Political or social instability could adversely affect the financial results of the Company.

Like any other country, it is materially significant to position the Philippines as an appealing place to put up an investment. Any political and terrorist threats could adversely affect the general conditions and business environment in the Philippines, which could have a material effect on the operations and financial performance of the Company.

The Philippines has from time to time experienced political, social and military instability and no assurance can be given that the future political environment in the Philippines will be stable.

Political instability in the Philippines occurred in the late 1980's when Presidents Ferdinand Marcos and Corazon Aquino held office. In 2000, former President Joseph Estrada resigned from office after allegations of corruption led to impeachment proceedings, mass public protests and withdrawal of support of the military. In February 2006, President Gloria Arroyo issued Proclamation 1017 which declared a state of national emergency in response to reports of an alleged attempted coup d'etat. The state of national emergency was lifted in March 2006.

The country has also been subject to sporadic terrorist attacks in the past several years. The Philippine army has been in conflict with the Abu Sayyaf organization, a group alleged to have ties with the Al-Qaeda terrorist network, and identified as being responsible for kidnapping and terrorist activities. More recently, On 09 September 2013, a faction of the Moro National Liberation Front (MNLF) under the leadership of Nur Misuari seized hostages in Zamboanga and attempted to raise the flag of the self-proclaimed Bangsamoro Republik, a state which declared its independence from the Philippines earlier in August, in Talipao, Sulu. This armed incursion has been met by the Armed Forces of the Philippines, which sought to free the hostages and expel the MNLF from the city. The standoff has degenerated into urban warfare, and brought parts of the city under standstill for days. On 28 September 2013, the government declared the end of military operations in Zamboanga City.

In July 2013, a major Philippine newspaper exposed a scam relating to the diversion and misuse of the Priority Development Assistance Fund by some members of the Congress through pseudo-

development organizations headed by Janet Lim Napoles. As a result of this expose, a number of investigations, including one in the Senate, have been launched to determine the extent of the diversion of the Priority Development Assistance Fund and the Government officials and the private individuals responsible for the misappropriation of public funds. On September 16, 2013, cases of plunder and violations of the Anti-Graft and Corrupt Practices (Republic Act No. 3019, as amended) were filed with the Office of the Ombudsman against Janet Lim Napoles, three Senators, a few members of the House of Representatives and other persons. In a resolution issued in April 2014, the Office of the Ombudsman found probable cause to indict Napoles, the said senators and others in connection with the controversy; the proceedings remain pending.

On 15 October 2012, the Philippine government signed the Framework Agreement on the Bangsamoro. On 27 March 2014, the Government of the Philippines and the Moro Islamic Libertaion Front signed a peace agreement, the Comprehensive Agreement on Bangsamoro ("CAB"), at the Malacañang Palace in Manila.

On 10 September 2014, the draft of the Bangsamoro Basic Law ("BBL") was submitted by President Benigno Aquino III to Congress. The BBL is a draft law intended to establish the Bangsamoro political entity in the Philippines and provide for its basic structure of government, which will replace the existing Autonomous Region in Muslim Mindanao.

On 25 January 2015, at Tukanlipao, Mamasapano, Maguindanao, the Special Action Force of the Philippine National Police ("SAF") in efforts to serve warrants of arrest to high-profile terrorists clashed with armed members of the Bangsamoro Islamic Freedom Fighters and MILF. The said armed clash led to the deaths of 44 members of SAF, 18 from MILF and five from the Bangsamoro Islamic Freedom Fighters, and several civilians.

After the Mamasapano incident, the Congress stalled deliberations on the BBL. On 13 March 2015, the Board of Inquiry on the Mamasapano incident released its report. The Board of Inquiry Report made the following findings, among others: (a) the Chain of Command in the Philippine National Police ("PNP") was violated; (b) Oplan Exodus was not approved by the Officer-in-Charge-Philippine National Police; and (c) Oplan Exodus can never be executed effectively because it was defective from the very beginning. It recommended, among others, that where the facts of the Report indicate possible violations of existing laws and regulations, appropriate government agencies should pursue the investigation of the Mamasapano incident to determine the criminal and/or administrative liabilities of relevant government officials, the MILF and other individuals.

On 17 March 2015, the Senate released its own report on the Mamasapano incident. Its findings, among others, include: (a) The concerned members of the MILF, Bangsamoro Islamic Freedom Fighters, and other armed groups murdered and robbed the PNP SAF Commandos; and (b) Police Director General Alan Purisima committed Usurpation of Authority or Official Functions, violating Article 177 of the Revised Penal Code (RPC) and Section 36(b)(4) of Presidential Decree No. 807, in relation to Section 46(A)(3), Rule 10 of the Revised Rules on Administrative Cases in the Civil Service.

On 27 March 2015, President Aquino named a Peace Council to study the draft BBL. The Council consists of five original members: former Chief Justice Hilario Davide, Jaime Augusto Zobel de Ayala, former Ambassador Howard Dee, Rohaniza Sumndad-Usman, and Cardinal Luis Antonio Tagle. 17 co-convenors were later named as part of the Peace Council. The Council examined the draft law and its constitutionality and its social impact. The Council Members testified before the House of Representatives and the Senate and submitted their report after two weeks to the President of the Philippines. The report endorses the draft BBL – but with some proposed amendments.

On 13 and 14 May 2015, the Senate conducted public hearings on the BBL in Zamboanga and Jolo, Sulu, with the Zamboanga City government and sultanate of Sulu opposing their inclusion in the proposed Bangsamoro entity.

On 18 May 2015, the House ad hoc committee started voting on the BBL per section. The panel members voted on each provision on 18 and 19 May 2015. On 20 May 2015, the working draft of the BBL in its entirety was put to a vote – 50 members favored the BBL, while 17 members rejected the same, and one member abstained.

On 01 June 2015, the BBL reached the plenary of the House of Representatives, after the draft BBL was approved by the House ad hoc committee on the measure. The BBL was renamed as the Basic Law for the Bangsamoro Autonomous Region. Meanwhile, the Senate also scrutinized the BBL.

The fate of the proposed BBL remains uncertain as the 16th Congress closed its second regular session on 11 June 2015 with many lawmakers still raising questions on the controversial draft seeking to create a new autonomous region in Mindanao.

Political instability in the Philippines could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material impact on the Company's business, financial condition and results of operation. This risk is beyond the control of the Company.

Natural calamities and power shortages could adversely affect the business of the Company.

The Philippines has experienced a number of major natural catastrophes in recent years including typhoons, volcanic eruptions, earthquakes, mudslides, and droughts. Natural catastrophes may disrupt the Company's ability to deliver its services and impair the economic conditions in the affected areas, as well as the overall Philippine economy. The Philippines has also experienced power outages from power generation shortages and transmission problems, and from disruptions such as typhoons and floods. These types of events may materially disrupt and adversely affect the Company's business and operations.

There can be no assurance that the Company can deal with these situations and that the insurance coverage they maintain will fully compensate them for all the damages and economic losses resulting from natural catastrophes and blackouts, including possible business interruptions. Furthermore, the Company ensures that its online trading platform is protected by its offshore disaster recovery data center,

Foreign Exchange Risk

Any change in the value of the peso against the U.S. dollar could affect the dollar value of a foreign investor's return on an investment in the Offer Shares. Foreign exchange required for the repatriation of capital or remittance of dividends may be sourced from the Philippine banking system provided that the foreign investor registers his investment with the *Bangko Sentral ng Pilipinas*. In certain instances, the *Bangko Sentral ng Pilipinas*, with the approval of the President of the Philippines, may restrict the availability of foreign exchange. No assurances can be given that exchange controls and regulations in the future will not be changed.

The Company has Overseas Filipino Worker (OFWs)-clients in Saudi Arabia, United Arab Emirates, and Singapore, which accounts for less than 1% of the Company's total revenues for the year 2014. In the event that there is a strengthening of the peso as against foreign currency, then there is a possible decrease in the purchasing power of these OFW-clients, which may affect their disposable income. The Company's revenues from these OFW-clients may be affected by such decrease in disposable income.

USE OF PROCEEDS

The Company expects to raise gross proceeds of approximately One Hundred Eighty Five Million Eight Hundred Ninety Four Thousand Four Hundred Pesos (PHP 185,894,400.00) from the Offer based on an Offer Price of up to One Peso and Eighty-Eight Centavos (PHP 1.88) per share and an Offer of up to Ninety Eight Million Eight Hundred Eighty Thousand (98,880,000) new common shares. After deducting all estimated expenses related to the Offer, all of which will be for the account of the Company, the estimated net proceeds is [One Hundred Sixty Seven Million Five Hundred Thirteen Thousand Four Hundred Thirty Two and Sixty-Six Centavos (PHP 167,513,432.66)]. The computation is presented below:

Particulars	Estimated Amount (in P millions)
Gross Proceeds	185.89
Offer Expenses	
Underwriting and Selling Fees for the Offer Shares	7.44
Taxes to be paid by the Company	4.21
Philippine SEC filing and legal research fees	0.47
PSE Listing and processing fees	0.08
Estimated Professional Fees	4.19
Estimated out-of-pocket and other expenses	2.00
Estimated Net Proceeds	167.51

The Company intends to use the net proceeds of the Offering to finance the following capital and project expenditures:

Purpose	Estimated Amount (in P millions)	Schedule of Disbursement
Margin Financing	55.00	
Expansion of Existing IT Infrastructure and Software Development	40.00	
Branch Expansion	20.00	
Advertising, Marketing, and Promotions	20.00	within 2016
General working capital purposes	17.51	
Establishment of Research Team and Private Clients Management Group	10.00	
Renovation of Existing Branches	5.00	
Total	P167.51	

The Company will deposit in a special bank account the net proceeds of the Offer to be released based on the schedule of disbursements in accordance with the work program disclosed herein.

MARGIN FINANCING

In order to service preferred clients who will need margin financing, the Company will allocate PHP 55.0 Million out of the net proceeds from the IPO to expand its margin financing services which will be provided to qualified broker-assisted clients.

There are a big number of clients requesting for margin financing in order to participate more in the market at a time when they need it to trade. Philstocks has been previously conservative in this section of the business but has realized the potential of retaining and inviting more clients by being more aggressive with its margin trading.

The succeeding paragraphs discuss the existing Margin Financing policy of the Company.

PROCEDURES AND GUIDELINES

Pre-requisites for application of margin account:

- **Must be an existing broker-assisted client of Philstocks**
- **Must have an existing active cash account with Philstocks for not less than six months from the time of application**
- **Existing cash account must have an outstanding cash and securities position balance as basis for margin account credit limit.**

For purposes of this Policy, the capitalized terms herein shall have the same meanings as defined below:

"Agent" shall mean a natural person, who passed the Certified Securities Representative examination and was properly indorsed to the Securities and Exchange Commission by the Company, engaged by the Company to buy and sell securities or stocks on a commission basis. An Agent, who is not an employee of the Company, earns through commissions per trade of its clients through an agreed commission rate which could range from 0.25% up to 1.5%.

"Business Days" shall mean every official working day of the week within the cities of Pasig and Manila, Metro Manila. These are the days between and including Monday to Friday and do not include public holidays and weekends. .

"Company" shall refer to Philstocks Financial, Inc.

"Exchange" is an organized marketplace or facility that brings together buyers and sellers, and executes trades of securities and/or commodities.

"Haircut Value" shall mean the difference between the market value of a security used as margin collateral and the amount of the credit limit in the Margin Account.

"Hold Order" shall mean that no purchase or sell order from the customer on the Margin Account shall be executed by the Company from the time of insufficient margin call up to the satisfaction of the call.

"Margin Balance" or "margin balance" shall mean unpaid loan amount used to buy securities in a margin account.

A. MARGIN ACCOUNT OPENING

1. Client shall signify interest in availing a Margin Account through his/her Agent or through the Company's Vice President-Sales. The relevant Agent or the Company's Vice President-Sales will then inform the Company's Accounting Officer in charge of Margin Accounts in respect of his/her client's request to open a Margin Account.

The relevant Accounting Officer then will evaluate the existing cash account portfolio of the client applying for a Margin Account based on the current Haircut Value of the existing securities portfolio of the client to establish the authorized credit limits for Margin Accounts as set forth in this Policy and in the Revised Implementing Rules and Regulations of the Securities Regulation Code¹.

2. Upon assessment of the client's application for the opening of a Margin Account and the determination of the cash portfolio of the client, the Company's Accounting Officer shall then indorse the application to the Margin Committee for further assessment and setting of credit limits.
3. The Margin Committee composed of the Company's Accounting Manager, Associated Person, Vice President – Operation, and Vice President – Sales shall then determine whether to approve an application for Margin Account opening and shall then set the credit limit for each Margin Account. For each Margin Account, the following rules shall be followed in determining the credit limit of clients:

- 3.1 Credit limit shall be from a minimum of 5% to a maximum of 30% of the total Haircut Value of the total securities portfolio of the client, which range shall be determined by the Margin Committee on a case to case basis;

- 3.2 Credit limit for: (1) individual clients shall be at a **MINIMUM OF PHP 100,000.00 BUT NOT MORE THAN PHP 1,000,000;** (2) corporate clients shall be at a **MINIMUM OF PHP 3,000,000.** Additional credit limit in excess of the maximum amount for individual and corporate shall be subject to the approval of the Margin Committee and the Management.

- 3.3 Notwithstanding the foregoing, the Company shall not extend credit to a client in an amount that exceeds fifty percent (50%) of the current market value of the security at the time of the transaction; provided, that in no event shall new or additional credit

¹ As of 15 Oct 2015, the Revised Implementing Rules and Regulations of the Securities Regulation Code is still subject to publication. See **SRC Rule 48.1 – Margin below.**

Formerly SRC Rule 48.1-1

1. ***A Broker Dealer shall not extend credit to a customer in an amount that exceeds fifty percent (50%) of the current market value of the security at the time of the transaction. In no event shall new or additional credit be extended in to an account in which the equity is less than Fifty Thousand Pesos (P50,000.00)***
2. ***The margin maintained in a margin account of a customer shall be no less than twenty five percent (25%) of the current market value of all securities "long" in the account and thirty percent (30%) of the current market value of securities "short" in the account.***

be extended in to an account in which the equity is less than Fifty Thousand Pesos (PHP 50,000.00).

4. As soon as the Margin Committee approves the application for Margin Account opening and has set the credit limit for the Margin Account, the same shall be made known to the client.
5. Thereafter, the client shall then sign four (4) sets of the Margin Agreement. One copy of the signed Margin Agreement will be given to the client.
6. An individual client shall only be allowed to open one Margin Account at any given time. In the case of "and/or accounts" applying for a Margin Account, if one of the owners of the "and/or" account already has a Margin Account, the said "and/or account" will not be allowed by the Company to have another Margin Account.
7. For each Margin Accounts, the margin to be maintained shall be no less than twenty five percent (25%) of the current market value of all securities "long" in the account and thirty percent (30%) of the current market value of securities "short" in the account.

B. MARGIN COLLATERAL

8. Securities in a client's existing Cash Account may serve as the client's collateral or margin equity for the approved Margin Account in accordance with paragraph 9 herein.
9. For purposes of paragraph 8, a client shall be allowed to transfer his/her securities from his/her Cash Account to his/her Margin Account.
10. A client shall not be allowed to transfer his/her securities from his/her Margin Account to his/her Cash or Online Trading Account; except when the following conditions are satisfied:
 - i. The client's Margin Account has no outstanding debit balance;
 - ii. The client's Margin Account has no outstanding balance and the client shall transfer all of his / her securities to either the Cash Account or Online Trading Account and thereafter, the Margin Account shall then be closed and terminated.

C. FINANCE CHARGES

In case the margin balance in a Margin Account or any portion thereof remains unpaid, the margin balance shall earn margin finance charge at the rate of 1% every three (3) Business Days, and thereafter for so long as the margin balance or any portion thereof remains unpaid. The margin finance charge shall be due and payable within one (1) Business Day following the end of the relevant three (3) Business Day-period.

If any margin finance charge remains unpaid at the end of the relevant month, the total unpaid margin finance charge shall earn penalty at the rate of 5% for such relevant month, which amount shall be due and payable on any day of the following month. Thereafter, if any margin finance charge or penalty still remains unpaid, the Company shall automatically impose a "HOLD ORDER" until the client has fully settled all the unpaid margin finance charges and penalty.

For each covered month, the Company issues a "Debit Memo" to the client at the end of each month detailing: (a) the margin balance and the margin finance charges and penalty (if any) thereon: (b)

payments made thereon by the client (if any); and (c) the amount of any unpaid margin balance, margin finance charge, or penalty at the end of each month. The client may settle and pay any unpaid margin balance, margin finance charge, or penalty by paying in cash or check (only upon clearing of the check).

Prior to signing a margin agreement, the Company discloses to the client the rate of margin finance charges or penalty which may be imposed on any unpaid margin balance or margin finance charge.

D. MARGIN CALL

11. The client may, from time to time be required to provide additional cash or securities if the client's account has fallen below the maintenance requirement and has exceeded 50% of the total market value of the securities that serves as collateral.
12. When there is an insufficiency of margin, a call for additional margin shall be issued promptly by the Company to the client. Subject to the provisions of item 13 of this Policy, a call for initial margin shall be satisfied within five (5) Business Days from the date the insufficiency is created. A call for maintenance margin shall be satisfied within twenty four (24) hours after the call is issued.
 - (a) A designated Accounting Officer of the Company is in charge of monitoring all Margin Accounts. Within twenty four (24) hours from the date of margin insufficiency, the client is informed via call of the margin call that is being issued and thereafter, a written margin call letter will be sent. The Accounting Officer immediately informs the Company's Vice President-Sales of any client who has exceeded its set credit limit and the Vice President-Sales shall automatically impose a "HOLD ORDER" until the client has promptly complied with the Margin Account's maintenance requirements.

E. FORCED LIQUIDATION

13. If the client's margin account has fallen below the minimum margin maintenance requirement and the deficiency is more than Ten Thousand Pesos (P10,000.00), the client has the following options to fulfill the deficiency within five (5) Business Days after the margin call:
 - a. Provide cash or securities to the Margin Account sufficient to meet the required minimum maintenance requirements;
 - b. Sell securities under his/her Cash Account to satisfy the required minimum maintenance requirements; or
 - c. Transfer securities under his/her Cash Account to his Margin Account in such amounts as shall be sufficient to satisfy the required minimum maintenance requirements.
14. (a) If: (i) the client does not undertake any of the options cited in item number 13 of this Policy within the time period set forth herein, or (ii) the client has taken the options set forth in item number 13 of this Policy within the time period set forth herein, and (b) the minimum margin maintenance requirement for the client's Margin Account continues to be unmet or unsatisfied, then, without any notification to the client, regardless of any potential loss to the client's Margin Account, the Company on the next trading day following the lapse of the five (5) Business days from the time an initial margin call is issued or twenty four (24) hours from the time a maintenance margin call is issued, shall liquidate securities sufficient to meet the margin call or eliminate the margin deficiency existing on the day such liquidation is required, whichever is less through the Exchange on which the relevant security is traded or in the best available public

market, on a First-In-First-Out (FIFO) manner with reference to the purchase dates of the client's existing securities under the client's Margin Account. (i.e., the oldest purchased stocks will be sold first and the latest purchased stocks shall be the last to be sold in order satisfy the required minimum margin maintenance requirement).

15. If the margin deficiency in the client's margin account is less than Ten Thousand Pesos (₱10,000.00), no forced liquidation on the client's margin account will be undertaken by the Company.
16. Subject to the discretion of the Company, the Company may apply for or request before the Philippine Stock Exchange an extension of the required payment date for a call for initial margin in accordance with laws or relevant rules of the Philippine Stock Exchange.
17. In case of any dispute with the clients, the Company has a dedicated hotline and email address which a margin client could call during office hours, from 8AM to 5PM, Monday to Friday, that handle complaints and concerns regarding margin accounts.

In the event that the proceeds allocated for margin financing will not be fully disbursed for the said use, the amount will be placed in a separate bank account and shall be placed in high yield short term placement.

To ensure that there will be no misuse in the margin financing proceeds, the Company will set a separate bank account where the said proceeds will be placed. The account shall be regularly monitored to check deposits and withdrawals from the account to make sure that the amount placed in the bank account is solely used for margin financing.

EXPANSION OF EXISTING IT INFRASTRUCTURE AND SOFTWARE DEVELOPMENT

The Company will continue to invest in strengthening its online platform. Details of the expansion of existing IT Infrastructure and software development are as follows:

Project Details	Budget	Timetable
Philstocks Infrastructure and Network Upgrade (Covering both main and back-up system). Establish Disaster Recovery Site and DR Connectivity to PSE.	PHP 16.0M	January 2016
Philstocks Backroom and Settlement Improvement and Equipment Refresh		
<ul style="list-style-type: none"> • Migration to Winstocks.Net 	PHP 2.5M	February 2016
<ul style="list-style-type: none"> • Network Devices and Desktop Refresh 	PHP 1.0M	March 2016
Business Process Re-engineering, including		
<ul style="list-style-type: none"> • Automation of Customer Experience thru customized Customer Relationship Management (CRM) and Ticketing System 	PHP 1.0M	March 2016
<ul style="list-style-type: none"> • Automation of HR and Admin operations thru Biometrics, RFID 	PHP 2.0M	June 2016

Access, HRIS, Payroll and Purchase Modules		
• Network Devices and Desktop Refresh	PHP 1.0M	May 2016
Establish Philstocks Network Operations (Monitoring) Center at its Head Office in Tektite, Ortigas	PHP 6.5M	June 2016
Improvement of Front Office and Establishment of IT Infrastructure for new branch offices in Bonifacio Global City in Taguig, and prospectively in Cebu City		
• Desktop Refresh for Traders and Agents	PHP 1.0M	July 2016
• Branch Office Network Improvements (3 Branches)	PHP 9.0M	July 2016 to November 2016
TOTAL	PHP 40.0M	

BRANCH EXPANSION

The Company realizes that client accessibility is a factor to its expansion goals. Thus, the amount of PHP 20.0 Million shall be allocated from the net proceeds of the IPO to establish branch offices that will serve as receiving offices for the Company's clients in the following locations:

- Bonifacio Global City, Taguig City

The Company will maintain an office at Unit 1401, Picadilly Star Building, 4th Avenue corner 27th Street Bonifacio Global City, Taguig City. The Company has signed a lease agreement with Picadilly Star Realty Corporation last 16 April 2015. Target opening will be on the second week of January 2016.

- Cebu City (Prospective)

The Company is currently in the process of identifying an office location in Cebu City, preferably in the Ayala Center Cebu area.

The breakdown of the Company's budgets for new branches to be opened in Taguig City and Cebu City are as follows:

Details	Taguig Branch Budget	Prospective Cebu Branch Budget
Construction / renovation of leased premises	PHP 4.5M	PHP 1.5M
Furniture, fixtures, computers and other equipment	PHP 4.5M	PHP 1.0M
Cabling, permits, signage, advertisements and organizational costs	PHP 2.5M	PHP 1.0M
Lease for one (1) year	PHP 4.0M	PHP 1.0M
TOTAL	PHP 15.5M	PHP 4.5M

ADVERTISING, MARKETING, AND PROMOTIONS

The Company will allocate PHP 20.0 Million for advertising, marketing and promotions to attract new clients for online, broker-assisted and corporate and institutional accounts and ensure that all Philstocks clients will be actively trading.

The Company will engage in below-the-line and above-the-line promotional activities.

Below-the-line promotional activities are roadshow campaigns providing financial literacy and advocacy and introduction to the stock market in the following areas:

- Schools
- Offices
- Exclusive subdivisions' clubhouses
- Sponsorship in investment and financial literacy related seminars, conferences, conventions, exhibits
- Conducting regular free stock market 101 seminars in our offices
- Providing interactive discussions with our clients via the Company's social media accounts, email, mobile phone applications, and newsletters regarding market trends, updates, disclosures, research, technology and other useful tools that would help our clients plan for better strategies in their trading.

Above-the-line promotional activities, on the other hand, are the following:

- Periodic releases of advertorials in major print (newspapers, magazines, gazettes, books) and online publications (blogs, online newspapers and magazines) promoting the stock market and online trading through Philstocks
- Placement of advertisements in selected radio, television and cable channels for wider audience reach and brand awareness and building
- Regular guestings of our marketing, analysts and customer experience personnel in radio, television and cable channel programs offering insights on the stock market
- Billboard campaigns in selected major locations in Metro Manila and key cities such as the cities of Angeles, Dagupan, Baguio, Imus, Tagaytay, Lipa, Cebu, Iloilo, Bacolod, Cagayan de Oro, Davao, and General Santos.

ESTABLISHMENT OF RESEARCH TEAM AND PRIVATE CLIENTS MANAGEMENT GROUP

Philstocks currently provides research materials to clients made available on a daily basis within online trading console research section. It is however not comprehensive compared to other top local brokers. The lack of comprehensive research material can be attributed to absence of a fully-structured, full-time Research Department. Philstocks plans to expand its research capability by creating a team of researchers and analysts that will focus on providing full sectoral coverage, monthly, quarterly and annual stock market outlook, daily market wraps and updates, comprehensive and fresh fundamental and technical data, news monitoring, etc. Philstocks will also invest on top of the line research tools like Bloomberg terminal and third party stock screeners that will be made available to researchers and analysts. The budget for the overall creation of Philstocks Research Department is at PHP 4.0 Million.

Customer Experience is also one of the major areas that the Company plans to upgrade. From the five (5) members of the Customer Care Team, the Company will hire an additional five (5) more that will be tasked to focus on new client acquisition, another five (5) employees for Client Engagement that will enhance our clients' trading strategies and another Team of five (5) employees for the Private Clients Group that will be assigned to handle high net-worth clients, corporate and institutional accounts.

Overall, the Customer Experience Group shall be composed of five (5) members from the Customer Care Team, five (5) from the Client Acquisition Team, five (5) from the Client Engagement Team, and five (5) from the Private Clients Group. They will be provided with regular skill enhancement training programs both locally and abroad. The Company will also spend on developing a Customer Relations Management System that will serve as the general working platform of Customer Experience in aid of maintaining top quality service to clients and automated performance measurement tool. Budget allotted for creation and maintenance of the Private Clients Management group is at PHP 6.0 Million.

RENOVATION OF EXISTING BRANCHES

Along the change in the Company's name from Accord Capital Equities Corp. to Philstocks Financial Inc., and its thrusts for expansion, client acquisition, and aggressive advertising, marketing, and promotions, the Company realizes that it should also improve its image and external representation. The Company is therefore allocating the amount of PHP 5.0 Million for the renovation and refurbishing of its existing offices in Tektite Tower and Binondo to be in tune and to have the same look as its new office in Bonifacio Global City.

Additional reason for the renovation of existing branches is to optimize spaces for the projected increase in business, client traffic, and working spaces for the additional employees to accommodate additional furniture and fixtures that usually come with such developments. The breakdown of the expenses for the renovation of existing branches are as follows:

Details	Ground Floor (Tektite)	20th Floor (Tektite)	Binondo Branch
Construction / renovation of spaces	PHP 1.0 M	PHP 0.45 M	PHP 0.50 M
Furniture, fixtures, computers and other equipment	PHP 0.60 M	PHP 0.45 M	PHP 0.25 M
Cabling, permits, signage, advertisements and organizational costs	PHP 0.50 M	PHP 0.95 M	PHP 0.30 M
TOTAL	PHP 2.1M	PHP1.85M	PHP1.05M

GENERAL WORKING PURPOSES

The balance of PHP 17.51 Million of the net IPO proceeds shall be used by Philstocks for general corporate purposes including but not limited to working capital.

The Company will need to spend for the following to fund, maintain, and operate its two existing offices in Ortigas and Binondo.

- Employment of 35 additional employees (compensation and benefits)
- Training and development of employees
- Additional Overhead cost (salaries, electricity, repairs)
- Provisions for additional expenses for office supplies, insurance, communications, subscriptions and memberships

The Company does not plan to use any portion of the net proceeds to discharge any debt nor to reimburse any of its officer, director, employee or shareholder for services rendered, asset previously transferred, or money loaned or advanced. None of the proceeds from the offer will be used to finance the acquisition of other businesses or the acquisition of assets from affiliates or associates, other than disclosed.

Should the amount raised through the Offer be less than the amounts stated in the above uses of proceeds, priority shall be given to the expansion of existing IT infrastructure and software development. The balance of the amounts stated in the uses of proceeds shall be funded through internally generated funds, existing credit lines, and other potential borrowings to finance the expected use of proceeds.

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event that there is any change in the Company's development plan, including force majeure and circumstances such as failure to obtain requisite approvals, changes in government policies that would render any of the above plans commercially not viable, the Company will carefully evaluate the situation and may reallocate the proceeds taking into account the Company's and its shareholders' interest as a whole. In such event, the Company will issue an announcement if there is any material change in the above proposed use of proceeds.

In the event of any significant deviation, material adjustment or reallocation in the planned use of proceeds, the Company will secure the approval of its Board of Directors for such deviation, adjustment or reallocation and promptly make the appropriate disclosures to the SEC and the PSE for the information of the stockholders and the general public. The Company shall regularly disclose to the PSE, through the PSE Electronic Disclosure Generation Technology ("PSE EDGE"), any disbursements from the proceeds generated from the Offer. In addition, the Company shall likewise submit via the PSE EDGE the following disclosure to ensure transparency in the use of proceeds:

- a. Any disbursements made in connection with the planned use of proceeds from the Offer;
- b. Quarterly Progress Report on the application of the proceeds from the Offer on or before the first fifteen (15) days of the following quarter;
- c. Annual Summary of the application of proceeds on or before 31 January of the year following the initial public offering;
- d. Approval by the Company's Board of Directors of any reallocation on the planned use of proceeds, or of any change in the Work Program. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least thirty (30) days prior to the said actual disbursement or implementation;
- e. Certification by the Company's Chief Financial Officer or Treasurer and of an external auditor on the accuracy of the information reported by the Company to the PSE in the quarterly and annual reports; and
- f. A comprehensive report on the progress of its Business Plan on or before the first fifteen (15) days of the following quarter.

Any reallocation to be made shall be to uses within the categories described above or to use portions of the net proceeds of the Offer for other similar corporate purposes.

DESCRIPTION OF SECURITIES TO BE REGISTERED

Information relating to the common shares is set forth below. The description is only a summary and is qualified by reference to Philippine law and the Company's Articles of Incorporation ("Articles") and By-Laws ("By-Laws"), both as amended, copies of which are available at the SEC.

THE COMPANY'S SHARE CAPITAL

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in its Articles and the By-Laws.

The Company's original authorized capital stock consists of One Hundred Million Pesos (PHP 100,000,000.00) divided into One Million shares, with a par value of One Hundred Pesos (PHP 100.00). Of the authorized capital stock, Fifty Million Pesos (PHP 50,000,000.00) divided into Five Million shares, with a par value of One Hundred Pesos (PHP 100.00) per share have been subscribed and fully paid. In 2003, the Company had an additional subscription of Fifty Million Pesos (PHP 50,000,000.00).

The Company may increase or decrease its authorized capital stock upon approval by majority of the Board of Directors and ratification by the shareholders owning or representing at least two-thirds (2/3) of the Company's issued and outstanding capital stock, subject only to the approval of the SEC.

On 26 March 2004, the Company increased its authorized capital stock to One Hundred Twenty Five Million Pesos (PHP 125,000,000.00) divided into One Million Two Hundred Fifty Thousand (1,250,000) shares, with a par value of One Hundred Pesos (PHP 100.00) per share. Out of the said authorized capital stock, One Hundred Twelve Million Five Hundred Thousand Pesos (PHP 112,500,000.00) divided into One Million One Hundred Twenty Five Thousand (1,125,000) shares have been subscribed and fully paid.

On 12 February 2015, the Company increased its authorized capital stock to Seven Hundred Twenty Five Million Pesos (PHP 725,000,000.00) divided into Seven Million Two Hundred Fifty Thousand (7,250,000) shares with a par value of One Hundred Pesos (PHP 100.00) per share, wherein Two Hundred Seventy Four Million Five Hundred Thousand Pesos (PHP 274,500,000.00) divided into Two Million Seven Hundred Forty Five Thousand (2,745,000) shares have been subscribed and paid.

On 14 July 2015, the SEC approved: (a) the Company's change in corporate name from Accord Capital Equities Corporation to Philstocks Financial, Inc.; and (b) the application for stock split through the decrease in the par value of the shares of the Company from One Hundred Pesos (PHP 100.00) to One Peso (PHP 1.00), thereby increasing the Company's number of shares from Seven Million Two Hundred Fifty Thousand (7,250,000) shares to Seven Hundred Twenty Five Million (725,000,000) shares.

Prior to the Offer, there has been no public trading market for the Company's common shares.

RIGHTS RELATING TO THE COMMON SHARES

Voting Rights

The Company has only one class of shares; common shares. Each common share is equal in all respects to every other common share. All the common shares have full voting and dividend rights. The rights of the Company's shareholders include the right to notice of shareholders' meetings, the right of inspection of the Company's corporate books and other shareholders' rights contained in the

Corporation Code.

Fundamental Matters Requiring Stockholder Approval

The Corporation Code considers certain matters as significant corporate acts that may be implemented only with the approval of shareholders, including those holding shares denominated as non-voting in the Articles. These acts, which require Board approval and the approval of shareholders representing at least two-thirds (2/3) of the issued and outstanding capital stock of the Company in a meeting duly called for the purpose (except for the amendment of By-Laws and approval of management contracts in general, which require approval of shareholders representing a majority of the Company's outstanding capital stock), include:

- Amendment of the Articles of Incorporation;
- An increase or decrease of capital stock and incurring, creating or increasing bonded indebtedness;
- Delegation to the Board the power to amend or repeal or to adopt new By-Laws;
- Sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the Company's assets;
- Merger or consolidation of the Company with another corporation or corporations;
- Investment of corporate funds in any other corporation or for a purpose other than the primary purpose for which the Company was organized;
- Dissolving the Company;
- Declaration or issuance of stock dividends;
- Ratifying a contract between the Company and a Director or officer where the vote of such Director or officer was necessary for approval;
- Entering into a management contract where (a) a majority of Directors of the managing corporation constitutes the majority of the board of the managed company or (b) stockholders of both the managing and managed corporations represent the same interest and own or control more than one third of the outstanding capital stock entitled to vote;
- Removal of Directors;
- Ratification of an act of disloyalty by a Director; and
- Ratification of contracts with corporations in which a Director is also a member of the board, where the interest of the Directors is substantial in one corporation and nominal in the other.

Pre-emptive Rights

The Corporation Code confers pre-emptive rights on shareholders of a Philippine corporation entitling such shareholders to subscribe for all issues or other dispositions of equity related securities by the corporation in proportion to their respective shareholdings, regardless of whether the equity related securities proposed to be issued or otherwise disposed of are identical to the shares held. A Philippine corporation may provide for the denial of these pre-emptive rights in its articles of incorporation. The Company's Articles of Incorporation currently contains such a denial of pre-emptive rights on all classes of shares issued by the Company and therefore further issues of shares (including treasury shares) can be made without offering such shares on a pre-emptive basis to the existing shareholders.

Derivative Suits

Philippine law recognizes the right of a shareholder to institute, under certain circumstances, proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs

committed against the corporation or to vindicate corporate rights, as for example, where the directors themselves are the malefactors.

Appraisal Rights

The Corporation Code grants a shareholder a right of appraisal in certain circumstances where he has dissented and voted against a proposed corporate action, including:

- An amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his 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;
- The sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation;
- The investment of corporate funds in another corporation or business or for any purpose other than the primary purpose for which the corporation was organized; and
- A merger or consolidation.

In these circumstances, the dissenting shareholder may require the corporation to purchase his shares at a fair value which, in default, is determined by three disinterested persons, one of whom shall be named by the stockholder, one by the corporation, and the third by the two thus chosen. In the event of a dispute, the Philippine SEC will resolve any question relating to a dissenting shareholder's entitlement to exercise the appraisal rights. The dissenting shareholder will be paid if the corporate action in question is implemented and the corporation has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders.

Dividends

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings. Unrestricted retained earnings represent the undistributed earnings of the corporation which has not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends. A corporation may pay dividends in cash, by the distribution of property, or by the issuance of shares. Board approval suffices for the approval of payment of cash and property dividends. Stock dividends may be paid and distributed only upon the approval of the shareholders at a meeting called for that purpose.

The Philippine Corporation Code generally requires a Philippine corporation with surplus profits in excess of 100% of its paid-in capital to declare and distribute such surplus to its shareholders in the form of dividends. Notwithstanding this general rule, a Philippine corporation may retain all or any portion of such surplus when: (i) justified by definite expansion plans approved by its Board of Directors; (ii) the required consent of any financing institution or creditor for the declaration of dividends pursuant to a loan agreement which prohibits such declaration without said creditor's consent has not yet been secured; or (iii) it can be clearly shown that such retention is necessary under special circumstances.

The Company has approved a dividend policy that would entitle stockholders to receive dividends equivalent to up to 10% of the prior year's net income after tax subject to (i) the availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, and (iv) working capital requirements.

Disclosure Requirements / Right of Inspection

Philippine stock corporations are required to file a general information sheet which sets forth data on their management and capital structure and copies of their annual financial statements with the SEC. Corporations must also submit their annual financial statements to the BIR. Corporations whose shares are listed on the PSE are also required to file current, quarterly and annual reports with the SEC and the PSE. Shareholders are entitled to require copies of the most recent financial statements of the corporation, which include a balance sheet as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of the operations of the corporation for the preceding year.

Change in Control

The Company's Articles and By-laws do not contain any provision that will delay, deter or prevent a change in control of the Company except restrictions on foreign ownership, because the Company owns land. Philippine laws limit foreign shareholdings in the Company to a maximum of 40% of its issued and outstanding capital stock. Any transfer of the Company's shares by Filipinos to non-Filipinos will be subject to the limitation that any such transfers will not cause foreign shareholdings in the Company to exceed 40% of the Company's issued and outstanding capital stock. In the event that foreign ownership of the Company's issued and outstanding capital stock will exceed 40%, the Company has the right to reject a transfer request to persons other than Philippine Nationals or corporations organized under Philippine laws and whose capital stock is at least 60% owned by Filipinos and has the right not to record such purchases in the books of the Company.

Other Features and Characteristics of Common Shares

The common shares are neither convertible nor subject to mandatory redemption. All of the Company's issued common shares are fully paid and non-assessable and free and clear from any and all liens, claims and encumbrances. All documentary stamps taxes ("DST") due on the issuance of all common shares have been fully paid.

RECENT ISSUANCE OF EXEMPT SECURITIES

The Company, as of the date of this Prospectus, has not issued any exempt securities.

DETERMINATION OF THE OFFER PRICE

The Offer Price range is up to [One Peso and Eighty-Eight Centavos (PHP 1.88)] per share, as determined through a book-building process and discussions between the Issuer and the Underwriter. Prior to the Offer, there has been no public trading market for the Shares.

Among the factors considered in determining the Offer Price range were the prevailing market conditions, the Company's historical performance, the business potential and the ability to generate earnings and cash flow of the Company, and the prevailing market valuation of companies currently listed in the PSE and other exchanges engaged in comparable businesses. The Offer Price may not have any correlation to the actual book value of the Offer Shares.

CAPITALIZATION

The following table sets forth the Company's audited consolidated short-term and long-term debt and capitalization as of 30 June 2015 and as adjusted to reflect the sale of the Offer Shares. This table should be read in conjunction with the notes thereto located in Annex of this Prospectus.

For the purposes of arriving at the effect of the Offer on capitalization, it is estimated that the Offer will generate net proceeds of [One Hundred Sixty Seven Million Five Hundred Thirteen Thousand Four Hundred Thirty Two and Sixty Six Centavos (PHP 167,513,432.66)] from the sale of [Ninety Eight Million Eight Hundred Eighty Thousand (98,880,000) Offer Shares after deducting an estimated aggregate amount of underwriting commissions, discounts and fees and certain other estimated expenses in connection with the Offer. The actual underwriting commission, discounts, fees and other Offer-related expenses may vary from the estimated amounts. The Offer Price and the estimated amounts used to determine the estimated net proceeds are presented in this Prospectus for convenience only.

As of 30 June 2015 and as adjusted after giving effect to the Offer, the total liabilities and total equity of the Company are as follows:

<i>In PHP</i>	Audited as of 30 June 2015	After giving effect to the IPO
Current Liabilities	153,639,111	153,639,111
Non-Current Liabilities	4,736,041	4,736,041
Capital Stock	275,000,000	373,880,000
Share Premium	-	68,633,433
Retained Earnings	(3,249,580)	(3,249,580)
Total Capitalization	430,125,572	597,639,005

DILUTION

The net tangible book value of the Company as of 30 June 2015 was PHP 211,600,973 or PHP 0.77 per share. The net tangible book value represents the amount of the Company's Total Assets less its Total Liabilities and Intangible Assets. The Company's net tangible book value per share represents its net tangible book value divided by the number of common shares outstanding.

After giving effect to the increase in the Company's Total Assets to reflect its receipt of the net proceeds from the Offer estimated to be [One Hundred Sixty Seven Million Five Hundred Thirteen Thousand Four Hundred Thirty Two and Sixty-Six Centavos (PHP 167,513,432.66)] and the addition of [Ninety Eight Million Eight Hundred Eighty Thousand] (98,880,000) new common shares subject of the Offer, the Company's adjusted net tangible book value would be [PHP 379,114,406] or [PHP 1.01] per share. This represents an immediate increase of [PHP 0.24] per share to existing shareholders and a dilution of [PHP 0.87] per share to the investors participating in the Offer.

The dilution in book value per share represents the estimated difference between the Offer Price and the approximate adjusted tangible book value per share immediately following the completion of the Offer.

The dilution effects are presented in the following summary:

Offer Price per Share.....	PHP 1.88
Net Tangible Book Value per share as of June 30, 2015.....	PHP 0.77
Pro-forma Net-Tangible Book Value per Share after the Offer	PHP 1.01
Increase per share to existing shareholders attributable to the Offer	PHP 0.24
Net Tangible Book Value Dilution per Share to IPO Investors, at an Offer Price of up to [PHP 1.88].....	PHP 0.87

The following presents the dilution to the original stockholders as a result of the initial public offering:

Stockholders	Before Offer		After Offer	
	Number of Shares	Percent	Number of Shares	Percent
Existing shareholders	275,000,000	100.0%	275,000,000	73.6%
Public	-	0.0%	98,880,000	26.4%
Total Issued and Outstanding	275,000,000	100.0%	373,880,000	100.0%

PLAN OF DISTRIBUTION

To ensure that all the Offer Shares will be fully subscribed, Unicapital, Inc. as the Underwriter of the Offer, has committed to distribute up to [98,880,000] shares, or all other unsubscribed Offer Shares not taken up by prospective investors. The Underwriter will underwrite the Offer on a firm basis and purchase any and all unsubscribed portion of the Offer Shares made available to the Selling Agents as of the last day of the Offer Period.

THE UNDERWRITER

Unicapital, Inc. was incorporated in the Philippines on 29 June 1994. It is duly licensed by the SEC to operate as an investment house and was licensed by the SEC to engage in underwriting or distribution of securities to the public in 1994. Its senior executives have extensive experience in the capital markets and were involved in a lead role in a substantial number of major equity and debt issues, both locally and internationally. Unicapital's Board of Directors is chaired by Mr. Menardo R. Jimenez, Sr.

Unicapital, Inc., as the Issue Manager and Underwriter, confirms that it has exercised the required due diligence in verifying that all material information in this Prospectus are true and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading. The Underwriter assumes no liability for any information supplied by Philstocks in relation to this Prospectus.

Unicapital, Inc. has no other direct or indirect interest in the Company or in any securities thereof, including options, warrants, or rights thereto. Furthermore, it does not have any relationship with the Company aside from its engagement as Issue Manager and Underwriter for the Offer.

Unicapital, Inc. also has no direct relations with the Company in terms of ownership by either their respective major stockholders, and has no right to designate or nominate any member of the Company's Board.

Fees

The Company has agreed to indemnify the Underwriter against certain liabilities and expenses, as well as to pay the latter the pre-agreed issue management and underwriting fee of 3.0% of the total issue size for its services as Underwriter, as well as the one percent 1.0% brokers' commission of the Selling Agents.

All reasonable out-of-pocket expenses to be incurred by Unicapital in connection with the Offer shall be for the account of the Company.

UNDERWRITING AGREEMENT

The Offer will be underwritten on a firm commitment basis at the Offer Price. On or before the start of the Offer Period, Unicapital, Inc. and the Company will enter into an Underwriting Agreement wherein Unicapital, Inc. will agree to subscribe for, or procure subscribers for the Offer Shares.

The Underwriting Agreement entered into between the Company and the Underwriter is subject to certain conditions and may be terminated if certain conditions are not fulfilled or events, including *force majeure*, occur before the Offer Shares are listed on the PSE. Such conditions include but are not limited to the following:

- (a) a change or impending change in the law, rule, regulation, policy or practice, or a ruling, interpretation, decree or order is issued, made or adopted which shall materially and adversely affect: (i) any of the features or marketability of the Offer Shares; (ii) the financial condition, operations, profitability or business prospects of the Company; (iii) render illegal the performance by the Underwriter of any of its material obligations hereunder;
- (b) there occurs any event or change (whether or not forming part of a series of events occurring before, on and/or after the date hereof) of a political, military, economic or other nature; or there occurs any adverse change in local, national financial, political, economic or stock market conditions which, in the reasonable opinion of the Underwriter would materially affect the distribution, offer and sale of the Offer Shares;
- (c) there occurs or is seriously threatened, or there becomes known to the Underwriter, any adverse change or development in the Company's respective management, finances or assets, corporate structure or relationships, actual or potential liabilities, investments, revenues, operations, and the conditions thereof, or business and profitability prospects ;
- (d) the Company is compelled by any competent governmental body of the Philippines to stop or is about to stop its operations;
- (e) the Company shall be adjudicated bankrupt or insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or assignment with, its respective creditors or any class thereof, or shall declare or threaten to declare a moratorium on its respective indebtedness or any class thereof; or the Company shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its respective property; or such receiver, trustee or similar officer shall be appointed and such appointment shall continue undischarged for a period of forty-five (45) days; or the Company or shall initiate or institute (by petition, application or otherwise howsoever), or consent to the institution of any bankruptcy, insolvency, reorganization (other than an increase in capital or a revision in the capital structure of the Company as disclosed or envisioned in the Prospectus), arrangement, readjustment of debt, suspension of payment, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or such proceeding shall be instituted against any of them without its consent and shall remain undismitted for a period of forty-five (45) days; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against any material asset, or material part thereof, of the Company and such judgment, writ or similar process shall not be released, vacated or fully bonded within forty five (45) days after its issue or levy; or any event occurs which under the laws of the Philippines or any applicable political subdivision thereof has an effect equivalent to any of the foregoing; or
- (f) the commencement by any entity, person or governmental body of the Philippines of any public action, court proceeding or other litigation against the Underwriter with respect to the issuance and sale by the Company of the Offer Shares in the Offer.

Any questions relating to the initial public offering may be addressed to the Underwriter or the Company.

QUALIFIED INSTITUTIONAL BUYERS

Offer Shares of Fifty Nine Million Three Hundred Twenty Eight Thousand (59,328,000) or a maximum of sixty percent (60%) of the Offer Shares shall be distributed by the Underwriter to institutional buyers through a book-building program for the domestic market, as per Article III Part G of the

Revised PSE Listing Rules. "Qualified Institutional Buyers" as defined in the PSE Revised Listing Rules are limited to the following: mutual funds, pension or retirement funds, commercial or universal banks; trust companies; investment houses; insurance companies; investment companies; finance companies; venture capital firms; government financial institutions; trust departments of commercial or universal banks, non-bank quasi-banking institutions, trading participants of the PSE; non-stock savings and loan associations; educational assistance funds; and other institutions of similar nature.

GENERAL PUBLIC

A total of Twenty Nine Million Six Hundred Sixty Four Thousand (29,664,000) Offer Shares will be distributed by the Underwriter to its clients/general public, of which [Nine Million Eight Hundred Eighty-Eight Thousand] (9,888,000) shares or ten percent (10%) of the Offer Shares will be distributed by the Underwriter to their regular investors. The remaining [Nineteen Million Seven Hundred Seventy Six Thousand] (19,776,000) Offer Shares or twenty percent (20%) of the Offer Shares shall be allocated to the general public through the PSE Trading Participants. Each PSE Trading Participant shall initially be allocated up to [One Hundred Forty Nine Thousand] (149,000) Offer Shares computed by dividing the Offer Shares allocated to the PSE Trading Participants among the one hundred thirty-two (132) PSE Trading Participants as of the date of this Prospectus and subject to reallocation as may be determined by the Underwriter, in coordination with the PSE. Based on the initial allocation for each trading participant of One Hundred Forty Nine Thousand (149,000) Offer Shares, there will be a total of One Hundred Eight Thousand (108,000) residual Offer Shares to be allocated as may be determined by the Underwriter, in coordination with the PSE.

LOCAL SMALL INVESTORS

Offer Shares of Nine Million Eight Hundred Eighty-Eight Thousand (9,888,000) or ten percent (10%) of the Offer Shares will be distributed to LSIs through the Underwriter. The term LSIs is defined as a share subscriber or purchaser who is willing to subscribe or purchase a minimum board lot or whose subscription or purchase does not exceed Twenty Five Thousand Pesos (PHP 25,000.00). Should the total demand for the Offer Shares in the LSIs' subscription exceed the maximum allocation, the Underwriter shall allocate the Offer Shares by balloting. Should the total demand from LSI be less than the ten percent (10%) allotted to them, the unsold allocation shall be reallocated back for distribution to the general public.

The Underwriter will underwrite the Offer Shares, subject to agreement on any clawback, clawforward or other such mechanism, on a firm commitment basis. On or before [25 November 2015], the PSE Trading Participants shall submit to the designated representatives of the Underwriter in the PSE their respective firm orders and commitments to purchase Offer Shares ("Firm Order"). Offer Shares not taken up by PSE Trading Participants will be distributed by the Underwriter directly to its clients and the general public and whatever remains will be purchased by the Underwriter, subject to agreement on any clawback, clawforward or other such mechanism. The Receiving Agent shall receive the application-to-purchase forms and the corresponding payments of each PSE Trading Participants and the Underwriter will be responsible for facilitating the issuance of the corresponding number of Offer Shares on the Listing Date.

With respect to the LSIs, all applications to purchase or subscribe for the Offer Shares must be evidenced by a duly accomplished and completed application form. An application to purchase Offer Shares shall not be deemed as a duly accomplished and completed application unless submitted with all the required relevant information and applicable supporting documents to the Underwriter or such other financial institutions that may be invited to manage the LSI Program. Payment for the Offer Shares must be made upon submission of the duly completed application form.

INTERESTS OF NAMED EXPERTS AND COUNSEL

The financial statements of the Company were audited by KL Siy & Associates for the years ended December 31, 2012, 2013, and 2014 and as of the period ended June 30, 2015. Said external auditor has no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate persons or to subscribe to securities of the Company, in accordance with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission.

The validity of the Offer Shares, tax matters, and other matters concerning the Offer were passed upon for the Company by Chan Robles & Associates, the independent legal counsel of the Company. The independent legal counsel has no shareholdings or any interest, direct or indirect, in the Company, or any right, whether legally enforceable or not to nominate persons or to subscribe to the securities of the Company in accordance with the standards on independence required in the Code of Professional Responsibility and as prescribed by the Supreme Court of the Philippines.

The named external auditors and the independent legal counsel have not acted and will not act as promoter, underwriter, voting trustee, officer or employee of the Company.

EXTERNAL AUDIT FEES AND SERVICES

The following table sets out the aggregate fees billed for each of the last three (3) fiscal years for the professional services rendered by the Company's external auditors:

Particulars	Nature	Audit Fees (amounts in PHP)			
		For the years ended December 31			30 June
		2012	2013	2014	2015
KL Siy & Associates	Audit of Financial Statements	85,000.00	100,000.00	120,000.00	56,000.00

Except for the preparation of the financial statements required for the Company's annual filing with the SEC and the submission of the required financial statements in relation to the registration of its securities, the afore-cited independent public accountants provide no other type of services.

In relation to the audit of the Company's annual financial statements, the Company's Audit Committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of the Company's policies, controls, processes and activities; (ii) ensure that other non-audit work provided by the external auditors, if any, are not in conflict with their functions as external auditors; and (iii) ensure the Company's compliance with acceptable auditing and accounting standards and regulations.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

The Company has not had any disagreements with its internal auditor/independent accountant on any matter of accounting principles or practices, financial statements, disclosure or auditing scope or procedure.

THE COMPANY

HISTORY AND DEVELOPMENT

Philstocks Financial, Inc., formerly Accord Capital Equities Corporation, was established in 2001 and secured its broker dealer license with the SEC in 2004. Philstocks is housed at the Philippine Stock Exchange Center in Ortigas. The Company is the first-ever local brokerage firm in SEC history to abide by the Securities Regulatory Commission Ruling 28.1.1 requiring an unimpaired paid-up capital of PHP 100 Million for brokerage firms. The change in name of the Company from Accord Capital Equities Corp. to Philstocks Financial, Inc. has been approved by the SEC last July 14, 2015.

Since the establishment of Philstocks as a full service brokerage firm in 2001, it had been relentlessly finding ways to expand its target market segment and services, as well as following and closely monitoring the latest stock trading trends and technologies here and abroad. Having seen the immense global growth of online trading, Philstocks created, developed and launched its proprietary online trading platform www.philstocks.ph in 2006, making it one of the first few local brokerage firms in the Philippines to offer online stock trading.

In 2007, Philstocks expanded its reach in the retail and institutional markets by opening a branch at Tytana Plaza in Binondo, Manila, to cater to the Filipino-Chinese community stock market investors.

During the same year, Philstocks integrated a real-time "Add Funds" facility in its online trading platform through Weepay, enabling clients to use their Bancnet and Megalink ATM and Debit Cards to fund their online trading accounts real-time. The first ever in the industry, Philstocks integrated the largest ATM consortiums facility in the Philippines for real-time funding in its online stock trading accounts.

In 2010, The Philippine Stock Exchange launched its new trading system called PSETrade to replace the MakTrade System, hence, Philstocks integrated with PSETrade via the Customer Common Gateway (CCG) of the Exchange.

Through the years, Philstocks continuously improves its online stock trading platform by investing in the upgrade of its network infrastructure to: (a) seamlessly cater to more clients and deliver real-time market information that is straight and direct from the PSE, and (b) facilitate faster execution of buy and sell orders.

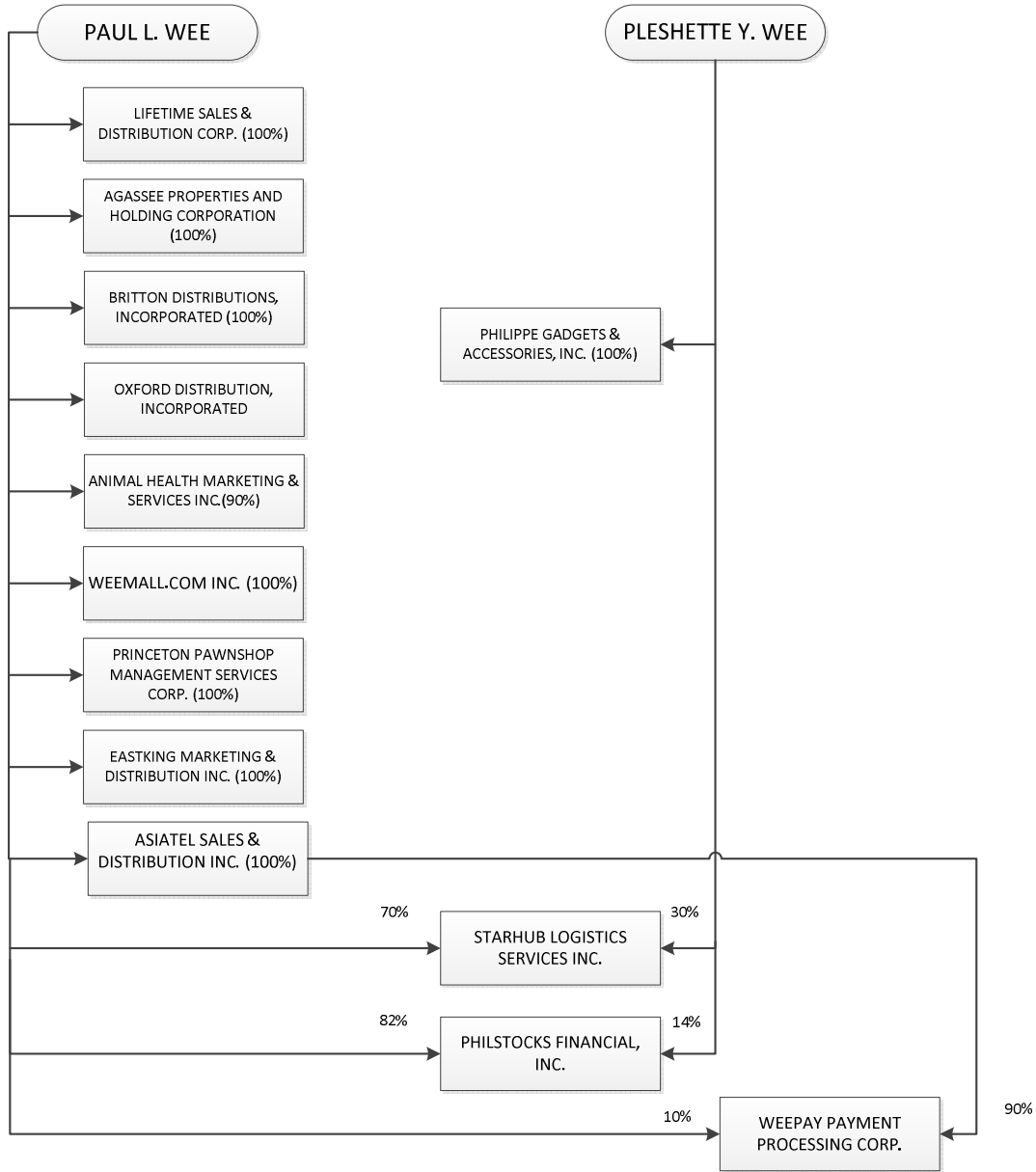
With the penetration of smartphones in the Philippine market, Philstocks foresaw the need of traders-on-the-go, those who cannot log on to their desktops or laptops to view the market or to trade but have access to smartphones with a mobile internet connection.

In 2011, Philstocks again invested in developing software that would help address the needs of traders-on-the-go. And so in 2013, after a year of review and discussion with the SEC, Philstocks launched the Philstocks Xavi: the first in the industry mobile trading application available to both iOS and Android devices. Philstocks Xavi enables clients to get stock quotes, view their watchlist of up to twelve (12) stocks, view their portfolio, and most importantly, execute buy and sell trades through their iOS and Android devices anytime, anywhere.

Since then, Philstocks has been investing heavily in technology for the continued improvement and enhancement of its online trading platform and its mobile application Xavi while still providing services for broker-assisted clients through its agents and in-house traders to stay ahead in the local stock market industry.

CONGLOMERATE MAP

Philstocks is owned 82% by Mr. Paul Wee and 14% by Ms. Pleshette Wee. Various minority shareholders own the remaining 4% of the Company.



CORPORATE STRUCTURE

The Company's corporate structure is as follows:

Shareholder	Citizenship	No. Of Shares Held	Percent Held
Paul L. Wee	Filipino	224,999,500	81.82%
Pleshette Y. Wee	Filipino	38,000,099	13.82%
Antonio B. Herbosa	Filipino	12,000,000	4.36%

Angel S. Mercado	Filipino	100	Nil
Francis Julian G. Lorica	Filipino	100	Nil
Tedison Siy Liao	Filipino	100	Nil
Benson Pua Ng	Filipino	100	Nil
Christine P. Base	Filipino	1	Nil
TOTAL		275,000,000	100.00%

COMPETITIVE STRENGTHS

Highly Competent and Well Experienced Management Team

Philstocks benefits from the combined experience of its competent management team in diverse fields of expertise such as banking and financial services, telecommunications, retail trade and distribution, marketing and modern information and communications technology. This diversity of experience shared by the management team merits the Company an advantage in its pursuit of business opportunities and providing quality services.

High Level Understanding of Applications of Technology to Drive Client Acquisition, Client Engagement, and Delightful Trading Experience for Clients

The Company employs aggressive research and development of game changing technological innovations to further enhance the products and services it offers to the investing public. This includes on-the-ground consultation with actual trading clients, agents, and fund managers.

With this, Philstocks has developed and enhanced its products and services based on direct inputs from its clients. Philstocks online trading platform provides easy account opening, fast buy and sell execution of orders, convenient and real-time add funds, and user friendly interface.

Fast, Robust and Highly Scalable Online Trading Platform for Future Growth

Philstocks' online trading platform has gained considerable traction from many active traders due to its proven reliability and speed of execution during peaks and intense market trading activities.

The online trading platform of Philstocks has been designed to address the exponential growth of client-base through a scalable infrastructure, seamless network, and robust application.

Strong Relationship with Clients

Philstocks keeps and maintains its good rapport and strong relationship with its clients through regular market news updates, research and analysis via its online stock trading platform, social media, personal visits and phone calls, message blasts, emails and other communication media.

The Company regularly conducts interactive client consultations via its round table/coffee-time discussions and seminars. Notable stock market and financial analysts are invited to share their insights on the stock market and help the Company's clients create sound trading strategies and investment decisions.

To ensure accessibility to its existing clients and a wider reach to potential stock market investors, the Company will open two (2) more branches in Bonifacio Global City, Taguig City and Cebu City, augmenting its present operations in Ortigas, Pasig City and Binondo, Manila.

With the use of advanced technology, the Company reaches out to its existing foreign-based clients via webinars and other web-based communication applications.

BUSINESS STRATEGIES

The Company's objective is to become one of the country's leading online brokerage firms through technology, innovation and service. To accomplish this objective, Philstocks aims to utilize the following strategies:

Enhance Philstocks' Brand Awareness

Philstocks has engaged itself in various marketing activities that promote increased public financial literacy and investing in the stock market. This includes roadshows and free seminars in key cities outside Metro Manila such as Cebu, Cagayan de Oro, and Davao. Philstocks has partnered with several personalities and entities in the stock market and financial literacy industry. The Company has participated in TV and radio guestings, and has printed and distributed marketing materials to promote investing in the stock market. Philstocks also maintains social media accounts in Facebook, Twitter, Youtube, Google+ and LinkedIn to connect to clients who actively use social media.

Moving forward, the Company intends to aggressively market its online stock trading platform to further establish Philstocks' brand name recognition through above the line (billboards, radio, print, media) and below the line (schools and universities, office-to-office, and other door-to-door) promotions. The Company will also continue to leverage on the power of social media such as Facebook, Twitter and other social networking sites by encouraging healthy interaction among online clients. The Company believes that with its superior online trading platform in the Philippines, netizens will spread the word about its fast and robust online trading technology and thus increase awareness in the market about the Philstocks brand.

The Company will engage in below-the-line promotional activities and above-the-line promotional activities. Below-the-line activities are roadshow campaigns providing financial literacy and advocacy and introduction to the stock market in the following areas:

- Schools
- Offices
- Exclusive subdivisions' clubhouses
- Sponsorships in investment and financial literacy related seminars, conferences, conventions, exhibits
- Conducting regular free stock market 101 seminars at the Company's offices
- Providing interactive discussions with the Company's clients via Philstocks' social media accounts, e-mail, mobile phone applications, and newsletters regarding market trends, updates, disclosures, research, technology and other useful tools that would help the Company's clients plan for better strategies in their trading.

Above-the-line promotional activities of the Company, on the other hand, are the following:

- Periodic releases of advertorials in major print (newspapers, magazines, gazettes, books) and online publications (blogs, online newspapers and magazines) promoting the stock market and online trading through Philstocks
- Placement of advertisements in selected radio, television and cable channels for wider audience reach and brand awareness and building

- Regular guesting of our marketing, analysts and customer experience personnel in radio, television and cable channel programs offering insights on the stock market
- Billboard campaigns in selected major locations in Metro Manila and key cities such as the cities of Angeles, Dagupan, Baguio, Imus, Tagaytay, Lipa, Cebu, Iloilo, Bacolod, Cagayan de Oro, Davao, and General Santos.

Expand Online Stock Trading Market Share

The Company intends to raise customer awareness and generate new online accounts to increase its present market share of approximately 5% of the Philippine online stock trading market through aggressive marketing efforts. The target increase in new accounts is in parallel to the efforts of the PSE in promoting investing in the Philippine stock market.

The Company plans to increase its physical presence to the investing public by adding two more branches aside from its existing Ortigas and Binondo branches. The Company has strategically chosen to set-up its new branches in Bonifacio Global City, Taguig City and Cebu City. Bonifacio Global City is a rising central business district in the country while Cebu City is the second biggest metropolis in the Philippines.

The Company conducts roadshows within Metro Manila and other key cities within the Philippines such as the cities of Angeles, Baguio, Lipa, Cebu, Cagayan de Oro, Davao, and General Santos to promote financial literacy. The Company will continue to conduct more frequent roadshows in these cities and other major key locations such as Dagupan, Imus, Tagaytay, Iloilo, and Bacolod to not only promote financial literacy but also to introduce stock trading as an investment vehicle using Philstocks' online trading platform.

To further expand its client base, the Company intends to conduct several roadshows outside the Philippines where there are a significant number of overseas-based Filipinos and foreign investors that have substantial disposable income which they can use for stock trading. Target countries of the Company include the US, Canada, Australia, Europe, Singapore and the Middle East. The Company, in the conduct of these planned roadshows, intends to partner with the PSE and groups that promote investing in the Philippine stock market. The Company will secure the necessary regulatory approvals, if any, in order to pursue the above-mentioned activities outside the Philippines.

The Company further plans to invest in teleconferencing technology to provide clear transmission for its webinars. The Company believes that by investing in a teleconferencing technology for webinars, it will enhance and widen its reach of the untapped market of overseas-based Filipinos.

Acquire New Institutional and Corporate Clients

Aside from improving its online trading platform for the online retail investors, the Company also plans to strengthen its acquisition of institutional and corporate accounts through the establishment of a Private Clients Marketing Group (PCMG) aided by top of the line research technology and platforms. The PCMG will focus on creating marketing strategies for its premium clientele.

Increase in Client Engagement

The Company has a three-fold approach in improving its client engagement: (1) Providing its Equity Research Analyst Group with improved access to various top of the line sources of market data, analysis and information; (2) Strengthening its Customer Experience Group, Social Media Marketing and Communications Group by streamlining their structure and providing high quality training and development; and (3) Developing a new and fully enhanced version of the Company's online stock

trading platform. Given these, the Company believes that it can fully compete and become one of the leaders in the industry both in terms of technology and customer support and service.

Maintain the Strength of its Online Trading Platform

Philstocks will continue to enhance its existing IT infrastructure and develop more features such as enhanced user interface, improved research and charting tools in its online trading platform and enhanced functionalities to its existing mobile trading application to ensure a seamless investing experience for all its clients across all devices and platforms.

SERVICES

Geared towards a more technology-driven stock market industry, the Company continuously enhances its services to make the stock market more accessible for the investing public.

1. Online Stock Trading

Philstocks has its proprietary trading technology that provides its clients with fast, convenient and secure online stock trading experience. Philstocks is accessible through its website, www.philstocks.ph, on desktops, laptops, tablets and smartphones and other mobile devices with an internet connection, and its downloadable mobile application "Philstocks Xavi" in iOS and Android for traders-on-the-go. All of the Company's servers that host the online stock trading platform are maintained offsite.

2. Broker-Assisted Trading

The Company's broker-assisted trading service is ideally suited for individual and/or institutional investors who want to seek the professional guidance of the Company's experienced Certified Securities Representatives (CSRs). The Company's CSRs present opportunities for client acceptance before placing orders on the client's behalf.

Leveraging on the power of Philstocks' online trading technology, the Company's broker-assisted clients are also given online access to view market information straight and direct from the PSE, get quotes of their chosen stock and view their portfolio, Statement of Accounts (SOA) and Ledgers. Further, the Company's agents are provided with an in-house developed technology application, the CSR Module, to assist them in servicing their clients faster and better.

3. Stock Certificate Lodgement

Philstocks facilitates the clearing process of stock certificates in coordination with the stock transfer office where the stock is assigned and the Philippine Central Depository ("PCD") until it is ready for trading in the stock market. Once the stock certificates are cleared, shares are converted to "scripless" form and Philstocks coordinates with the client for the selling of the shares.

ACCOUNT OPENING PROCESS

For Online Clients:

To open an account with Philstocks, client registers online through the website, fills-out the online registration form and shall receive email containing the downloadable pre-filled-out Customer Account Information Form ("CAIF"). Client shall have a free 7-day viewing access with Philstocks while the client completes the submission of required documents and initial investment for as low as PHP 5,000.00. The client is required to submit the following documents before account activation:

- Completely filled-up CAIF

- Signature Cards
- Signed Online Securities Trading Terms and Conditions, Disclaimer, Privacy Policy and Terms of Use of Website
- Two (2) Primary IDs or One (1) Primary ID and Two (2) Secondary IDs. The following are considered Primary and Secondary IDs:

Primary IDs	Secondary IDs
1. Passport 2. SSS ID 3. TIN ID 4. Professional Regulation Commission ("PRC") 5. Driver's License For Resident Foreigners: Alien Certificate of Registration ("ACR")	1. Postal ID 2. Senior Citizen ID 3. Credit Card 4. ATM Card 5. Company ID with current employer 6. Student ID for the current school year 7. Club Membership 8. Voter's ID

Note: All IDs to be submitted must be current and not expired.

For joint accounts, the primary accountholder specifies the complete names and email addresses of its co-owners. All co-owners of the joint account (maximum of five (5) owners including the primary accountholder) shall receive email notification to fill-out the online form and they will all receive the required documents that need to be downloaded, printed and signed. The account shall not be activated unless all co-owners have fulfilled this process and all co-owners sent the required documents.

For Corporate Accounts, the following documents must be submitted together with the CAIF, signature cards and Trading Terms and Conditions, Privacy Policy and Terms of use of website:

- Board of Partnership Resolution / Secretary's Certificate authorizing opening of account with Accord Capital Equities Corp. and Identifying Authorized Signatories and Traders
- Articles of Incorporation and by Laws / Partnership and SEC Registration
- Consular Certificate from the Philippine Embassy (if Foreign domicile)

For joint accounts, all co-owners of the account shall receive an email notification that their account has been activated. For corporate accounts, the person designated as authorized user(s) as indicated in the Board Resolution shall receive the email notification upon account activation.

For joint accounts, each member of the joint account has separate Trading Personal Identification Numbers ("PINs"). For corporate accounts, there is only one (1) trading PIN provisioned for the designated company representative specified in the Board Resolution.

For Broker-Assisted Clients:

Client fills-up printed Customer Account Information Form (CAIF) and submits 2 Primary IDs or 1 Primary ID and 2 Secondary IDs, Signature Cards and signed Securities Trading Agreement. All these requirements must be submitted thru any of Philstocks Licensed Agents or personally to Philstocks Offices:

Head Office:
G/F Unit EC-05B East Tower, Philippine Stock Exchange Center,
Exchange Road, Ortigas Center, Pasig City 1605, Philippines

Binondo Branch:
G/F Unit 101 MBTC Downtown Center Tytana
Plaza Lorenzo Ruiz, Binondo, 1006 Manila, Philippines

Funding Philstocks Account

Philstocks offers multiple options to fund client's trading account.

A. Using Bancnet-Megalink ATM Via Weepay Online

Philstocks has integrated with WEEPAY's Online Payment Portal. It is a fully automated payment service integrating a direct payment with Bancnet and Megalink system. It allows real-time payment confirmation of online purchases. Crediting of funds using the "Add Funds" button (powered by Weepay) in Philstocks is real-time. If the fund is not credited automatically, client sends a screenshot of their confirmation slip to addfunds@philstocks.ph with "Weepay" as the Email Subject. The client specifies his/her Client Code and Client Name in the body of their email.

B. Via Over-the-Counter ("OTC") bank deposit to BDO or BPI

Client can go to any BDO or BPI branch nearest them and make a deposit for:

Account Name: Accord Capital Equities Corporation

BDO Account Number: 00-343-0048-847

BPI Account Number: 4011-0066-69

Client shall email the scanned copy of the deposit slip to addfunds@philstocks.ph with <Mode of Payment>* as the email subject. Client specifies Client Code and Client Name in the body of their email.

Client may also fax and affix client details on the deposit slip to (+632) 687-3738.

(*Mode of Payment = "BDO OTC Deposit" or "BPI OTC Deposit")

C. Via BDO Online Banking

Client enrolls Philstocks as Other Person's Account. Once Philstocks is enrolled as the client's Other Person's Account, the client can immediately start transferring funds to their Philstocks Online Trading Account.

The client shall email the bank's notification of the fund transfer or send a screenshot of the page to addfunds@philstocks with "Third Party BDO" as the email subject. Client specifies their Client Code and Client Name in the body of their email.

D. Via BPI Express Online Bills Payment

Client can also fund their Philstocks online trading account through BPI Express Online Bills Payment. Client shall enroll Accord Capital Equities Corp. ("ACEC") to their BPI Express Online.

- E. Via wire transfer service or any remittance company.

Philstocks.ph™ makes sure even Filipinos abroad or foreign clients are provided for with ways to fund their trading accounts with Philstocks. Client shall simply name "Accord Capital Equities Corporation" as the recipient of the money transfer.

Client shall email the scanned copy of their transaction slip to adffunds@philstocks.ph with "Remittance" as the email subject. Client shall specify their Client Code and Client Name in the body of their email.

Immediately after verification, the amount will be credited to the client's trading account.

- F. Via over-the-counter payment to any of Philstocks' business centers in Ortigas Center or in Binondo, Manila.

Trading

All buy and sell orders of online clients shall be entered on the online trading platform of Philstocks.

1. Platform Security Philstocks online trading platform uses 256-bit SSL encryption technology to ensure data that passes from browser of the client and web server of Philstocks are encrypted and secured. At the same time, Philstocks has a configured firewall to keep the security of its network.
2. Authentication Process
 - a) Before the client could login to his/her Philstocks trading account, he/she shall be required to enter the correct username and password. Only valid and recognized username and password registered with the platform can be logged-in.
 - b) If the client forgot his/her password, the link for "Forgot password" shall require client to answer the secret question he/she created previously. For further validation, the client shall also be required to input his/her email he/she previously registered with Philstocks.
 - c) Philstocks' online trading platform ensures that even a direct access to the URL of the trading console shall still require username and password prior to entry to guarantee that only a validated Philstocks account holder can login.
 - d) A client shall be required to input a 4-digit Trading PIN prior to the execution of the following important transactions:
 - (1) Order posting
 - (2) Order cancellation
 - (3) Cash-out request
 - (4) Upliftment request
3. Risk Filters

a) Stock Prices, Fluctuations and Duplicate Orders

Prior to the execution of any order posted by the client, the platform shall validate the following:

(1) That the number of shares being entered is: (i) within multiples of board lot if the client is trading in Normal; (ii) if the number of shares that the client wants to post is less than the minimum board lot, client must select "Odd Lot" option .

(2) That the price entered by the client follows the prescribed (i) thresholds (floor and ceiling) based on last traded price; and, (ii) price fluctuations.

(3) Exact similar orders from the same client and related accounts with the same security, number of shares and price within two (2) minutes. The system rejects / does not allow exact similar orders from the same client to prevent "wash sale."

b) Trade Exposures

Before the client proceeds with order confirmation (by entering trading PIN), the platform shall display the following information:

(1) Gross buying amount

(2) Net buying amount

(3) Gross selling amount

(4) Net selling amount

Philstocks reserves the right to review certain types of orders manually in order to check compliance of orders to regulations.

4. Monitoring and Management of Orders

a) A secured online web tool for exclusive use of Philstocks Authorized personnel is available for monitoring and management of orders entered through Philstocks, which is accessible only through a valid username and password that has been inputted by the following duly authorized personnel who are also duly licensed CSRs of the Company:

(1) Primary Designated Personnel: VP-Sales

(2) Alternate Personnel: Customer Experience Manager

b) Prior to cancellation of an order that has breached the dynamic trading threshold, the following guidelines shall apply:

(1) The client shall be contacted and instructed to personally cancel his/her order using Philstocks.

(2) However, if the client cannot be contacted within 5 minutes, either the PSE or the duly authorized personnel shall cancel the order in behalf of the client.

(3) If authorized personnel shall not be able to cancel order within 5 minutes, PSE shall be the one to automatically cancel the order(s).

5. Corporate Disclosures affecting a stock (including but not limited to: change in corporate name, stock symbol, change in par value, stock splits, listing date, thresholds, suspension, delisting)

a) The duly authorized personnel of Philstocks shall cascade the information to concerned department(s).

b) Concerned department(s) shall take the necessary action required by the corporate disclosure(s).

Cash-Out

1. All cash-out requests shall be made online via the Philstocks online trading platform.

2. The online trading platform system shall validate if the cash balance is sufficient vis-à-vis amount requested for cash-out. Only valid cash-out requests shall be processed.

3. Client shall choose which option to receive the requested cash-out, as follows:

a) Personally pick-up the check from the head office or branch.

b) Allow an officially designated representative and the duly authorized representative to pick-up the check for the head office or branch.

c) Deposit the check to the bank account on record in the system.

Dividend Pay-Outs

1. Upon announcement of cash/stock/property dividends, Philstocks' Settlement Department shall prepare a list of qualified clients entitled to receive the corresponding dividend(s).

2. The cash/stock/property dividend shall be credited to the client's portfolio on the stock's dividend payment date.

SRO, Pre-emptive Rights and Tender Offer

1. At least three working (3) days prior to offer period, the duly authorized personnel shall advise Settlement Department for the SRO and/or Pre-emptive Rights offerings.

2. Settlement Department shall then generate the list of clients who are qualified for the SRO and/or Pre-emptive Rights offerings. Said list shall be turned-over to Customer Experience Department.

3. Immediately upon receipt of the list, Customer Experience Department shall send an email notification to qualified clients informing them of the details of the offerings and shall be requested to confirm their availment/non-availment by replying to the email.

4. At least one working (1) day prior to the deadline of availment, Customer Experience Associates shall follow-up and call those clients who were not able to confirm availment in response to the email previously sent .

5. Customer Experience shall consolidate the final list of those who confirmed for the availment and shall submit said list to the Settlement Department.
6. For those who availed (SRO and Pre-emptive rights), payment shall be deposited to the account of Philstocks at least one (1) working day before the posted last day of confirmation. Or, if client's online trading cash balance is sufficient to cover the total amount of the SRO, deduction shall be made.
7. Before the listing date, the Settlement Department shall authorize Debit Memo and In-Receipts of shares to the Backroom Office platform.
8. For Tender offer, the Settlement Department shall authorize Stock Debit Memo and Credit Memo.

Change in Client's Personal Information

1. Email Address/Contact Number

Client must send a request either via e-mail or letter to info@philstocks.ph, and Philstocks' Customer Experience Department respectively. The Client must be able to pass the Company's verification process before their request is submitted to the Settlement Department for execution.

2. Address

Client shall send a letter of request via email to info@philstocks.ph or hand carries the letter to the head office or branch. A proof of billing reflecting the new address shall be required as attachment(s).

3. Surname and Civil Status

Client shall send a letter of request via email to info@philstocks.ph or hand carries the letter to the head office or branch. A copy of marriage contract or court order(s) shall be required as attachment(s).

Backroom Process

Philstocks uses Software Farm International Inc., ("SFI") WinstockSS Stockbrokers' System Software for its backroom system.

WinStockSS is an integrated software package that streamlines, automates and centralizes critical trading and accounting operations of a brokerage firm. It generates multiple copies of reports that are required by the SEC and PSE Clearing House, and all necessary reports such as ledgers and financial statements.

Philstocks has existing business processes in its backroom office which ensures that account openings, add funds, cash-outs, settlement, clearing, dividend pay-outs, stock rights offering and subscription to IPOs and submission of reports by Philstocks to the SEC, PSE Clearing House, PSE and CMIC shall be made on time and mostly automated.

Customer Service and Complaint Handling

There are currently five (5) members of the Customer Care Team composed of one (1) Manager, one (1) Team Leader, and three (3) Associates. Service opens at 8:00 a.m. and closes at 5:00 p.m., Monday to Friday. The team functions both in outbound and inbound capacities. Inbound functions cover client requests from phone, e-mails and walk-ins that include the following:

1. Account Opening
2. Trading related requests i.e. request for manual posting of trades during system downtime.
3. Stock Certificate Lodgment
4. Account Funding
5. Cash withdrawal
6. Distribution of Checks and Trade Confirmations
7. Updating of client contact details
8. Stock Position Transfer
9. Upliftment
10. Request for Certification
11. Beneficiaries Claim
12. SOA, Ledger or stock position request
13. ITF & Joint Account

Outbound function covers the following:

1. Daily, Weekly and Monthly management reports
2. Follow-up calls on pending requirements for account opening, confirmation of order posting, confirmation of Tender Offer, confirmation for SRO, etc.
3. E-mailing of advisories, Holiday and Birthday greetings, seminar schedules, stock rights offering, etc.

Complaint handling falls under regular Customer Care functions. Complaints that can immediately be addressed like follow-ups on pending requests, system errors, incomplete delivery of requests falls under the responsibility of the Customer Care Associate and Team Leader while trade related complaints such as posting errors and the like falls under the responsibility of management of Customer Care Manager in coordination with concerned departments. Complaints are logged and closely monitored as to its accomplishment by the Customer Care Manager. Updates to clients are done through outbound calls and e-mails and the task shall only be closed upon acknowledgement of client of its completion.

TOOLS AND PLATFORMS

1. CSR Module

The CSR Module is the first and only broker-developed trading facility created for the advantage and convenience of Philstocks' Certified Securities Representatives (CSRs) and licensed agents. As a trader-optimized platform for the Company's licensed agents, the CSR Module has the following features:

- It allows licensed agents to enjoy the freedom and mobility to conduct their client's trades online anytime and anywhere.
- The CSR Module allows agents to monitor the market anytime and anywhere – in real-time.
- View company profile, financial data, dividend history and real-time PSE news
- View top buyers, top sellers with average price, volume and market weight per stock
- Monitor up to 12 stocks in grid and tabular layout with real-time updates

- View Brokers' ranking, activity, and transactions in morning and afternoon sessions
- Fast order execution and capability to accept queued orders even if the market is closed. Queued orders will be submitted to the PSE as soon as the market opens.
- Manage clients' accounts simultaneously - view corresponding clients' portfolios online, download statement of accounts and buy and sell confirmations for their clients.

2. Philstocks Online Trading Platform

In line with its mission to develop the latest innovations and technologies for efficient trade execution of clients, Philstocks' online trading platform defines the parameters of how online trading is done. With its faster connection and robust technology, Philstocks offers real-time streaming of data straight from the PSE. Its innovative One Screen Do-It-All Trading Console has made online trading easier and more user-friendly. Philstocks Online Trading Platform has the following features:

- Real-time Streaming of Market Data and Brokers Information
- Fast execution of trades
- Real-time online account funding facility via Weepay
- Intra-day and Historical Charts
- Financial Data
- Customizable watchlist
- Portfolio
- Chupitero Calculator
- Research
- Disclosure updates from the PSE

3. Philstocks XAVI

Philstocks Xavi is the first and only online stock trading application officially reviewed by securities regulatory institutions, and is made available for both iOS and Android devices. Philstocks XAVi makes it easy for clients to stay connected with their stock investments and manage their trading activities through their mobile devices. It provides the clients with the latest feeds, market information, and on-demand updated quotes from the PSE.

With Philstocks XAVi, clients can have an easy access to their portfolio, customize their watchlist (of up to 12 stocks), and be able to instantly post their orders for buying and/or selling stocks. Philstocks XAVi transactions are synchronized with their Philstocks online trading account.

PLANS AND PROSPECTS

The Company identifies two (2) keys to long-term success. These are characterized as Internal and External Factors:

External Factor deals with the business environment. The Association of South East Asian Nations (“ASEAN”) region is experiencing an interesting era with the goal of launching the ASEAN Economic Community by the end of 2015. The Company is targeting to reach a wider market that will bring tremendous growth potential to the Company’s domestic and foreign investors’ portfolio. Philstocks is proactively focusing on establishing relationships with multiple world-class data providers, one of which is the Bloomberg Professional Service that will enhance the current capabilities in the area of Research News Engine and online trading platform in order to effectively cater to new customer profiles within the region.

Internal Factors deals with the following:

1. **Selling and Marketing Power** – The services the Company plans to provide are made attractive in order to maintain strong presence in the market. From a very strong online trading platform both in technology and features, the Company will also provide a more enhanced Customer Experience group using the latest Customer Relations Management tools and systems.
2. **Enhancing Visibility to Generate New Business Leads** – The Company plans to focus on strengthening its online presence in social media such as Facebook, Twitter, Youtube, Google+ and other forms of social media in the coming years. Social media is considered to be one of the most effective tools in growing the Company’s client-base and attracting new clients. Another plan is the creation of an online public news and research portal that will create massive awareness about the Philstocks brand and the services that the Company provides.
3. **Key Management Team** – An experienced management team is integral and must have strong foundation in Sales, Marketing and Customer Relations. The Company plans to develop a core of in-house consultants with vast marketing experience and expertise not only within the domestic market but also in the ASEAN region to complement the already strong management team.

COMPETITION

As of date of this Prospectus, out of 132 active brokerage firms in the Philippines, there are a total of 18 brokerage firms that offer online trading services.

No.	Stock Broker	Website	Minimum Amount to Open an Account	Mobile App
1	AB Capital Online	abcapitalsecurities.com.ph	P10,000	-
2	Abacus Online	abacusonline.com.ph	P10,000	-
3	Philstocks.ph	philstocks.ph	P5,000	Philstocks XAVi for iOS and Android
4	Angping Online	angpingonline.com	P5,000 (students) P15,000 (professionals)	-
5	BA Sec Online	baseonline.psetradex.ph	n/a	-
6	BPI Trade	bpitrade.com	no minimum provided you have funds in BPI direct Bank account	-
7	Coherco Trade	cohercotrade.ph	P150,000 (with free Lenovo tablet)	-

8	COL Financial	colfinancial.com	P5,000 Starter, P25,000 Plus, 1Million Premium	COL Mobile for iOS and Android
9	iTrade by DA Market Securities	itrade.psetradex.ph	P50,000	TradeXplore iOS, Android, Windows
10	2Trade Asia by F. Yap Securities	2tradeasia.com	P25,000	no app yet
11	First Metro Sec	firstmetrosec.ph	P25,000	FirstMetroSec for iOS, Android
12	Investors Online	investorsonline.psetradex.ph	n/a	-
13	MakeTrade by Maybank ATR Kim Eng Securities	maketrade.com.ph	P25,000	-
14	Optimum Online	optimumonline.psetradex.ph	n/a	-
15	RCBC EZ Trade	rbcsec.com	P10,000	-
16	Regina Capital	reginacapital.psetradex.ph	n/a	-
17	UTrade by Unicapital Securities	utradeph.com	P10,000	-
18	Wealth Sec	wealthsec.net	P10,000	-

Source: <http://philpad.com/best-stock-brokers-in-the-philippines/>

For trading participants with online trading platform, the following are the major competitors of the Company:

Name of Trading Participant	Total PSE Trade % Share (as of 31 July 2015)	Total PSE Trade Ranking (as of 31 July 2015)
MAYBANK ATR KIM ENG SECURITIES, INC.	4.62	7
COL FINANCIAL GROUP, INC.	3.90	8
BPI SECURITIES CORP.	3.06	11
WEALTH SECURITIES, INC.	2.18	15
FIRST METRO SEC. BRKGE. CORP	2.54	14
BA SECURITIES, INC.	1.66	20
RCBC SECURITIES, INC.	1.31	22
AB CAPITAL SECURITIES, INC.	0.55	26
ACCORD CAPITAL EQUITIES CORP.	0.31	29

Only 4 out of 18 online brokers have downloadable mobile applications that enable clients to trade using their smartphones via the Internet. Of the 18 online brokers, there are several brokers whose online trading platform were provided by the PSE, while the rest are provided by Technistock or in-house developed like Philstocks.

BREAKDOWN OF REVENUE

As of the date of this Prospectus, the Company's principal revenue is derived from the following:

	<u>As of 31</u> <u>December 2012</u>	<u>As of 31</u> <u>December 2013</u>	<u>As of 31</u> <u>December 2014</u>	<u>As of 30</u> <u>June 2015</u>
Commission Income	53,862,727	54,292,458	41,619,987	19,640,681
Gain on sale of Marketable Securities	7,782,542	3,459,078	6,010,315	0
Rental Income	0	107,143	3,500,000	4,200,000
Interest Income	1,793,949	1,899,383	1,985,857	1,125,418
Dividend Income	476,871	82,397	316,344	355,413
Gain on sale of other assets	0	3,290,551	0	0
Other income/revenue	4,969	9,098	586,125	2,033,177
Total	PHP 63,921,058	PHP 63,140,108	PHP 54,018,628	PHP 27,354,689

Commission Income refers to brokers' commission which is the primary source of revenue of the Company. These are fees charged by the Company to its customer's trades to execute a trade. This revenue is recognized upon confirmation by the customer of their buy and sell of securities traded on client's behalf which is documented by a buy and sell confirmation invoice. Commissions are based on customer's trading volume.

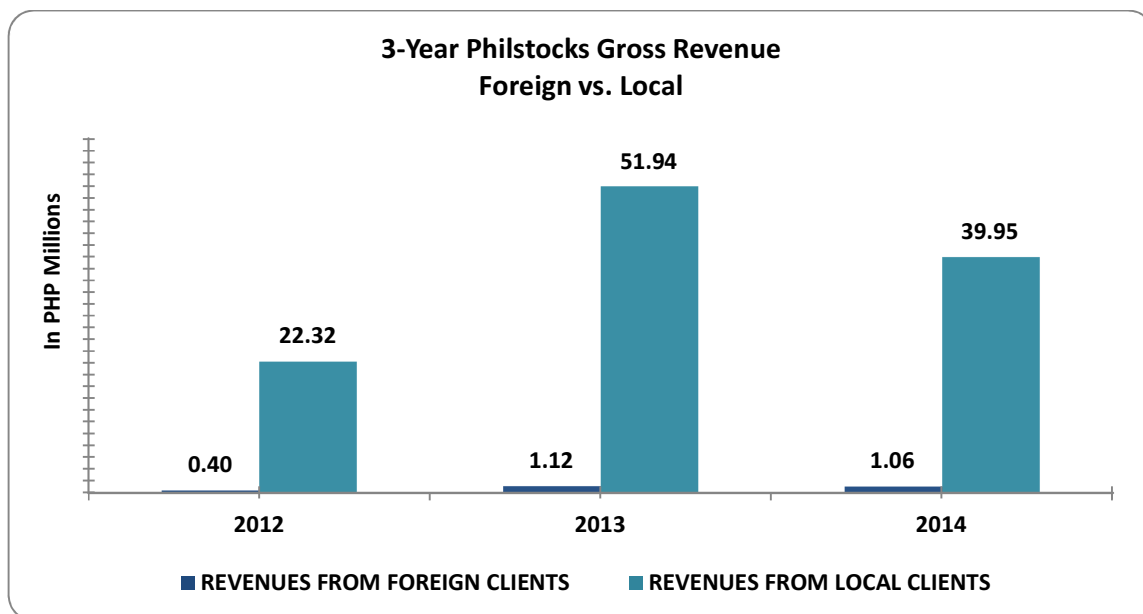
Gain on Sale of Marketable Securities refers to the Company's dealer account trading transactions executed through the board. Revenue here is recognized when title of financial assets at fair value through profit or loss passes to the buyer.

Interest Income are interest earned on the Company's deposits and short-term money placement. It also includes interest charged to customers with cash and margin accounts to which payment settlement is made beyond the settlement date.

Dividend Income refers to cash dividends earned by the Company from the securities in its dealer account.

Other Income/Revenue comprises of selling commission in initial public offerings, certifications and administration fee.

The following chart presents the revenue contribution of foreign clients and local clients to Philstocks' total revenues from 2012 to 2014:



MARKETING AND SALES

The Company has a wide variety of marketing and sales strategies that covers both acquisition and engagement of online, broker-assisted, institutional and foreign clients.

Brand Awareness Activities

Philstocks is engaged in various marketing activities that promote increased public financial literacy and investing in the stock market. These activities include roadshows and free seminars in key cities outside Metro Manila such as Cebu, Cagayan de Oro, and Davao. Philstocks has partnered with several personalities and entities in the stock market and financial literacy industry. The Company has participated in TV and radio guestings, and has printed and distributed marketing materials to promote investing in the stock market. Philstocks also maintains social media accounts in Facebook, Twitter, Youtube, Google+ and LinkedIn to connect to clients who actively use social media.

Expansion of Market Reach

The Company is increasing its physical presence to the investing public by adding two (2) more branches aside from its existing Ortigas and Binondo branches. The Company has strategically chosen to set-up its new branches in Bonifacio Global City, Taguig City, which is currently under construction, and in Cebu City in 2016. The Company chose Bonifacio Global City as it is a rising central business district in the country while Cebu City is the second biggest metropolis in the Philippines. Both new offices will cater to online, corporate, and institutional clients.

Acquisition of Institutional and Corporate Clients

The Company is also very active in reaching out to corporate and institutional clients through various sales and marketing programs such as corporate tie-ups on HR benefits management wherein the Company provides retirement plan solution to corporate employees and management of company's investment funds through equity investment. The program is being sustained through regular offering of proposals to corporations within major business districts and referral of existing clients. Follow-through (after sales) seminars are also being conducted to maintain the strong relationship with clients.

Client Engagement Activities

In order to drive and maintain customer loyalty and active trading, the Company conducts various activities as follows:

1. Free regular seminars exclusive for existing clients on Effective Stock Picking and Fundamental and Technical Analysis.
2. Regular visit to clients for console tutorials and trade planning.
3. Regular round table (free Coffee-time) sessions for all client types that promote market awareness and keep the clients informed on the latest market news and trading strategies.
4. Regular e-mails to clients of fresh market research and analysis, outlooks and fundamental/technical data.
5. Maintenance of active social media accounts that not only provides constant feeds on market news and analysis but also serves as online tools for clients to communicate with the Company's frontline personnel as well.

Maintenance and Continuous Enhancement of the Company's Online Trading Platform

Philstocks continues to enhance its existing IT infrastructure and develop more features such as enhanced user interface, improved research and charting tools in its online trading platform and enhanced functionalities to its existing mobile trading application to ensure a seamless investing experience for all its clients across all devices and platforms.

PERMITS AND LICENSES

All governmental approvals, permits, and licenses issued by the appropriate government agencies or bodies which are material and necessary to conduct the business and operations of the Company were obtained by the Company and are in full force and effect. These are:

Branch	Issued by	Permit/License	Effectivity Date	Validity
Ortigas, Pasig City	Bureau of Internal Revenue	Certificate of Registration	11 October 2001	-
	Social Security System	Certificate of Membership	25 September 2003	-
	Philippine Health Insurance Corporation	Membership	19 April 2008	-
	Pasig City Fire Inspection	Fire Safety Inspection Certificate	11 August 2014	1 Year
	City Government of Pasig	Sanitary Permit to Operate	25 September 2014	1 Year
	Securities and Exchange Commission	Certificate of Registration	28 November 2014	1 Year
	Municipality of Pasig	Business Permit	27 January 2015	1 Year
	Brgy. San Antonio, Pasig City	Barangay Clearance	14 June 2015	1 Year
Binondo, Manila	Manila Fire Inspection	Fire Safety Inspection Certificate	11 August 2014	1 Year
	Securities and Exchange Commission	Certificate of Registration - Branch	28 November 2014	1 Year
	Brgy. 288, Zone 27 District III, Manila	Barangay Clearance	12 January 2015	1 Year
	City Government of Manila	Sanitary Permit to Operate	22 January 2015	1 Year

	Municipality of Manila	Business Permit	27 January 2015	1 Year
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SUPPLIERS

Following is a table summarizing the Company's suppliers and the products and services supplied to Philstocks as of the date of this Prospectus.

Supplier	Products/Services
Technistock	Market and Financial Data Workstation
Software Farms, Inc. (SFI)	Settlement and Accounting Software
System Generators, Inc.	IT Manpower Outsourcing
SD Solutions IT Outsourcing, Inc.	IT Manpower Outsourcing
Infotouch, Systems, Inc.	Software Development and Management, Hardware Procurement
Eastern Telecoms	Internet and Telecommunications Service
Philippine Stock Exchange	Market Data, Online Order Executions, Prod and DR Co-location, Direct Market Access
WARP9	Data Center for Servers

DEPENDENCE ON CERTAIN CUSTOMERS

The Company has a single institutional client who has contributed more than 5% of its gross revenues in each of the past three (3) years. Aside from the said client, the Company has a broad customer base and is not dependent on a single customer or few customers.

TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES

For information on Transactions with and/or Dependence on Related Parties, see the section "*Transactions with and/or Dependence on Related Parties*" on page [119] of this Prospectus.

INTELLECTUAL PROPERTY

Philstocks has an existing trademark filing PH/4/2006/7363 with the Intellectual Property Office of the Philippines for the mark "Philstocks.ph Your Online Access to Philippine Stock Market." This trademark was filed last July 7, 2006 and was registered in September 3, 2007.

RESEARCH AND DEVELOPMENT

As of the date of this Prospectus and for the last three (3) fiscal years, the Company has invested a total of PHP 77.6 Million in research and development to enhance the features of the Company's existing online trading platform and to further develop and improve the Company's mobile application.

MATERIAL CONTRACTS

The Company does not know of any material contracts and agreements except for the following:

1. Technology Service Provider Contracts

The Company entered into a contract with Software Farm International, Inc. for its use of the licensed copy of the Stockbrokers' System Software or WinstockSS for its accounting and settlement operations.

The Company has also entered into a Source Code Purchase Agreement with Infotouch Systems, Inc. to purchase a copy of the Source Code for its online stock trading platform.

The Company has entered into a Master Services Agreement with W9 Microsolutions, a Californian corporation to provide hosting services for the servers of the Company's online trading platform.

2. Purchase of Property

The Company entered into a deed of absolute sale agreement with Oxford Distributions, Inc. for the purchase of a condominium unit No.West-2003B with a total area of 226 square meters at the 20th floor of the West Tower of the Philippine Stock Exchange Center, Exchange Road, Ortigas, Pasig City including two (2) parking lots at the basement of the said building. The said property is being used by the Company as an extension of its head office in Ortigas where the IT, marketing and executive offices are stationed. Oxford Distributions, Inc. and the Company have common shareholders.

3. Lease Contracts

The Company leases its commercial building with a total floor area of about 1,000 square meters located at 138 West Avenue, Quezon City to Philippe Gadgets and Accessories ("PGA") and ADI Telecom, Inc. The companies have common shareholders.

4. Management Contract

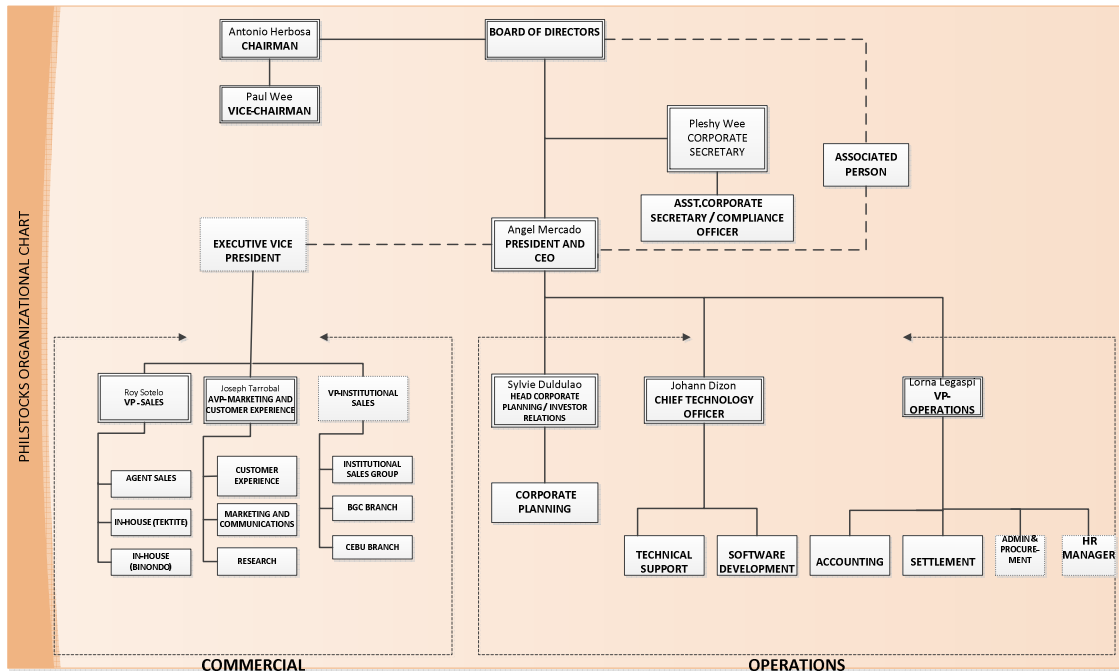
The Company entered into a management contract with PGA to provide professional management services in the field of marketing, finance and budgeting and consultancy services relative to the latter's future business plans. The companies have common shareholders.

INSURANCE

As of the date of this Prospectus, the Company does not hold any insurance of material value.

ORGANIZATIONAL STRUCTURE

The following diagram presents the organizational structure of the Company:



The Company has two (2) divisions: Commercial and Operations Division.

Under the Commercial Division are Sales, Marketing and Customer Experience and Institutional Sales. Under the Operations Division are Corporate Planning, Technology Team, Accounting, Settlement, Admin, Procurement and Human Resources.

EMPLOYEES

As of 30 June 2015, the Company has a total of 45 direct employees. Out of these, a total of 40 are regular employees and five (5) are probationary employees. In the next 12 months from the date of this Prospectus, the Company foresees that it will hire additional 35 employees to handle the growing operations of the Company.

There exists no organized labor organization in the Company and the Company has not experienced labor strikes. The Company has no collective bargaining agreements with its employees due to the absence of organized labor organizations. Aside from complying with the minimum compensation standards mandated by law, the Company makes available to qualified personnel supplemental benefits such as health insurance and Company car assignments.

The following table presents the breakdown of employees per department.

Department	No. of Persons	Regular	Probationary
Executive	8	8	0
IT Department	8	7	1
In-House Sales	8	8	0
Customer Experience	5	2	3
Marketing	1	1	0
Finance, Accounting, Settlement, HR/Admin, Logistics	15	14	1
Total	45	40	5

The following discusses the various departments within the Company's organization.

Executive

The Executive department currently consists of the President and CEO, VP for Sales, VP-Operations, Chief Technology Officer, AVP-Marketing and Customer Experience and Head of Corporate Planning. The Company is in the process of hiring the VP-Institutional Sales, HR Manager and Executive Vice President for Commercial which will complete the Executive department.

The Executive department is in-charge of the over-all strategic corporate planning and business development of the Company.

IT Department

The IT department of the Company is divided into two groups, technical support and software development. The technical support team consists of network and database administrators and is in charge of the daily technical, network and hardware support for the whole company. The software development consists of software developers or programmers and is in charge of maintenance and research and development of the existing online and mobile trading platform of Philstocks.

In-House Sales

The In-house Sales department of the Company consists of licensed CSRs and assistant traders and is mainly responsible for over-all achievement of sales targets of In-house broker-assisted accounts. This department also supervises and manages equities sales agents and client's investments of retail and corporate accounts.

Customer Experience

The Customer Experience department ensures all concerns of clients, whether online or broker-assisted are properly attended. This department handles concerns from phone-in, email, walk-in and social media.

Marketing

The Marketing department is in charge of executing the marketing plans and attaining the goals set by the management in terms of achievement of online client-base and trade volume targets. This department helps in developing the marketing plans to expand and increase the online client base of Philstocks by understanding the behavior of the market, knowing the needs of existing and potential clients and execute road-to-market strategies to increase the client-base and trade volume of online client-base.

Settlement, Finance, Accounting, HR and Admin, and Logistics

The Settlement, Finance, and Accounting department ensures accuracy of all accounting records, issue reliable and accurate financial and management reports on a regular basis and ensure that reportorial requirements are submitted on time.

The HR and Admin department administers human resources tasks such as screening of candidates, recruitment, hiring, 201 records keeping and ensure that the company complies with the Philippine labor laws. This department also is in charge of procurement and purchasing for the Company.

The Logistics department is in-charge of the timely delivery of the Statement of Accounts, Buy and Sell confirmations and other documents to Philstocks clients and other document deliveries for the day to day operations of the Company.

DESCRIPTION OF PROPERTY

As of the date of this Prospectus, the Company owns parcels of land as described below. The said properties are not subject to any lien or encumbrance of any kind.

Land

Quezon City Property

The Company owns a real estate property with building located at West Avenue, Diliman Quezon City, with TCT-230751. The property has a total area of 714 square meters. The property is under the name of All Suwerte Securities Corporation, the original name of the Corporation when it was incorporated.

Ortigas Office

The Company owns an office space located at unit 2003B of the 20th floor, West Tower of The Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City, with a total area of 226 square meters. While the title has not been transferred to the Company as of the date of the Prospectus, the Company has a signed deed of sale of the real property on 27 February 2015, and is in the process of transferring the title.

Leased Properties

The head office of the Company is located at the ground floor of the East Tower of the Philippine Stock Exchange Center in Ortigas, Pasig City. There are two (2) spaces that are being leased by the Company: (1) C-E Construction Corporation (Unit EC-05A) with an approximate area of 81 square meters for PHP 38,256.75 monthly for a period of one (1) year ending 28 February 2016, with option to renew upon mutual agreement of both parties; and (2) Longleaf Development Corporation (Unit EC-05B) for a period of three (3) years ending 14 January 2018 with an area of approximately 136 square meters for PHP 94,588 for the first year; PHP 100,263.28 for the second year, and PHP 106,279.08 for the third year.

For the Company's branch office in Binondo, Manila, the Company currently leases an office space from Metropolitan Bank and Trust Company located at Metrobank Downtown Center, Tytana Plaza, Plaza Lorenzo Ruiz, Binondo Manila, with Condominium Certificate of Title number 10375. It is located at the ground floor of the property, with an area of approximately 100 square meters. The Company is leasing the property for a period of two (2) years ending 31 October 2016 for PHP 56,463.91 per month for the first year and PHP 59,287.11 per month for the second year.

For the Company's branch office in Bonifacio Global City, Taguig City, the Company currently leases an office space from Picadilly Star Realty Corporation located at Unit 1401, Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City. It is located at the 14th floor of the property, with an area of approximately 241.40 square meters. The Company is leasing the property for a period of three (3) years ending 30 April 2018 for PHP 205,190 per month for the first year and PHP 251,449.50 per month for the second year and PHP 226,223.18 on the third year. The said branch will be operational on the first week of October 2015.

LEGAL PROCEEDINGS ON PROPERTIES

As of the date of this Prospectus, there are no pending legal proceedings to which the Company is a party or to which any of its properties is the subject of.

INDUSTRY OVERVIEW

The information in this section has been derived from various government and private publications or obtained from other publicly available information and has not been prepared or independently verified by the Company, the Issue Manager and Underwriter, or any of their respective affiliates or advisors. The Company does not have any knowledge that such information from such sources is inaccurate in any material respect. The information may not be consistent with other information compiled within or outside the Philippines.

PHILIPPINE ECONOMY

According to World Bank, the Philippines is one of the most dynamic emerging markets in Asia because of its sound economic fundamentals and globally recognized highly-skilled workforce. The growth of the economy experienced an annual average of 5%, which is higher than the rate achieved for the past two (2) decades.

The Philippine economy was able to withstand the different global economic and financial deterioration due to the following factors: (1) minimal exposure to troubled international securities; (2) low dependency on exports; (3) resilient domestic consumption; (4) large amount of remittances from Overseas Filipino Workers ("OFWs"); (5) and rapid business outsourcing expansion.

Economic Performance

The Philippines has experienced several natural calamities these past few years such as Typhoon Haiyan (Yolanda) in 2013 and Typhoon Pablo in 2012. Despite the devastation caused by Typhoon Haiyan, the Philippines was able to post a 7.2% GDP growth in 2013 due to robust services and industry sectors, and strong domestic consumption and government assistance. The country was able to maintain the economy's momentum during the first half of 2014 at 6% and still remained as the fastest emerging economy in East Asia. The Philippines was only surpassed by China and Malaysia with 7.4% and 6.3% GDP growth respectively.

Economic Indicators (%)	ADO 2014	UPDATE	ADO 2015	UPDATE
GDP Growth	6.4	6.2	6.7	6.4
Inflation	4.3	4.4	4.0	2.1
Current Account Balance (share of GDP)	3.4	3.2	3.2	2.8

*Source: ADB estimates / *ADO- Asian Development Outlook*

The projected economic growth for the Philippines through the rest of year 2015 is slightly stronger due to post-typhoon reconstruction, improvement of government fiscal disbursement, and economic industrial export benefits. Inflation is projected to be at 4.4% this year, which is the highest in three (3) years. The current account surpluses for this year and in 2016 are expected to be dependent on the remittances from OFWs together with the increase of goods and services exports.

Foreign Trade

The total export earnings of the Philippines in January 2015 is at \$4,357 billion, down 5% from \$4,379 billion earnings in January 2014. This decrease was caused by the decrease of five (5) out of ten (10) major commodities: woodcrafts and furniture; chemicals; metal components; coconut oil; and other manufacturers.

Top 10 Philippine Export to All Countries: January 2015 (Year-on-Year Growth in Percent)			
Gainers		Losers	
Ignition Wiring Set and Other Wiring Sets Used in Vehicles, Aircrafts and Ships	62.7	Other Manufactures	-45.5
Machinery & Transport Equipment	39.6	Woodcrafts and Furniture	-43.4
Electronic Products	14.6	Chemicals	-21.8
Articles of Apparel and Clothing Accessories	10.0	Metal Components	-21.6
Other Mineral Products	8.7	Coconut Oil	-3.3

Sources: <http://web0.psa.gov.ph/content/merchandise-exports-performance-january-2015>

Ignition Wiring Set and Other Wiring Sets used in vehicles, aircrafts, and ships were registered as the highest year-on-year gainer with a total of \$152.25 million earnings, up by 62.7%.

Electronic Products remained as the Philippines' top export product and even increased by 14.6% in January 2015, with a total of \$2,040 billion in revenues compared to last year's \$1.780 billion. In January 2015, electronic products covered 46.8% of the total export revenues, with 32.2% of this coming from Components/Devices (Semiconductors) contributing \$1,404 billion and increasing by 16.0% from \$1,211 billion last year.

Machinery & Transport Equipment is considered as the Philippines' second top export product with \$356.04 million worth of revenues, contributing 8.2% to the total Philippine export revenues. It increased by 39.6% from last year's revenue of \$254.96 million.

Foreign Country Export Destination

Japan is still the Philippines' top export destination with revenues of \$881.61 million or 20.3% of the total exports for January 2015. Even so, there was a drop from \$1.150 billion or 23.2% of the recorded value in January 2014.

USA ranked second as the Philippines' top export destination. Exports to the USA contributed 15.9% to the total export revenue which translates to \$693.87 million earnings in January 2015. USA exports increased by 15.1% from last year's \$603.07 million.

Country Export Destination	Percentage of Exports (%)
Japan	20.03
United States of America	15.9
China	10.2
Hong Kong	9.8
Singapore	7.0
Germany	5.2
Thailand	4.1
Taiwan	3.5
South Korea	3.5

Netherlands	2.9
Others	17.6

The total export revenue of the Philippines from its top ten (10) foreign country export destination for January 2015 was \$3.589 billion. The exports to countries in East Asia has a total value of \$2.069 billion or 47.5% of the total export revenue, which went down by 10.7% from January 2014's recorded \$2.318 billion revenue. While exports to ASEAN countries cover 16.0% of the total exports in January 2015 or \$696.25 million, this went down by 6.9% from \$747.90 million posted the same month a year ago.

Foreign Debt

Foreign debt or external debt as defined by Bangko Sentral ng Pilipinas ("BSP") are all types of borrowings by Philippine residents from non-residents that are approved and registered by BSP.

Philippines' external debt from creditors outside the country decreased from \$60,337 million in January 2013 to \$58,506 million in January 2014. The average amount of Philippines' external debt is \$42,427.06 million and its all time high was in January 2012 which was at \$60,442 million.



According to BSP Governor Amando M. Tetangco, Jr., the country's outstanding external debt approved by BSP is at \$58.3 billion at the end of March 2014, down by \$165 million. The decrease of the country's external debt was caused by net repayments mainly on liabilities of banks amounting to \$833 million which were offset by: (1) increase in non-resident investments on Philippine debt papers issued offshore; (2) foreign exchange; (3) and adjustment to the previous period's transactions.

BSP also cited the increase of foreign investments as a factor that caused the decrease of Philippines' external debt offshore for a total amount of \$417 million. There were foreign exchange revaluation adjustments amounting to \$169 million as the US Dollars weakened against Japanese Yen.

Philippine Imports

The Philippines ranked 47th importer in the world. In 2013, the Philippines bought \$65.1 billion worth of imported products, up 41.9% since 2009.



SOURCE: WWW.TRADINGECONOMICS.COM | NATIONAL STATISTICS OFFICE OF PHILIPPINES

Source: <http://www.tradingeconomics.com/philippines/imports>

Imports in the Philippines decreased to \$4,390,513.00 in May 2015 from \$4,713,000.00 in April 2015. The average import revenue in the Philippines from 1957 to 2015 is \$1,616,306.34. Imports reached its all time high in January 2014 with \$5,954,820 while its lowest record was in 1963 with \$37,084.30.

Import Product	Amount	Percentage of Total Imports
Electric Equipments	\$15 billion	23.1
Oil	\$13.6 billion	20.9
Machines, engines, pumps	\$6.6 billion	10.1
Vehicles	\$3.6 billion	5.6
Aircraft, spacecraft	\$2.4 billion	3.8
Plastics	\$1.9 billion	3.0
Iron and Steel	\$1.4 billion	2.1
Cereals	\$1.2 billion	1.8
Food waste, animal fodder	\$1.1 billion	1.7
Pharmaceuticals	\$1.0 billion	1.6

Electric Equipments is the most imported product of the Philippines with 23.1% of the total imports valued at \$15 billion. These are mostly from the USA, China, and Japan with total amounts of \$3.4 billion, \$1.7 billion, and \$1.5 billion respectively. The \$2.8 billion worth of oil is imported from Saudi Arabia though it is not among the Philippines' top 10 import origin countries.

Import Origin Country	Amount	Percentage of Overall Imports
China	\$8.6 billion	13.1
United States of America	\$7.1 billion	10.9
Japan	\$5.6 billion	8.6
South Korea	\$5.0 billion	7.7
Singapore	\$4.4 billion	6.8
Thailand	\$3.6 billion	5.5
Indonesia	\$2.9 billion	4.4

Germany	\$2.4 billion	3.7
France	\$1.7 billion	2.6
Russia	\$1.3 billion	2.0

China is the top import origin country of the Philippines with 13.1% of the overall imports with a total amount of \$8.6 billion, followed by the USA with 10.9% or \$7.1 billion, and Japan with 8.6% or \$5.6 billion. The top three (3) products that Philippines imports from China are the following: Electronic Equipments with \$1.7 billion; Machines, engines, pumps with \$1.2 billion; and Oil with \$860 million.

Internet

Internet usage all around the world has increased rapidly due to the demand and dependency of almost 40% of the world population. As of July 1, 2014, out of 7.24 billion people in the world, 2.92 billion of which are internet users. The majority of the internet users, which is 48.4%, are from Asia, with China as the country with the most internet users.

Internet usage in the Philippines

The Philippines has 39 million internet users, with 4 out 10 Filipinos having access to the internet. In July 2014, Philippines' internet penetration grew to 39.43% and the country's internet speed averaged to 2.8mbps.

As of January 2015, amongst the 100.8 million total population: (1) 44.2 million are active internet users; (2) 40.0 million are active social media accounts users; (3) 114.6 million have mobile connections; and (4) 32 million have active mobile social accounts users.

Rank	Country	Internet Users	Total Country Population	Penetration (% of Pop. with Internet)	Country's share of World Population	Country's share of World Internet Users
1	China	641,601,070	1,393,783,836	46.03%	19.24%	21.97%
2	United States	279,834,232	322,583,006	86.75%	4.45%	9.58%
3	India	243,198,922	1,267,401,849	19.19%	17.50%	8.33%
4	Japan	109,252,912	126,999,808	86.03%	1.75%	3.74%
5	Brazil	107,822,831	202,033,670	53.37%	2.79%	3.69%
6	Russia	84,437,793	142,467,651	59.27%	1.97%	2.89%
7	Germany	71,727,551	82,652,256	86.78%	1.14%	2.46%
8	Nigeria	67,101,452	178,516,904	37.59%	2.46%	2.30%
9	United Kingdom	57,075,826	63,489,234	89.90%	0.88%	1.95%
10	France	55,429,382	64,641,279	85.75%	0.89%	1.90%
11	Mexico	50,923,060	123,799,215	41.13%	1.71%	1.74%
12	South Korea	45,314,248	49,512,026	91.52%	0.68%	1.55%
13	Indonesia	42,258,824	252,812,245	16.72%	3.49%	1.45%
14	Egypt	40,311,562	83,386,739	48.34%	1.15%	1.38%
15	Vietnam	39,772,424	92,547,959	42.97%	1.28%	1.36%
16	Philippines	39,470,845	100,096,496	39.43%	1.38%	1.35%
17	Italy	36,593,969	61,070,224	59.92%	0.84%	1.25%
18	Turkey	35,358,888	75,837,020	46.62%	1.05%	1.21%

19	Spain	35,010,273	47,066,402	74.38%	0.65%	1.20%
20	Canada	33,000,381	35,524,732	92.89%	0.49%	1.13%

Source: *Internet Live Stats* (www.InternetLiveStats.com)

The Philippines ranked 16th country in the world with the most internet usage with 39.5 million out of its 100.1 million total population as internet users. The Philippines' share of world internet users is 1.35%, which is the 7th largest share in Asia.

In the Philippines, there are 30 million Facebook users, 4.9 million Twitter users, and 25 million Youtube users. These numbers reflect the dependency of a large number of Filipinos to the internet in various purposes such as information gathering and communication.

Smartphones in the Philippines

The Philippines have emerged as the fastest growing market for smartphones in Southeast Asia. Consumers were captivated through their want to switch from basic feature phone to the latest smartphone technology in the market with display sizes and operating systems as some of the factors that help them decide which smartphone unit to purchase.

GfK Group, one of the largest research companies in the world, said that smartphone patronage rate in the Philippines already reached 146%, which is faster than Thailand, Vietnam and Indonesia with 140%, 118%, and 30%, respectively.

In terms of smartphones sales volume, the Philippines ranked 4th highest in Southeast Asia. As of March to April 2013, there are 5.75 million smartphone units that were sold in the Philippines.

Rank	Country
1	Indonesia
2	Malaysia
3	Thailand
4	Philippines
5	Singapore
6	Cambodia

Total worth of smartphone market across the top six (6) Southeast Asian countries as shown on the table above has already reached \$11 billion. The GfK Group reported that Southeast Asian consumers of smartphones will continue to grow rapidly.

According to a study done by On Device Research, the Philippines' smartphone penetration will reach 50% by 2015. A positive outlook towards the popularity of smartphones in the Philippines were due to the following reasons: (1) low price of local smartphone brands such as Cherry Mobile, MyPhone and Star Mobile; (2) low price mobile internet packages; (3) the Philippines has a young market eager to go mobile; (4) and the rapidly growing demand for smartphones.

Philippine Telecommunications

The Philippines had a strong mobile subscription growth in 2014 that reached a subscription base of 111.9 million, which is equivalent to a 2.2% year-on-year growth rate. The expected growth is average of 3.5% over 2015 to 2018.

As for mobile data, both Smart Communications and Globe Telecom gave their subscribers free internet accessibility in 2014. Smart Communications offered their subscribers 30MB free internet

surfing in different sites while Globe Telecom offered free Facebook and Viber to all their subscribers without the need to register.

Due to the subscribers' choice of digital lifestyle, demand for data services, mobile browsing, and data-driven applications, the mobile data business rapidly rose in 2014.

Globe Telecom's mobile browsing and other data revenues reached PHP 14.3 billion, which was a 23% increase from the previous year's PHP 11.6 billion, contributing 18% to the overall mobile business. On the other hand, Smart Communications had a 69.2% increase in their mobile data revenue, a total of PHP 5.73 billion from last year's PHP 3.39 billion.

The increase of mobile data business in the Philippines proves the power of smartphones that are web-enabled to access the internet, and the dependency of the subscribers to smartphones and mobile data.

Online Trading in the Philippines

PSEi in 2014 increased by 23.76% as compared to other investment instruments such as time deposit and peso bond funds with only a maximum of 1.25% and 1.84% increase, respectively.

Philippine Markets	Last	Previous	Highest	Lowest	Unit
Currency exchange rate (USD to PHP)	44.06	43.95	56.34	37.84	PHP
Government Bond 10y	3.98	3.95	16.40	3.04	Percent
Stock Market	7,861.32	7,730.56	7,861.32	129.52	Index points

As of March 6, 2015 closing

PSEi closed at 7,230.57 points on the last trading day of 2014 and closed at 7,276.23 points on the first trading day of 2015, which was a 46.06 points or 0.64% increase.

The Philippines rapidly became accustomed with the high-speed technology that most of the population depends on. The convenience of the high speed technology is preferred by most population rather than the basic ones.

Same with trading in the stock market, many traders, especially the young ones, prefer online trading over the traditional broker-assisted trading.

The 2014 Stock Market Investor Profile report of the PSE showed a continuous growth in the number of stock market online accounts. In 2014, online accounts surged by 35.1% to 174,592 from 129,255 in 2013. Of this total, 99.6% or 173,895 were retail accounts. Since 2009, online accounts have grown at a compounded annual growth rate of 43.9%.

Meanwhile, total investor accounts, which include traditional and online accounts, also rose to 640,665 in 2014, higher by 9.4% from the previous year's 585,562 total. Of the total investor accounts, 95.3% or 610,773 were retail accounts while the remaining 4.7% or 29,892 were institutional accounts. Majority of the accounts were held by local investors with a 98.5% share while 1.5% was foreign accounts.

Stock market accounts were also more active in 2014 as 33.6% of total accounts traded at least once in 2014. This represents an increase from the 23.9% share of active accounts to total accounts in 2013. Online accounts have again proven to be more active with a 64.6% share in the total online account universe.

For online accounts, the share of investors in Metro Manila is even lower at 60.3% while those based in Luzon, Visayas and Mindanao are higher at 22.4%, 7.0%, and 4.5%, respectively.

MARKET INFORMATION, DIVIDENDS AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

At present, the Company has an authorized capital stock of Seven Hundred Twenty Five Million Pesos (PHP 725,000,000.00) divided into Seven Hundred Twenty Five Million (725,000,000) common shares with a par value of One Peso (PHP 1.00) per share, out of which Two Hundred Seventy Five Million (275,000,000) shares are issued and outstanding. The Offer Shares are Ninety Eight Million Eight Hundred Eighty Thousand (98,880,000) common shares with a par value of [One Peso (PHP 1.00)] at an Offer Price of up to One Peso and Eighty-Eight Centavos (PHP 1.88) per share. After the completion of the Offer, the Company will have a total of Three Hundred Seventy Three Million Eight Hundred Eighty Thousand (373,880,000) issued and outstanding common shares.

Prior to the Offer, the Company's Shares are not registered and not publicly traded. The common shares are [not subject to outstanding options or warrants to purchase, or securities convertible into common shares]. The Offer Shares shall be listed and traded under the stock symbol ["P"] on the SME Board of the Exchange.

No stockholder shall have a right to purchase or subscribe to any additional share of the capital stock of the Company whether such shares of capital stock are now or hereafter authorized, whether or not such stock is convertible into or exchangeable for any stock of the Company or of any other class, and whether out of the number of shares authorized by the Articles of Incorporation of the Company as originally filed, or by any amendment thereof, or out of shares of the capital stock of any class of the Company acquired by it after the issue thereof; nor shall any holder of any such stock of any class, as such holder, have any right to purchase or subscribe for any obligation which the Company may issue or sell that shall be convertible into, or exchangeable for, any shares of the capital stock of any class of the Company or to which shall be attached or appertain any warrant or warrants or any instrument or instruments that shall confer upon the owner of such obligation, warrant or instrument the right to subscribe for, or to purchase from the Company, any shares of its capital stock of any class.

The Board of Directors may, from time to time, grant stock options, issue warrants or enter into stock purchase or similar agreements for purposes necessary or desirable for the Company and allocate, sell or otherwise transfer, convey or dispose of shares of stock of the Company of a class or classes and to such persons or entities to be determined by the Board of Directors including, but not limited, to employees, officers and directors of the Company.

Further, no transfer of stock which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as may be required by law shall be allowed or permitted to be recorded in the proper books of the Company.

STOCKHOLDERS

As of the date of this Prospectus, the following are the shareholders of the Company:

Shareholder	Citizenship	No. Of Shares Held	Percent Held
Paul L. Wee	Filipino	224,999,500	81.82%
Pleshette Y. Wee	Filipino	38,000,099	13.82%
Antonio B. Herbosa	Filipino	12,000,000	4.36%
Angel S. Mercado	Filipino	100	Nil
Francis Julian G. Lorica	Filipino	100	Nil

Tedison Siy Liao	Filipino	100	Nil
Benson Pua Ng	Filipino	100	Nil
Christine P. Base	Filipino	1	Nil
TOTAL		275,000,000	100.00%

DIVIDEND POLICY

The Company's board of directors is authorized to declare cash 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 (2/3) 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 shares.

Under the Philippine Corporation Code, the Company may not make any distribution of dividends other than out of its unrestricted retained earnings.

The Company has approved a dividend policy that would entitle stockholders to receive dividends equivalent to up to 10% of the prior year's net income after tax subject to (i) the availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, and (iv) working capital requirements. The declaration and payment of dividends is subject to compliance with regulatory requirements of the SEC and PSE. The Company is allowed to declare dividends, annually or as often as the Board of Directors may deem appropriate, in cash or in kind and/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. To date, no dividends have been declared or paid by the Company.

INVESTOR RELATIONS PROGRAM

This program was introduced purposely to address and attend to investors' inquiries about the Company and its plans for its stockholders. Ms. Sylvie V. Duldulao was appointed head of the program who is in-charge of submitting periodic reports and statements required to be filed on a regular basis with the SEC and the PSE as well as current reports on material events that have occurred and are required to be disclosed to the SEC and/or the PSE within a given period from the time of their occurrence. The reports required to be filed with the SEC include, among others, the following:

- Annual Report (SEC Form 17-A) – within 105 days after the end of the fiscal year;
- Quarterly Report (SEC Form 17-Q) - within 45 days after the end of the first three (3) fiscal quarters of each fiscal year;
- Proxy Statement or Information Statement (SEC Form 20-IS) – at least 15 business days prior to the scheduled date of the annual stockholders' meeting; and
- Current Reports (SEC Form 17-C) – within five (5) days after the occurrence of the event required to be reported.

As a general rule, listed companies are required to furnish the PSE copies of all reports submitted to the SEC. The periodic reports required to be filed with the PSE, which are referred to as Structured Continuing Disclosures, include, among others, the following:

- Annual Report (SEC Form 17-A) – within 105 days after the end of the fiscal year;
- Quarterly Report (SEC Form 17-Q) - within 45 days after the end of the first three (3) fiscal quarters of each fiscal year;
- Report on the Top 100 Stockholders – within 15 days after the end of each quarter; and
- Board Lot Report – within five (5) trading days after the end of each month.

Listed companies are required to update the investing public with any material fact that occurs which would reasonably be expected to affect investors' decision in relation to trading of its securities. Such reports, which are referred to as Unstructured Continuing Disclosures, are required to be disclosed to the PSE within 10 minutes from receipt of the information or occurrence of the event.

The Company can be reached for inquiries through Ms. Sylvie V. Duldulao, at telephone number (+632) 588-1911, telefax number (+632) 637-3738, and through email address svduldulao@philstocks.ph.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Company's By-Laws provide for the election of seven (7) directors. The Company's Board of Directors is responsible for the direction and control of the business, affairs and management of the Company, and the preservation of its assets and properties. No person can be elected as a director of the Company unless he/she is a registered owner of at least one (1) share of the capital stock of the Company. Directors are elected by the shareholders entitled to vote during the annual meeting of the shareholders. Each director has a term of one (1) year and until his/her successor is elected and qualified and is eligible for re-election every year. Each director beneficially owns at least one share of the capital stock of the Company.

By resolution passed by the majority of the Board, the Directors may designate one or more committees which, to the extent provided by said resolution, shall have and may exercise any of the powers of the Board which may lawfully be delegated in the management of the business and affairs of the Company.

The officers of the Company are elected or appointed by the Board of Directors. The Chairman of the Board and the President/CEO are elected from the members of the Board.

BOARD OF DIRECTORS

The members of the Board and Principal Officers of the Company are as follows:

Name	Nationality	Position	Age
Paul L. Wee	Filipino	Chairman	44
Angel S. Mercado	Filipino	Director/President and CEO	52
Pleshette Y. Wee	Filipino	Director/Corporate Secretary	40
Francis Julian G. Lorica	Filipino	Director/ Treasurer	47
Tedison Siy Liao	Filipino	Independent Director	44
Benson Pua Ng	Filipino	Independent Director	43
Christine P. Base	Filipino	Director	44

The members of the Board of Directors are elected during each regular meeting of the stockholders and shall hold office for one (1) year and until successors are elected and qualified.

The table below sets forth the Company's executive officers in addition to its executive directors listed above as of the date of this Prospectus:

Name	Nationality	Position	Age
Roy B. Sotelo	Filipino	VP-Sales	47
Lorna C. Legaspi	Filipino	VP-Operations	47
Johann T. Dizon	Filipino	Chief Technology Officer	48
Joseph W. Tarrobal	Filipino	AVP-Marketing and Customer Experience	39
Sylvie V. Duldulao	Filipino	Head-Corporate Planning	32

Following are descriptions of the business experience of the Company's directors and officers:

Paul L. Wee

Chairman of the Board

Paul Wee, age 44, is the Chairman of the Board of the Company. Mr. Wee started trading in the Philippine Stock Exchange at the age of 18. During that time, he did several jobs for his family's businesses. After graduating in UST, he joined one of his family's businesses, doing corporate selling of computers. In 1995 during the start of the telco revolution in the Philippines, he started as a Sales Agent and eventually became one of the top three major dealers of the Philippine telecommunications industry in 2002. In 2001, he founded Accord Capital Equities Corporation. He also diversified to pharmaceutical, real estate, consumer electronics distribution and payment processing businesses. Mr. Wee is a member of the Philippine Chamber of Commerce.

Currently, Mr. Wee is the President of Philippe Gadgets & Accessories, Britton Distributions, Oxford Distributions, Asiatel Sales & Distribution, Animal Health Marketing & Services, Starhub Distribution & Logistics Services, Weepay Payment Processing Corp., WeeMall.com, Princeton Pawnshop Management Services Corp., Eastking Marketing & Distribution, and Lifetime Sales & Distribution Corporation. He is also a Director of Agassee Properties and Holding Corporation and of Philippe Gadgets & Accessories.

Mr. Wee graduated with honors from the University of Santo Tomas with a degree in Bachelor of Science in Industrial Engineering. He is also a Certified Securities Representative.

Angel S. Mercado

President and Chief Executive Officer

Angel Mercado, age 52, is the President and Chief Executive Officer of the Company. Mr. Mercado has a wide experience in various industries and mostly with multinational companies starting his career in the pharmaceutical industry as a medical representative in Johnson & Johnson Subsidiary Janssen Pharmaceutica then to OTC Field Sales Manager where he gathered several business awards for outstanding product sales performance. He moved to the FMCG industry via Philip Morris cigarette distribution & worked in various positions such as Business Development Manager, Trade Marketing Manager, Sales Manager where he developed the Sales Management System which essentially designed the route planning & development used by the global sales force. In 1996, he joined Smart Communications and headed the National Consumers Sales Management which includes Distributor, Agent and Store Sales as well as Key Accounts. In 2006, he joined the Sinarmas Group in Indonesia and spearheaded the sales distribution of telco products up to the tertiary level in more than 6 million sari-sari store outlets in the whole country. He also currently serves as the Chief Operating Officer of Weepay Payment Processing Corp.

Mr. Mercado attended the Management Development Program of Asian Institute of Management (AIM) in 2001 and attended several short courses for Business, Finance and Management at the Ateneo de Manila Business School and University of Asia and the Pacific between the years of 1994 to 2003 and holds a Bachelor's Degree in Economics from Rizal Technological University.

Currently, Mr. Mercado is also the Chief Operating Officer of Weepay Payment Processing Corp., and a Director of Eastking Marketing & Distribution, Lifetime Sales & Distribution Corporation and Princeton Pawnshop Management Services Corporation.

Pleshette Y. Wee

Director/Corporate Secretary

Pleshette Wee, age 40, is the Corporate Secretary of the Company. She is the Chairman of the fund generation committee of the Philippine Red Cross San Juan Chapter and a member of the Rotary Club of San Juan del Monte. Ms. Wee holds a Bachelor of Science in Tourism from the University of Santo Tomas.

Currently, Ms. Wee is the Corporate Secretary of Philippe Gadgets & Accessories, Britton Distributions, Oxford Distributions, Asiatel Sales & Distribution, Animal Health Marketing & Services, Starhub Distribution & Logistics Services, Weepay Payment Processing Corp., WeeMall.com, Princeton Pawnshop Management Services Corp., Eastking Marketing & Distribution, and Lifetime Sales & Distribution Corporation.

Atty. Christine P. Base

Director, Asst. Corporate Secretary

Atty.Christine, age 44, Filipino, is the Asst. Corporate Secretary and at the same time Director of the Company. She is the Corporate Secretary and a member of the Audit committee of the Anchor Land Holdings, Inc. since April 10, 2007. She is currently a Corporate and Tax Lawyer at Pacis and Reyes, Attorneys and the Managing Director of Legisforum, Inc. She is the Corporate Secretary of Araneta Properties, Inc., Active Alliance Incorporated, Asiasec Equities, Inc. and Ever-Gotesco Resources and Holdings, Inc. She is a director and/or corporate secretary of several private corporations. She was an Auditor and then Tax Lawyer of Sycip, Gorres, Velayo & Co. She is a graduate of Ateneo De Manila University School of Law with a degree of Juris Doctor. She passed the Bar Examination in 1997. Ms. Base is also a Certified Public Accountant. She graduated from De La Salle University with a degree of Bachelor of Science in Commerce major in Accounting.

Francis Julian G. Lorica

Director/Treasurer

Francis Julian G. Lorica, age 47, is the General Manager and a Director of Asiatel Sales and Distribution, Inc. He has been working with Asiatel since 2002. Mr. Lorica has a broad experience in the sales field having worked as the former Key Accounts Manager of Advantage Products Corporation from 1996 to1999. He was also former Regional Sales Manager for Piltel/Smart Communications from 1999 to 2002. Mr. Lorica holds a Bachelor of Science in Computer Management from the Polytechnic University of the Philippines.

Currently, Mr. Lorica is also the Treasurer and Director of Oxford Distributions Inc. and Weemall.com. He is also a Director of Starhub Distributions & Logistics Services, Inc.

Benson Pua Ng

Independent Director

Benson Pua Ng, age 43, is the Vice President of JBC Food Corporation. JBC Food Corporation is a family owned snack food company established in 1988. The company is mainly engaged in the production of snacks such as nuts, mixed nuts, watermelon seeds, squash seeds and confectionary products for the domestic market. The foremost brands of the company include Dingdong mixed nuts, Happy nuts, Chikito cracker nuts, Sinbad, Captain Sid, Dragon Sid, Barnuts, Jackpot and Milkee Polvoron. Mr. Ng has been working with the JBC Company since 2003. He holds a Bachelor of Science in Industrial Engineering Degree from the De La Salle University.

Tedison Siy Liao

Independent Director

Tedison Liao, age 44, is the Treasurer and Finance Head of Shrinkpack Philippines Corporation. He has been working with Shrinkpack since 1998. Shrinkpack Philippines Corporation, was established in 1989 as a specialist manufacturer of shrink films for packaging. Shrink films are used as an overwrap for many types of packaging including cartons, boxes, beverage cans and pallet loads. Shrink films stabilizes, unitizes, keeps the product clean and adds tamper resistance. Mr. Liao holds a Bachelor of Science in Industrial Engineering Degree from the University of Santo Tomas.

KEY OFFICERS

Roy B. Sotelo

VP-Sales

Roy Sotelo, age 47, is the Vice President for Sales of the Company. Mr. Sotelo was an Equities Dealer in HSBC Securities Philippines from 1991 to 2001. Mr. Sotelo joined Philstocks in 2002 and spearheaded various sales activities of the Company including recruitment of agents, training of in-house traders and establishment of customer service of the Company. Mr. Sotelo is a Certified Securities Representative and holds a Bachelor of Science in Electrical Engineering from Saint Louis University in Baguio City.

Lorna C. Legaspi

VP-Operations

Lorna Legaspi, age 47, is the Vice-president for Operations of the Company. Ms. Legaspi has a vast experience in the operations of a stock brokerage business. She was a former Financial Accountant at Belson-Primeeast Capital Asia from 1994 to 1997, Treasurer Officer of Securities 2000 from 1997 to 2001, Finance Manager at KGI Securities Philippines from 2001 to 2003. She also served as A/R Management Accountant at International School Manila from 2005 to 2007. In 2007, she joined Accord Capital as Head of Operations and later became the Vice-President for Operations and Associated Person of the Company. Ms. Legaspi holds a Bachelor of Science Degree in Accountancy from Saint Louis University in Baguio City.

Johann T. Dizon

Chief Technology Officer

Mr. Johann Dizon, age 48, has been the Chief Technical Officer of Philstocks since August 2014. He is an accomplished telecoms professional both in operations and management for the last 25 years both locally and internationally. Before joining the company, Mr. Dizon was the Managing and Operations Director of PT. Intex Telecom Systems Indonesia, a premiere service partner of mobile telecom operators and solutions provider in Indonesia, for eight (8) years. Mr. Dizon holds a Bachelor of Science Degree in Electronics and Telecommunications Engineering from De La Salle University of Manila.

Joseph W. Tarrobal

AVP-Marketing and Customer Experience

Joseph Tarrobal, age 39, is the Head of Marketing and Customer Experience of the Company. Mr. Tarrobal is a seasoned sales and marketing strategist and tactician with strong orientation in corporate operations and business development. Before he joined Philstocks in 2012, he was a Market Intelligence Manager to Senior Marketing Manager of DXN International Private Limited, a world leader in manufacturing and distribution of Ganoderma-based products. He also previously worked for Belle Corp., AIG and Philippine Business Bank.

Mr. Tarrobal completed his certification on Personal Entrepreneurial Development at the University of the Philippines Open University in 2011. He is also a graduate of Dr. Kunal Basu, Said Business School, Oxford University's short course on Entrepreneurship and Network Marketing Business. He holds a Bachelor of Arts in Political Science from Catanduanes State University.

Sylvie V. Duldulao

Head-Corporate Planning/Investor Relations

Sylvie Duldulao, age 32, is the Head of Corporate Planning and Investor Relations of the Company. Since 2011, Ms. Duldulao has worked closely with the Senior Management of the Company for the planning, development and completion of strategic plans of the Company. Before she joined the Company in 2011, she was a Product Manager at Weepay Payment Processing Corporation. Prior to joining Weepay, in 2009 she was a Project Manager at Paysetter International managing a team of software developers, database administrators and technical support in Manila and Jakarta, Indonesia to roll-out, manage and support various mobile services for major telecom operators in Indonesia. Ms. Duldulao is a graduate of Bachelor of Science in Computer Science from the University of the Philippines Los Baños.

SIGNIFICANT EMPLOYEES

While the Company values the contribution of each executive and non-executive employee, there is no non-executive employee that the resignation or loss of whom would have a significant adverse effect on the business of the Company since the Company considers the collective efforts of all its employees as instrumental to the success of the Company. Other than standard employment contracts, there are no arrangements with non-executive employees that will assure the continued stay of these employees with the Company.

FAMILY RELATIONSHIPS

Mr. Paul L. Wee, who is a director and Chairman of the Board, is married to Ms. Pleshette Y. Wee, who is a director and the Corporate Secretary of the Company.

Other than the foregoing, there are no family relationships either by consanguinity or affinity up to the fourth civil degree among the Company's directors and executive officers.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

To the best of the Company's knowledge, there has been no occurrence of any of the following events during the past five (5) years which are material to an evaluation of the ability or integrity of any director, any person nominated to become a director, executive officer, or control person of the Company:

1. Any insolvency or bankruptcy petition filed by or against any business of which such persons was a general partner or executive officer whether at the time of insolvency or within two (2) years prior to that time.
2. Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal; proceeding, domestic or foreign, excluding traffic violation and other minor offenses.
3. Any final and executory order, judgment, or decree or any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise

limiting involvement in any type of business, securities, commodities, or banking activities; and

4. Any final and executory judgment by a domestic or foreign court or competent jurisdiction (in a civil action), the SEC, or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law or regulation.

There are no material legal proceedings to which the Company is involved in or subject to any legal proceedings which would have a material effect adverse effect on the business or financial position of the Company.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

For the calendar year ended 31 December 2012, 2013 and 2014, the total salaries, allowances and bonuses paid to all other officers as a group unnamed is as follows:

SUMMARY ANNUAL COMPENSATION TABLE

Name and Principal position	Year	Salary (PHP)	Bonus (PHP)	Others
Angel S. Mercado - President and CEO				
Roy B. Sotelo - VP-Sales				
Lorna C. Legaspi - VP-Operations				
Johann T. Dizon – CTO				
Joseph E.W. Tarrobal - AVP-Marketing and Customer Experience				
	2015 (est.)	2,724,000.00	515,000.00	1,140,000.00
TOTAL	2014	2,532,000.00	495,000.00	1,140,000.00
	2013	2,292,000.00	475,000.00	1,140,000.00
	2012	2,232,000.00	355,000.00	540,000.00
Aggregate compensation paid to all officers and directors as a group unnamed				
	2015 (est.)	7,674,912.00	1,030,076.00	780,000.00
TOTAL	2014	6,849,072.00	875,146.00	1,140,000.00
	2013	6,609,072.00	855,146.00	1,140,000.00
	2012	5,766,912.00	649,576.00	540,000.00

Except as stated above, the directors did not receive other allowances or per diems for the past and ensuing year. There are no other existing arrangements/agreements under which directors are to be compensated during the last completed fiscal year and the ensuing year.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

There are no special employment contracts between the Company and its named executive officers. There is also no existing arrangement for compensation to be received by any executive officer from the Company in the event of change in control of the Company.

WARRANTS AND OPTIONS OUTSTANDING

As of the date of this Prospectus, there are no outstanding warrants and options held by any of the Company's directors and executive officers.

None of the Company's common shares are subject to outstanding warrants or options.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

SECURITY OWNERSHIP OF RECORD AND BENEFICIAL OWNERS

The table below shows the people known to the Company to be directly or indirectly the record and/or beneficial owners of more than five percent (5%) of the Company's voting securities as of the date of this Prospectus:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. Of Shares Held	Percent Held
Common	Paul L. Wee #191 Roosevelt, San Francisco Del Monte, Quezon City Director/[Chairman]	Paul L. Wee (Direct)	Filipino	224,999,500	81.82%
Common	Pleshette Y. Wee #191 Roosevelt, San Francisco Del Monte, Quezon City Director/Corporate Secretary	Pleshette Y. Wee (Direct)	Filipino	38,000,099	13.82%

Aside from the foregoing officers, as of the date of this Prospectus, no other Director or executive officer of the Company owns at least five percent (5%) of the Company's issued and outstanding shares.

SHAREHOLDERS SUBJECT TO THE LOCK-UP REQUIREMENTS OF THE PSE LISTING RULES

Under the revised listing rules of the PSE applicable to companies applying for listing in the PSE's SME Board, all existing shareholders of the Company are required not to sell, assign or otherwise dispose of their common shares for a minimum period of one (1) year after the Listing Date. Moreover, the revised listing rules also require that, in the event that there is any issuance or transfer of shares or securities done and fully paid for within 180 days prior to the start of the offer period and the transaction price is lower than that of the offer price in the initial public offering, all shares issued shall be subject to a lock-up period of one (1) year from listing of the aforesaid securities.

The following shareholders are covered by the one-year lock-up requirement reckoned from Listing Date:

Shareholder	No. of Shares	Percentage
Paul L. Wee	224,999,500	81.82%
Pleshette Y. Wee	38,000,099	13.82%
Antonio Herbosa	12,000,000	4.36%
Angel S. Mercado	100	Nil
Francis Julian G. Lorica	100	Nil

Tedison Siy Liao	100	Nil
Benson Pua Ng	100	Nil
Christine P. Base	1	Nil
Total	275,000,000	100.00%

SECURITY OWNERSHIP OF MANAGEMENT

The table below shows the securities beneficially owned by all of the directors, nominees and executive officers of the Company as of the date of this Prospectus. The directors were elected during the Annual Meeting of Stockholders held on 06 May 2015.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent Held
Common	Paul L. Wee	224,999,500	Filipino	81.82%
Common	Pleshette Y. Wee	38,000,099	Filipino	13.82%
Common	Antonio Herbosa	12,000,000	Filipino	4.36%
Common	Angel S. Mercado	100	Filipino	Nil
Common	Francis Julian G. Lorica	100	Filipino	Nil
Common	Tedison Siy Liao	100	Filipino	Nil
Common	Benson Pua Ng	100	Filipino	Nil
Common	Christine P. Base	1	Filipino	Nil

VOTING TRUST HOLDERS OF 5% OR MORE

The Company has no knowledge of any voting trust agreement or any other similar arrangement which may result in a change of control of the Company.

CHANGES IN CONTROL

No change in control of the Company has occurred since the beginning of its last fiscal year. The Company has no knowledge of any existing arrangements that may result in a change in control of the Company.

For information on Changes in Control, see the section "*Description of Securities*" on page [47] of this Prospectus.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's audited consolidated financial statements for the fiscal years ended 31 December 2012, 2013 and 2014, and as at 31 March 2015, including the related notes, as examined and audited by KL Siy & Associates contained in this Prospectus. This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company cautions investors that its business and financial performance is subject to substantive risks and uncertainties. The Company's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set out in "Risk Factors." In evaluating the Company's business, investors should carefully consider all of the information contained in "Risk Factors."

OVERVIEW

Philstocks Financial, Inc. (formerly Accord Capital Equities Corporation) is one of the recognized stock brokers in the industry since September 2001. Philstocks allows clients to open an online trading account for a minimum investment of PHP 5,000.00. At the same time, it allows broker-assisted clients to trade via the Company's in-house traders and agents.

The Company's stock brokerage operation involves the execution of customer trades through the PSE using its online trading platform.

Financial Condition

Financial Condition as of 30 June 2015 compared to 31 December 2014

Assets

Total current assets of the Company decreased by PHP 89.28 Million or 27.35% from PHP 326.97 Million in 31 December 2014 to PHP 237.69 Million in 30 June 2015, primarily due to the following changes:

Decrease in cash and cash equivalents by PHP 119.12 Million or 44.76% from PHP 266.13 Million in 31 December 2014 to PHP 147.01 Million in 30 June 2015 due to cash disbursements used to purchase capital expenses during the first quarter of 2015 which totals PHP 88 Million.

Trade receivables increased by PHP 2.19 Million or 6.58% primarily due to 1305% increase in due from Clearing House from PHP 0.55 Million in 31 December 2014 to PHP 7.73 Million in 30 June 2015 brought by increase in the total traded value of selling transactions for the period ended 30 June 2015.

Non-trade receivables increased by 83.01% or PHP 3.68 Million from PHP 4.43 Million in 31 December 2014 to PHP 8.11 Million in 30 June 2015 primarily due to increase in total receivables from related party by 325.38% or PHP 0.63 Million representing unpaid rental from related party that was collected and paid the following month; and increase of 75.83% or PHP 3.25 Million in accounts receivables from the Company's officers, employees and agents.

Financial Assets at Fair Value through Profit or Loss refers to marketable securities made by the Company. There was an increase of 91.48% or PHP 21.30 Million from PHP 23.29 Million in 31 December 2014 to PHP 44.60 Million in 30 June 2015 due to additional acquisition of securities for short-term investment.

Property, plant, and equipment-net increased by 100.85% or PHP 78.28 Million from PHP 77.63 Million as of year-end of 2014 to PHP 155.91 Million in 30 June 2015. The increase was primarily due to the duly purchased 226 sq.m. office unit in Ortigas, Pasig City in the amount of PHP 18.82 Million, new hardware servers for the Company's US data center and intangible assets which represents the cost of the source code for the Company's online trading platform.

Prepayments and other current assets increased by 87.81% or PHP 17.07 Million from PHP 19.45 Million in 31 December 2014 to PHP 36.52 Million in 30 June 2015. The increase was primarily due to prepaid input vat recognized during the first quarter of 2015 with a total amount of PHP 9.29 Million derived from major capital expenditures during 1Q-2015; increase in other prepayments representing initial public offering related expenses by 265.57% or PHP 3.45 Million; and increase in refundable deposits by 96.48% or PHP 0.83 Million.

Liabilities

The total liabilities of Company increased by 6.39% or PHP 9.52 Million from PHP 148.86 Million in 31 December 2014 to PHP 158.38 Million in 30 June 2015 primarily due to increase in trade payables under Due to Customers by 8.70% or PHP 11.99 Million from PHP 137.88 Million in 31 December 2014 to PHP 149.87 Million in 30 June 2015. On the other hand, there was a decrease of 22.82% or PHP 2.47 Million in other current liabilities from PHP 10.83 Million in 31 December 2014 to PHP 8.36 Million in 30 June 2015 primarily due to decrease in unrecorded deposits of 78.28% or PHP 1.82 Million coupled by the net increase and decrease on other non-trade assets such as withholding tax – compensation; output vat payable; decrease of 43.06% or PHP 0.72 Million in accrued expenses; 35.55% or PHP 0.38 Million decrease in mortgage payable; statutory contributions to government agencies; and other trade payables such as commission payable; central fee payables; transaction fee payable; wherein most of these payables are scheduled to be remitted on the following month after end of 2nd Quarter 2015.

Stockholder's Equity

Stockholders' Equity decreased by 1.33% or PHP 3.65 Million from PHP 275.40 Million in 31 December 2014 to PHP 271.75 Million in 30 June 2015 primarily due to Net Loss recognized for the period ended 30 June 2015.

Financial Condition as of 31 December 2014 compared to 31 December 2013

Assets

The total assets of the Company increased by 52.9% or PHP 146.94 Million from PHP 277.33 Million in 31 December 2013 to PHP 424.26 Million in 31 December 2014.

The increase in cash in bank of 70.46% or PHP 187.49 Million was mainly attributable to the PHP 140.00 Million Time Deposit placed in the bank towards the end of the year from the capital infusion paid by the Board of Directors in the amount of PHP 150.00 Million dated 03 December 2014. This capital infusion was intended to support the application the Company for the Increase in Authorized Capital as approved by the Board of Directors on 05 November 2014.

In the second quarter of 2014, the management has likewise approved the increase in the value of investment in Marketable Securities that resulted to the increase of 124.8% or PHP 12.93 Million from PHP 10.36 Million as of 31 December 2013 to PHP 23.293 Million as of 31 December 2014. This resulted to a favorable increase of 62.96% on the Gain on Sale of Marketable Securities.

Accounts Receivables from Customers has decreased by 147.39% or PHP 53.04 Million. This account represents the net amount of receivables on the purchase and sales of securities made on the trading floor of the Philippine Stock Exchange, Inc. wherein settlements are made three trading days after the consummation of the transactions.

The Company acquired Office Equipment and Computer Software in 2014 and has resulted to a 24.98% or PHP 3.3 Million increase in the cost of hardware maintenance and software development of the Company's online trading platform. Likewise, an increase of 12.31% or PHP 0.12 Million represents new purchases of office furniture and fixtures.

Liabilities

The Company's total liabilities decreased by 3.65% or PHP 5.43 Million mainly due to the decrease in non-trade current liabilities by 45.00% or PHP 4.83 Million composed of accrued expenses for communication bills, incentive bonus and audit fees; commission payable of PHP 0.40 Million in 2014 from PHP 0.80 Million in 2013; account payables to agents, employees, and others have decreased by 70% or PHP 1.06 Million from PHP 1.50 Million in 2013 to PHP 0.45 Million in 2014; statutory payables, central depository fees, miscellaneous payables and mortgage payables with total decrease by 14.23% or PHP 0.23 Million.

Stockholder's Equity

Total stockholder's equity increased by 121.9% or PHP 152.37 Million due to additional Paid-up Capital of PHP 0.50 Million from the outstanding unsubscribed authorized capital of PHP 125.00 Million plus new fresh capital infusion of PHP 150.00 Million for the new application on the Increase in Authorize Capital deposited 03 December 2014.

Financial Condition as of 31 December 2013 compared to 31 December 2012

Assets

The total assets of the Company increased by 5.78% or PHP 15.15 Million from PHP 262.17 Million in 31 December 2012 to PHP 277.33 Million in 31 December 2013.

Total cash and cash equivalents increased by 11.03% or PHP 8.67 Million due to the increase of funds in the reserve fund requirement. Funds placed in the Marketable Securities increased by 23.39% or PHP 2.9 Million. Receivables from customers increased by 2.73% or PHP 2.4 Million, representing amount due from customers resulting from brokerage services rendered, including value of securities bought in behalf of customers, commissions, and other charges thereon.

Total receivable from non-trade transactions decreased by 65.07% or PHP 3.01 Million due to liquidation of non-interest bearing receivables and advances to officers and employees as well as trading errors chargeable to the Company's traders and agents as covered by Trading Error policy of the Company. Other assets is composed of prepaid expenses from insurance, printed forms under office supplies, Input VAT; Deferred tax assets and creditable withholding tax with 22.27% increase or PHP 1.01 Million representing accumulated tax credits which is deductible to corporate income tax.

Intangible assets increased by 49.18% or PHP 5.03 Million from PHP 54.19 Million as of 31 December 2012 to PHP 27.54 Million net of depreciation as of 31 December 2013. This represents computer software and all development to the company's online trading platform such as programming, database and other related application development costs.

Liabilities

The Company's total liabilities increased by 8.81% or PHP 13.50 Million primarily due to the increase in payables to clearing house or due to clearing house by 14.05% or PHP 8.05 Million from PHP 57.28 Million as of 31 December 2012 to PHP 65.33 Million as of 31 December 2013. This account represents the net amount payable on the purchase and sales of securities made on the trading floor of the Philippine Stock Exchange, Inc. wherein payments are made three trading days after the consummation of the transactions.

Long-term outstanding checks increased by 82.36% or PHP 5.34 Million in CY-2014, representing total outstanding checks of clients that is being reversed back to the client's account.

Accounts payable and accrued expenses increased by 64.87% or PHP 1.732 Million. This includes accrual for communication bills, incentive bonus and audit fees.

Stockholder's Equity

Total stockholder's equity increased by 1.28% or PHP 1.57 Million due to increase in Retained Earnings by 9.6% or PHP 2.69 Million while Net Income decreased by 90.98% or PHP 1.2 Million. Paid-up capital is unchanged at PHP 124.5 Million both for full years 2013 and 2012.

Results of Operation

Results of Operation as of 30 June 2015 compared to 30 June 2014

Revenue

For the period ended 30 June 2015, income from operations decreased by 24.34% or PHP 6.69 Million from PHP 27.49 Million in 30 June 2014 to PHP 26.37 Million in 30 June 2015, primarily due to the decrease in Commission Income by 26.23% or PHP 6.02 Million from PHP 22.99 Million in 30 June 2014 to PHP 16.96 Million in 30 June 2015 due to the market's sudden downturn and general reversal in sentiments which is owed to a number of factors such as i. External headwind: Greece and Europe which has been an overriding concern of markets globally; ii. External headwind: US interest rates currently at record lows [between zero-and-0.25%], which has translated into a reversion of foreign funds flow as opportunities for better returns emerge in the US; and iii. Internal concern: 1Q 2015 GDP disappoints as one of the variables that are imputed to targeted and required rates of return on investments, the lower GDP necessitated that initial targets be revisited and revised – obviously lower. These adjustments include year-end-target for the main index and by extension, share prices.

Interest Income from margin financing has likewise showed a decrease of 34.46% or PHP 0.27 Million since most margin account clients have lessened their margin transactions because of the market sentiments followed by a decrease in Gain on Sale of Marketable Securities by 26.96% or PHP 0.99 Million from PHP 3.67 Million in 30 June 2014 as compared to the period ended 30 June 2015. Though the Company has recognized Revenue from Rental Income from its investment in property located in Quezon City for the period ended 30 June 2015 as compared to the same period in 2014, the Company's income from operations still reflected a net decrease in its 2015 six-month performance.

Expenses

Total general and administrative expenses have decreased by 6.25% or PHP 1.85 Million net of all the increases and decreases for the six month period 30 June 2015 as compared to the same period in 2014 due to the decrease in Commission expense by 45.52% from PHP 8.39 Million in 30 June 2014 to PHP 4.23 Million in 30 June 2015 since most of the trades were generated by clients with minimum commission charges.

There has been a slight increase of 9.84% or PHP 0.55 Million in employees' salaries and wages due to the additional personnel that have recently joined the Company in the second quarter of 2015 and increase of overtime charges by 22.33% while the Company's contribution to SSS, PHIC & HMDf for the account of the employees is relatively the same as last year during the same period. Repairs and maintenance of Company cars assigned to executives has increased by 48.13% or PHP 0.06 Million due to cost of preventive maintenance check-up requirements that falls every 1st quarter of the year for Company issued cars.

An increase in some expenses in relation to the Company's plan to offer shares to the public were also noted as follows: Advertising expense increased by 65.57% or PHP 0.06 Million; meetings and conferences by 570.14% or PHP 0.11 Million; and light, power and utilities by 26.13% or PHP 0.10 Million.

Depreciation on office machine and equipment increased by 83.82% or PHP 1.64 Million due to the newly acquired servers for the Company's US data center during the first quarter of 2015. Depreciation for office unit has increased by 100% or PHP 0.62 Million for the newly acquired office unit of the Company located at West Tower, Tektite Building, Ortigas, Pasig City during the 1st Quarter 2015.

All other regular expenses that the Company incurred during the second quarter 2015 remained relatively unchanged as compared to the same period last year.

Results of Operation as of 31 December 2014 compared to 31 December 2013

Revenue

In 2014, total revenue from operations decreased by PHP 8.69 Million or 16.32% as compared to total revenue generated in 2013 mainly due to the decrease in the commission income. In 2014, a significant institutional account has temporarily stopped its trading transactions with the Company due to policy concerns which have resulted to 30.45% or PHP 12.67 Million decrease in Brokers Commission.

It is also worth noting that there was no disposal of Company asset in 2014 compared to 2013 wherein condominium property has been sold during the year realizing a gain on sale of asset in the amount of PHP 3.29 Million in 2013. It secured its BIR Form No. 2313: Certificate Authorizing Registration ("CAR") on 21 March 2014.

The stated negative impact in the decrease of commission income has slightly been complimented by a favorable increase of 96.94% or PHP 3.39 Million non-recurring income from rental income of PHP 3.5 Million as compared to full year 2013 with PHP 0.107 Million and net gain from sale of securities for full year 2014 which likewise increased by 55.02% or PHP 3.31 Million.

From 2012 to 2014, the Company generated the following revenues:

<i>(In million of Pesos)</i>	2012	2013	2014
Commission income	53.9	54.3	41.6
Gain on sale of trading securities	5.6	2.7	6
Rental income	0	0.1	3.5
Dividend income	0.5	0.08	0.3
Interest income	<u>1.9</u>	<u>1.9</u>	<u>1.9</u>
	<u>61.9</u>	<u>59.08</u>	<u>53.3</u>

Note: Interest income includes interest from margin accounts.

Expenses

The Company's consolidated expenses decreased by 8.90% or PHP 4.27 Million. Commission expense decreased by 30.4% or PHP 5.87 Million in 2014 amounting to PHP 13.44 Million as of 31 December 2014 from PHP 19.31 Million last 31 December 2013.

Trading related charges booked under Exchange/Clearing/SIPF Transfer Fee decreased by 175.99% or PHP 232.47 Million due to the decrease in trading transactions of the Company's valued institutional client.

Salaries and Benefits and Employee Welfare have a slight decrease of 6.19% or PHP 0.72 Million. Cost of retirement expense increased by 52.73% or PHP 0.19 Million due to additional computation of benefit based on length of service for the account of each employee.

The decrease in expenses for 2014 was also affected by the reduction on the cost of direct expenses relative to the sale of condominium unit of the Company in 2013 such as light, power and utilities by 36.89% or PHP 0.20 Million; condominium dues, insurance and depreciation expense.

In 2014 marketing incentive bonus and management fees decreased by 79.17% or PHP 0.45 Million. This incentive bonus is given to the Company's traders and licensed salesmen once they reach their sales quota based on total traded value for the year.

<i>(In millions of Pesos)</i>	2012	2013	2014
Cost of Services	7.2	6.4	6.5
General and Administrative	<u>5.2</u>	<u>6.9</u>	<u>6.6</u>
	<u>12.4</u>	<u>13.3</u>	<u>13.1</u>

Results of Operation as of 31 December 2013 compared to 31 December 2012

Revenue

As of 31 December 2013, the Company's total revenue of PHP 61.98 Million brought an increase of 1.84% or PHP 1.12 Million as compared to PHP 60.86 Million total revenue recognized as of 31 December 2012.

Commission slightly increased by 0.79% or PHP 0.43 Million from PHP 53.86 Million as of 31 December 2013 to PHP 54.29 Million as of 31 December 2012.

Though the Company recognized a gain on sale of assets in 2013 in the amount of PHP 3.29 Million compared to 2012, where there was no disposal of any of the Company's assets, this additional revenue was counter balanced by 104.77% or PHP 2.90 Million decrease on the net gain on sale of marketable securities recognized in 2013 amounting to PHP 0.70 Million compared to PHP 5.61 Million recognized in 2012. A decrease in other income was also noted mainly due to the decline in dividend income recognized in 2013 in the amount of PHP 0.08 Million as compared to PHP 0.476 Million in 2012 and decrease in Interest income from banks of 25.40% or PHP 0.102 Million.

Expenses

Total operating and administrative expenses decreased by 3.31% or PHP 1.87 Million net of all the increases and decreases for 2013 against 2012 to 2013. This decrease is mainly attributable to major movements as follows:

- Employees overtime charges decreased by 59.40% or PHP 0.27 Million while salaries and wages increased by 9.13% or PHP 0.95 Million due to personnel hires on the professional administrative level in 2013 as well as compensation adjustments during the year as approved by the management.
- Insurance expense likewise increased by 23.85% or PHP 0.24 Million due to increase in the premium of employees' HMO benefits.
- The Company's monthly contribution to government institutions that are indexed to employees' salaries also increased accordingly.
- There was no company outing recognized for 2013 due to cost-cutting.
- Trainings and seminars also decreased by 409.90% or PHP 0.159 Million in 2013 as compared to 2012 where the Company has sponsored special trainings for IT personnel in Ateneo de Manila.
- Repairs and maintenance of Company cars assigned to executives increased by 73.38% or PHP 0.10 Million due to higher cost of preventive maintenance check-up requirements of the Company's issued cars.

Commission expense has been steady for full year 2013 and 2012 at 36% of the Company's income from its major line of business (commission from client's trades) with only 0.49% or PHP 0.09 Million increase from 2012 to 2013. Management bonus given to sales and traders increased by 183.25% or PHP 0.37 Million as well as marketing incentives given to licensed salesmen by 119.34% or PHP 0.99 Million representing the sales group bonus given to agents and traders who have reached their sales quota based on total traded value for the year.

Amortization of Software Costs increased by 35.67% or PHP 1.65 Million compared to the level in 2012 due to investments in software development, website development and on-line services provided by Philstocks. On the other hand, depreciation for condominium decreased by 200% or PHP 0.267 Million due to disposal of office unit of the Company at Centerpoint Building, Ortigas Center, Pasig City.

Advertising and promotions significantly decreased in 2013 compared to 2012 wherein the Company's Marketing and Events Training ("MET") group conducted road shows and seminars to different universities and nearby provinces to promote investing in the stock market and promote the use of Philstocks online trading platform.

Representation and Entertainment expenses decreased by 46.19% or PHP 0.25 Million. In 2013, the Company released an office campaign named War on Waste ("WOW"). Through this office campaign,

office supplies cost decreased by 20.41% or PHP 0.13 Million; transportation expense by 30.01% or PHP 0.37 Million; light power and utilities decreased by 12.09% or PHP 0.09 Million; communication expenses decreased by 11.18% or PHP 0.35 Million by scaling down internet requirements in the Company's US data center and conversion of 20 direct lines at PHP 1,140.00/monthly per line to migration to digital lines and direct internet to DSL.

All other expenses were maintained within the levels of 2012.

Earnings Per Share

The Company's earnings per share for the full years 2012 to 2014 and as of June 30, 2015 are as follows:

	2012	2013	2014	As of 30 June 2015
Net profit for the year	₱2,690,989.55	₱1,409,352.90	₱1,899,488.39	(₱3,656,955)
Number of common shares as of period end	1,250,000	1,250,000	1,250,000	2,750,000
Earnings per share:	₱2.15	₱1.13	₱1.52	(₱1.33)

Other Financial Information

For the full years 2012, 2013 and 2014, the Company made commitments and contingencies as a lessee under the following operating leases:

- Head Office - G/F Unit EC-06A East Tower of the Philippine Stock Exchange Building, Ortigas Center, Pasig City; annual renewal agreement with escalation rates to a maximum of 10%. The contract is renewable provided that the Company (lessee) shall give a written notice of its intention to renew within sixty (60) days prior to the termination of the contract and subject to negotiations as to the new rate, terms and condition.
- Binondo Branch - G/F Unit 101 MBTC, Downtown Center Tytana Tower, Plaza Lorenzo Ruiz, Binondo; 2 -year term with 5% yearly escalation rate. This contract may be renewed for another two years provided that the Company (lessee) shall give a written notice of its intention to renew to the lessor prior to the termination of the contract.

The following are the future minimum lease payments under these operating leases as of 31 December 2012, 2013 and 2014 and 30 June 2015:

PARTICULARS LOCATION	TERM	2012	2013	2014	Q-2 2015
		OPERATING LEASE			6-mos
HEAD OFFICE	Within One Year	1,334,665.68	1,334,665.68	1,385,871.18	732,100.00
BRANCH - BINONDO	3-Year Contract	554,290.30	582,004.81	661,121.12	338,785.00
BRANCH - BONIFACIO GLOBAL CITY	3-Year Contract	-	-	-	205,190.00
PARKING	Within One Year	116,080.33	116,080.33	176,035.74	91,751.00

Other Information

Other material events and uncertainties known to management that would address the past and would have an impact on the Company's future operations as at 30 June 2015 and as of 31 December 2012, 2013, and 2014 are discussed below.

1. Except as disclosed in the management discussion and notes to the financial statements, there are no other known events that will trigger direct or contingent financial obligation that is material to the Company.
2. Except as disclosed in the management discussion and notes to the financial statements, the Company is not aware of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favourable or unfavourable impact on revenues or income from operations.
3. All significant elements of income or loss from continuing operations are already discussed in the management discussion and notes to financial statements. The Company is not aware of any significant elements of income or loss that did not arise from the Company's continuing operations.
4. There is no material off-balance sheet transaction, arrangement, obligation, and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.
5. The Company does not expect any liquidity or cash problem within the next twelve (12) months.

REGULATORY FRAMEWORK

Securities and Regulation Code

Under the section 28 of the SRC, no person shall engage in the business of buying or selling securities in the Philippines as a broker or dealer, or act as a salesman, or an associated person of any broker or dealer unless registered as such with the SEC. Thus, a secondary license is required for brokerage firms to act as such.

Rules of Capital Markets Integrity Corporation

By virtue of Resolution No. 91 series of 2010 which was passed by the Board of Directors of the PSE on May 26, 2010, the creation of a separate and independent corporation to replace the Market Regulation Division and act as the primary regulator of the trading participants ("TP") of the PSE was approved. On March 2011, the Capital Markets Integrity Corporation ("CMIC") was officially incorporated to effect Resolution No. 91. On February 3, 2012, CMIC was granted by the SEC its self-regulatory organization status, and was finally operational on March of 2012.

CMIC acts as the independent audit, surveillance, and compliance arm of the PSE. As a self regulatory organization, CMIC is mandated to maintain the integrity of the market and minimize the risk of the investing public by ensuring the adherence of the TPs to the pertinent rules, regulations and code of conduct of CMIC and the PSE, as well as other related legislative and regulatory requirements.

CMIC is tasked to regulate and monitor the activities of market participants, as well as to enforce the rules, guidelines, and provisions of the SEC and other securities laws applicable to the operations and dealings of TPs.

Anti-Money Laundering Act (Republic Act No. 9160)

Republic Act No. 9160, as amended by Republic Act No. 9194, and further amended by Republic Act No. 10167, or the *Philippine Anti-Money Laundering Act of 2001* ("AMLA"), proscribes any act where the proceeds of an unlawful activity are transacted, making such proceeds appear to have originated from legitimate sources. Under the AMLA, money laundering is committed by any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:

- (a) Transacts said monetary instrument or property;
- (b) Converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;
- (c) Conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
- (d) Attempts or conspires to commit money laundering offenses referred to in paragraphs (a), (b) or (c). The penalties for acts committed under paragraphs (a), (b) or (c) are imprisonment ranging from 7 to 14 years and a fine of not less than ₱3,000,000 but not more than twice the value of the monetary instrument or property involved in the offense;
- (e) Aids, abets, assists in or counsels the commission of the money laundering offenses referred to in paragraphs (a), (b) or (c) above; and

- (f) Performs or fails to perform any act as a result of which he facilitates the offense of money laundering referred to in paragraphs (a), (b) or (c) above. The penalties for acts committed under paragraphs (e) and (f) are imprisonment from 4 to 7 years and a fine of not less than P 1,500,000.00 but not more than P3,000,000.00.

Money laundering is also committed by any covered person who, knowing that a covered or suspicious transaction is required under this Act to be reported to the Anti-Money Laundering Council ("AMLC"), fails to do so. The penalty for this act is imprisonment from 6 months to 4 years or a fine of not less than P100,000.00 but not more than P500,000.00), or both.

Under the AMLA, a "covered person", whether natural or juridical, refers to: (1) banks, non-banks, quasi-banks, trust entities, foreign exchange dealers, pawnshops, money changers, remittance and transfer companies and other similar entities and all other persons and their subsidiaries and affiliates supervised or regulated by the BSP; (2) insurance companies, pre-need companies and all other persons supervised or regulated by the Insurance Commission ("IC"); (3) (i) securities dealers, brokers, salesmen, investment houses and other similar persons managing securities or rendering services as investment agent, advisor, or consultant, (ii) mutual funds, close-end investment companies, common trust funds, and other similar persons, and (iii) other entities administering or otherwise dealing in currency, commodities or financial derivatives based thereon, valuable objects, cash substitutes and other similar monetary instruments or property supervised or regulated by the Philippine SEC; (4) jewelry dealers in precious metals, who, as a business, trade in precious metals, for transactions in excess of One million pesos (P1,000,000.00); (5) jewelry dealers in precious stones, who, as a business, trade in precious stones, for transactions in excess of One million pesos (P1,000,000.00); (6) company service providers which, as a business, provide any of the following services to third parties: (i) acting as a formation agent of juridical persons; (ii) acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons; (iii) providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement; and (iv) acting as (or arranging for another person to act as) a nominee shareholder for another person; and (7) persons who provide any of the following services: (i) managing of client money, securities or other assets; (ii) management of bank, savings or securities accounts; (iii) organization of contributions for the creation, operation or management of companies; and (iv) creation, operation or management of juridical persons or arrangements, and buying and selling business entities. The types of transactions to which the AMLA applies are divided into two groups: (a) covered transactions, which pertains to all transactions in cash or other equivalent monetary instrument involving a total amount in excess of P500,000 within one banking day; and (b) suspicious transactions, regardless of the amount involved, where any of the following circumstances exist:

- (1) There is no underlying legal or trade obligation, purpose or economic justification;
- (2) The client is not properly identified;
- (3) The amount involved is not commensurate with the business or financial capacity of the client;
- (4) Taking into account all known circumstances, it may be perceived that the client's transaction is structured in order to avoid being the subject of reporting requirements under the Anti-Money Laundering Act;
- (5) Any circumstance relating to the transaction which is observed to deviate from the profile of the client and/or the client's past transactions with the covered institutions;

- (6) The transaction is in any way related to an unlawful activity or any money laundering activity or offense under the Anti-Money Laundering Act that is about to be, is being or has been committed; or
- (7) Any transaction that is similar, analogous or identical to any of the foregoing.

Covered persons are obliged to establish and identify the true identity of its customers, develop risk-based customer identification processes, conduct enhanced due diligence for customers assessed as high risk for money laundering and terrorist financing, as well as report all covered and suspicious transactions to the AMLC within five working days from occurrence thereof, unless the supervising authority concerned prescribes a longer period, which period shall not exceed 10 working days.

Covered persons are also subject to record keeping requirements – all records of all transactions of such covered persons must be maintained and safely stored for 5 years from the dates of the transactions. Further, all covered persons are required to formulate and implement their Anti-Money Laundering/Combating the Financing of Terrorism Programs in accordance with the AMLA.

Covered persons are likewise required to register with the AMLC for a username, password and institution code assignment in accordance with Section X807.4 of BSP Circular No. 706 dated 5 January 2011.

CORPORATE GOVERNANCE

On 11 May, 2015, the Board of Directors of the Company approved and adopted the revised code of Corporate Governance (the “Manual”) in compliance with the requirements of the Revised Code of Corporate Governance under SEC Memorandum Circular No. 6, series of 2009, as amended.

The Company intends to regularly monitor compliance by the Board of Directors and Top Management with the Manual of Corporate Governance. The Company shall develop an evaluation system to measure the level of Compliance by the Board and by Management. As of the date of this prospectus, there have been no deviations from the rules provided by the Manual on Corporate Governance.

THE COMPLIANCE OFFICER

To insure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer. He shall have direct reporting responsibilities to the Chairman of the Board. He shall perform the following:

- (i) Monitor compliance by the corporation with the Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- (ii) Appear before the Commission when summoned in relation to compliance with the Manual; and
- (iii) Issue a certification every January 30th of the year on the extent of the corporation’s compliance with the Manual for the completed year and, if there are any deviations, explain the reason for such deviation.
- (iv) Identify, monitor and control compliance risks.

The appointment of the compliance officer shall be disclosed to the Securities and Exchange Commission. All correspondence relative to his functions as such shall be addressed to the said officer.

COMMITTEES

a. Nomination Committee

If necessary, the Board may create a Nomination Committee which shall have at least three (3) voting (one of whom must be independent) and one (1) non-voting Director in the person of the HR Manager. The following directors and officers are the members of the nomination committee:

Three Voting Directors:

1. Paul Wee – Chairman
2. Christine Base - Director
3. Benson Pua Ng – Independent Director

One Non-voting Member:

1. HR Manager

It shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications mentioned in page 3 under Board of Directors.

In consultation with the executive or management committee/s, re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

The Nominee Committee shall consider the following guidelines in the determination of the number of directorships for the Board:

- (i.) The nature of the business of the Corporations which he is a director;
- (ii.) Age of the Director;
- (iii.) Number of directorships/active memberships and officerships in other corporations or organizations; and
- (iv.) Possible conflict of interest.

The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executive in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

b. Compensation and Remuneration Committee

The Company has its salary payroll structure and personnel handbook created and approved by Compensation and Remuneration Committee composed of 3 Directors, 1 of which shall be an independent director and 2 non-voting members in the person of VP-Operations and HR Manager. The following are the members of the Compensation and Remuneration Committee:

Three Voting Directors:

1. Paul Wee –Chairman
2. Angel Mercado – President and CEO
3. Benson Pua Ng – Independent Director

Two Non-voting Members:

1. Lorna Legaspi – VP Operations
2. HR Manager

Duties and Responsibilities:

- Establish formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and

other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.

- Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully.
- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing and remuneration packages of individual directors, if any, and officers.
- Develop a form on full business interest disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
- Disallow any director to decide his or her own remuneration.
- Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.
- Review, if any, of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.
- Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

c. Audit Committee

The Board has created the Company's Audit Committee composed of the Company's President & CEO; Treasurer and an Independent Director. The following are the members of the Audit committee:

1. Angel Mercado – President and CEO
2. Francis Lorica – Treasurer
3. Tedison Siy Liao – Independent Director

Each member shall have adequate understanding at least or competence at most of the Company's financial management systems and environment.

Duties and Responsibilities:

- Check all financial reports against its compliance with pertinent accounting standards, including regulatory requirements.
- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, and crisis management.

- Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.
- Perform direct interface functions with the internal and external auditors.
- Evaluate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
 - a. A definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standards (IAS) compliant.
 - b. An Accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company through a step-by-step procedures and policies handbook that will be used by the entire organization.

NOMINEE

The Board shall nominate its representative to the Philippine Stock Exchange known as a **“Nominee”**. The Company shall have a “Nominee. All the right and obligations pertaining to the operation and ownership of the trading right shall be exercised and performed by the Nominee. Compliance by Philstocks with the SRC, its implementing rules and all applicable rules of the SEC and Exchange shall be the ultimate responsibility of the Nominee.

Qualifications:

- Must be at least (21) years of age
- With legal residence in the Philippines
- Must have all the qualifications of a Director as prescribed

THE CORPORATE SECRETARY

- The Corporate Secretary is an officer of the company and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties.
- Work fairly and objectively with the Board, Management, stockholders and other stakeholders.
- The Corporate Secretary shall be a Filipino citizen.
- Considering his varied functions and duties, he must possess administrative and interpersonal skills.

Duties and Responsibilities:

- Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation.
- Be responsible for the safe keeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation.

- Shall be loyal to the mission, vision and objectives of the corporation.
- As to agenda, shall put the Board on notice before every meeting.
- Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- Attend all Board meetings and maintain record of the same.
- Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

To ensure compliance with the Manual on Corporate Governance, the Company makes it available for inspection by any stockholders and other stakeholders of the Corporation at reasonable hours on business days. All the directors, executives, division and department heads are also tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process. An adequate number of printed copies of the Manual are reproduced with a minimum of at least one (1) hard copy of the Manual per department.

While the Company currently does not have any specific plans to revise the Manual on Corporate Governance, the Company regularly updates the Manual whenever required by the rules of the Securities and Exchange Commission, or whenever the Company determines its necessity.

TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

It is important that contracts entered by the Company to any companies affiliated with any of the Company's major shareholders must be in arm's length dealings and at least favorable to the Company. This policy is to protect the interests of the Company and all its shareholders with the intention of preventing actions that may cause disagreements among shareholders. For the protection of the mutual interest of the Company and its shareholders, in addition to ensuring that such transactions between the Company and companies affiliated with the Company's major shareholders are fair, just and at least favorable to the Company, it must be overseen and approved by a majority of the Independent Board of Directors of the Company or an Independent firm chosen by its shareholders.

The transactions of the Company with related parties in the normal course of business as of 30 June 2015 are described below:

	Transaction Value		Balance outstanding		Terms	Conditions
	For the 6 months ended 2015	for the year ended December 31 2014	For the 6 months ended 2015	as at December 31 2014		
Buying Transaction						
Directors/Officers	P 11,278	-	P 11,278	-	3 days	
Stockholders	-	39,965	-	39,965	3 days	
Related Interest	454,212	1,781	454,212	1,169	3 days	
Selling Transactions						
Directors/Officers	665,685	1,477,701	665,685	1,477,701	3 days	
Related Interest	517,100	612	517,100	517,100	3 days	
Advances to (from)						
Officers	2,424,611	2,025,876	2,424,611	-	On demand	Non interest bearing
Related Interest	829,300	519,796	829,300	195,000	On demand	Non interest bearing
Management fee receivable						
Related Interest	1,800,000	-	-	-		
Leases						
Related Interest	4,200,000	3,500,000	2,090,700	-		
Acquisition of PPE and Intangible Asset						
Related Interest	18,825,000	3,100,893	-	-		
	<u>P 29,727,186</u>	<u>P 10,666,624</u>	<u>P 6,992,886</u>	<u>P 2,230,935</u>		

Related Interest are various transactions of the Company with its directors, officers, stockholders and related interest (DOSRI). The transactions usually arise from normal trading activities such as buy and sell transactions of shares of stocks which is made in the same manner as with regular customers.

Plant, Property and Equipment or PPE refers to capital expenditures such as condominium unit, leasehold improvement and furniture and fixtures

Buying and Selling Transactions

Buying and selling transactions of the Directors, Officers, Stockholders and Related Interest are made in the same manner as with regular customers.

Advances to Related Parties

The transactions of the Company with related parties in the normal course of business are described below:

The breakdown of this account is as follows:

	For the 6 months ended June 30,			
	2015		2014	
Advances to Officers	P	2,424,611	P	-
Advances to Related Interest		829,300		195,000
Balance, end of the year	P	3,253,911	P	195,000

Advances to Officers

These are receivables from Officers who availed of a loan program from the Company. These loans are payable every month, deductible from salary with no interest. Roll-forward analysis of the Company's advances to related parties follows:

	For the 6 months ended June 30,			
	2015		2014	
Balance, beginning	P	-	P	2,025,875
Advances granted		2,424,611		5,092,880
Payments on advances		-	(7,118,755)
Balance, end	P	2,424,611	P	-

Advances to Related Interest

The Company received from its affiliate, Weepay Payment Processing Corp. for use in operations. The roll forward analysis of these advances is as follows:

	For the 6 months ended June 30,			
	2015		2014	
Balance, beginning	P	195,000	P	714,796
Advances granted		829,300		6,706,660
Payments on advances	(P	195,000)	(P	6,500,000)
Adjustments		-	(P	726,456)
Balance, end	P	829,300	P	195,000

Adjustments made present advances which were deducted from Company's payables.

During the second quarter of 2015, the Company granted its affiliate, Weepay Payment Processing Corp., advances amounting to PHP 829,300 for use in its operations. It was paid on the following reporting period.

Weepay Payment Processing Corp. ("Weepay") is a corporation whose primary purpose is to engage in the business of providing electronic, information and financial transaction processing; software development; information services and system; and such other activities service related, incidental to or connected with the payment business on a direct and indirect basis to merchants, national and multinational corporation, financial institutions and government agencies. The Company and Weepay have common shareholders.

Management Fee

On 05 January 2015 the Company entered into a management contract with PGA to provide professional management services in the field of marketing, finance and budgeting and consultancy services relative to the latter's plan to offer their shares to the public. The terms and condition of the contract provide for a one-time fee of PHP 1.8 Million payable.

Philippe Gadgets and Accessories, Inc. is a domestic corporation whose primary purpose is to engage in the business of trading goods such as audio, video and electronic on wholesale/retail basis. The Company and PGA have common shareholders.

As at 30 June 2015, Management Fee was fully collected.

Leases

Company as Lessor

For the period ended 30 June 2015, the Company generated rental revenue amounting to PHP 3,900,000 from its related party, Philippe Gadgets and Accessories, Inc. for a 1,000 sqm. floor area building. The property is located at West Avenue, Quezon City. As at end 30 June 2015, rental receivables amounted to PHP 2,086,500.

Philippe Gadgets and Accessories, Inc. is a domestic corporation whose primary purpose is to engage in the business of trading goods such as audio, video and electronic on wholesale/retail basis. The Company and Philippe Gadgets and Accessories have common shareholders.

The Company also generated rental revenues from ADI Telecoms Trading Corp amounting to PHP 300,000, a related party of the Company. As at end of June 30, 2015, rental receivables amounted to PHP 4,200.

ADI Telecoms Trading Corp. is a Corporation whose primary purpose is to engage in the business of trading goods, such as cellular, computer, electronic products and its accessories on wholesale/retail basis. The Company and ADI Telecoms Trading Corp. have common shareholders.

The total rental revenues earned from the Company's related parties for the period amounts to PHP 4,200,000.

Purchase of Condominium Unit

On 27 February 2015, the Company purchased a 226 square meter condominium unit at the 20th floor of the West Tower of the Philippine Stock Exchange, PSE Center, Exchange Road, Ortigas Center, Pasig City with two (2) parking slots for a cash consideration amounting to PHP 21,084,000.00 from Oxford Distributions, Inc.

Key Management Personnel Compensation

Details of key management compensation and remuneration follow:

	For the 6 months ended 2015	2014
Compensation	P 3,000,000	P 5,450,000
Short-term benefits	1,250,000	1,880,000

Management fees	720,000	1,440,000
Management Bonus	500,000	600,000
	P 5,470,000	P 9,370,000

For further information on the Company's related party transactions, see Note 22 of the Company's consolidated financial statements for the year ended 31 December 2014 and Note 14 of the Company's consolidated financial statements for the first six months ended 30 June 2015, included in this Prospectus.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company or the Underwriter or their respective advisers in connection with the listing of the Offer Shares.

BRIEF HISTORY

The Philippines initially had two (2) stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the government have resulted in the unification of the two (2) bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two (2) separate exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system which integrates all bids and ask quotations from the bourses.

In June 1998, the SEC granted the PSE a Self-Regulatory Organization (“SRO”) status, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On 08 August 2001, PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. As of the date of this Prospectus, the PSE has an authorized capital stock of One Hundred Twenty Million Pesos (PHP 120,000,000), of which Sixty One Million Fifty Eight Thousand Pesos (PHP 61,058,000) is subscribed and fully paid-up. Each of the one hundred eighty-four (184) member-brokers was granted fifty thousand (50,000) shares of the new PSE at a par value of One Peso (PHP 1.00) per share. In addition, a trading right evidenced by a “Trading Participant Certificate” was immediately conferred on each member broker allowing the use of the PSE’s trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven (7) brokers and eight (8) non-brokers, one of whom is the President. On 15 December 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippines’ securities industry.

Classified into financial, industrial, holding firms, property, services, mining and oil sectors, companies are listed either on the PSE’s Main Board or the Small, Medium and Emerging Board. Each index, represents the numerical average of the prices of component stocks. The PSE has an index, referred to as the PSEi which as of the date hereof reflects the price movements of 30 selected stocks listed on the PSE, based on traded prices of stocks from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective 03 April 2006 simultaneous with the migration to the free float index and the naming of the PHISIX to PSEi.

With the increasing calls for good governance, PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

Selected Stock Exchange Data

The table below sets forth movements in the composite index from 1995 to 2014, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization (in PHP billions)	Combined Value of Turnover (in PHP billions)
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.9
1997	1,869.2	221	1,261.3	588.0
1998	1,968.8	221	1,373.7	408.7
1999	2,142.9	226	1,938.6	713.9
2000	1,494.5	230	2,577.6	357.6
2001	1,168.1	232	2,142.6	159.5
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	236	4,766.2	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	240	7,172.8	572.6
2007	3,261.6	244	7,978.5	1,338.3
2008	1,872.8	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	4,472.1	1,207.4
2011	4,372.0	253	8,687.0	422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.3
2014	7,230.6	263	14,251.7	2,130.1

Source: Philippine Stock Exchange, Inc.

TRADING

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bids or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment for purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Trading on the PSE starts at 9:30 a.m. until 12:00 p.m., where there will be a one and a half hour recess. In the afternoon, trading resumes at 1:30 p.m. and ends at 3:30 p.m., including a 10-minute market run-off from 3:20 p.m. to 3:30 p.m. during which transactions may be conducted, provided that they are executed at the last traded price set prior to the market run-off and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal holidays and days when the BSP clearing house is closed.

Minimum trading lots range from five (5) to one million (1,000,000) shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by fifty percent (50%) or down by fifty percent (50%) in one day (based on the last traded price or adjusted closing price as the case may

be), or the maximum allowable price difference between an update in the Last Traded Price (“LTP”) of a given Security and its preceding LTP that is equal to a percentage set by the PSE based on its trade frequency is breached, the price of that security is automatically frozen by the PSE, unless there is an official statement from the relevant company or a government agency, justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If a company fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the company is disseminated, subject again to the trading ban.

NON-RESIDENT TRANSACTIONS

When the purchase/sale of Philippine shares of stock involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP Rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

SETTLEMENT

The Securities Clearing Corporation of the Philippines (“SCCP”) is a wholly-owned subsidiary of the PSE and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. It is responsible for (a) synchronizing the settlement funds and the transfer of securities through delivery versus payment clearing and settlement of transactions of Clearing Members, who are also PSE Brokers, (b) guaranteeing the settlement of trades in the event of a Trading Participant’s default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund and (c) performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

The SCCP settles PSE trades on a 3-day rolling settlement environment, which means that settlement of trades takes place three (3) business days after transaction date (T + 3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under PDTC’s book entry system. Each PSE Broker maintains a Cash Settlement Account with one of the four (4) existing Settlement Banks of SCCP, which are Banco de Oro Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, and Union Bank of the Philippines. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its new clearing and settlement system called Central Clearing and Settlement System (“CCSS”) on 29 May 2006. CCSS employs multilateral netting whereby the system automatically offsets “buy” and “sell” transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contract occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

SCRIPLESS TRADING

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.) was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. In December 2006, PDTC was issued a temporary license to operate by the SEC as a depository for

equity securities. In 2002, a permanent license as a depository of equity securities and a temporary license as a depository of debt securities was granted to PDTC by the SEC. In September 2003, PDTC was granted a permanent license as a depository of debt securities.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgement (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, Rizal Commercial Banking Corporation, Banco de Oro Unibank, Inc., Metropolitan Bank and Trust Company, and Union Bank of the Philippines.

In order to benefit from the book-entry system, securities must be immobilised in the PDTC system through a process called lodgement. Lodgement is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favour of PCD Nominee Corporation ("PCD Nominee"), a corporation wholly owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. "Immobilisation" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and a new warrant or stock certificate ("Jumbo Certificate") covering all the warrants or shares lodged is issued in the name of the PCD Nominee. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares through his participant will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgements, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system and, with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (trading date plus three trading days) that there are adequate securities in the securities settlement account of the participant-seller and adequate clear funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the PDTC system, in accordance with the PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a stockholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which the PCD Nominee will transfer back to the stockholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of

shares lodged under PCD Nominee The expenses for upliftment are to the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporation's books. In the depository set-up, shares are simply immobilised, wherein customers' certificates are cancelled and a new Jumbo Certificate is issued in the name of PCD Nominee Corp. to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the nominees' name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agent's books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing the broker from its current "de facto" custodianship role.

AMENDED RULE ON LODGEMENT OF SECURITIES

On 24 June 2009, the PSE notified all listed companies and market participants through Memorandum No. 2009-0320 that from July 1, 2009, it would be a condition for the listing and trading of the securities of an applicant company, for the applicant company to electronically lodge its registered securities with the PDTC or any other entity duly authorized by the Philippine SEC, without any Jumbo Certificate in compliance with the requirements of Section 43 of the SRC. Actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules.

Further, the PSE apprised all listed companies and market participants on May 21, 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the Exchange shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the SEC.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The shares/securities of the applicant company in the case of an initial public offering;
- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the SEC in the case of a listing by way of introduction;
- New securities to be offered and applied for listing by an existing listed company; and
- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof such that:

- For new companies to be listed at the PSE as of 01 July 2009 the usual procedure will be observed but the transfer agent of the companies shall no longer issue a certificate to the PCD Nominee Corporation ("PCNC") but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on listing date.
- For existing listed companies, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCNC Jumbo Certificates and upon such advice the PDTC shall surrender all PCNC Jumbo Certificates to the transfer agent for cancellation. The transfer agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in the issuer's registry as of the confirmation date.

ISSUANCE OF STOCK CERTIFICATES FOR CERTIFICATED SHARES

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder. Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. This discussion is based upon laws, regulations, rulings, income tax conventions, treaties, administrative practices and judicial decisions in effect at the date of this Prospectus. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to an investor.

This general description does not purport to be a comprehensive description of the Philippine tax aspects of the investment in the Subject Shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Subject Shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Subject Shares in such other jurisdictions.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SUBJECT SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF LOCAL AND NATIONAL TAX LAWS.

As used in this Section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof.

A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than one hundred eighty (180) days during any calendar year is considered a non-resident alien engaged in trade or business in the Philippines; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a non-resident alien not engaged in trade or business in the Philippines.

A "domestic corporation" is a corporation created or organized under the laws of the Philippines; while a "foreign corporation" is one which is not domestic.

A "resident foreign corporation" is a foreign corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a foreign corporation not engaged in trade or business in the Philippines.

INDIVIDUAL INCOME TAX

A resident citizen is taxed on income from all sources within and without the Philippines (other than certain passive income and capital gains which are subject to final taxes) at progressive rates ranging from five percent (5%) to thirty two percent (32%) of net taxable income. A resident alien, non-resident citizen or non-resident alien engaged in trade or business in the Philippines is generally subject to an income tax in the same manner and at the same progressive tax rates on taxable income from all sources within the Philippines (other than certain passive income and capital gains which are subject to final taxes).

A non-resident alien not engaged in trade or business in the Philippines is taxed on gross income from Philippine sources such as interest, cash and/or property dividends, rents, salaries, wages, premiums, annuities, compensation, remuneration, emoluments, or other fixed or determinable annual or periodic or casual gains, profits, and income, and capital gains (other than capital gains from the sale of shares of stock in a domestic corporation and real property) at the rate of twenty five percent (25%) withheld at source.

A "non-resident citizen" is a citizen of the Philippines who (i) establishes to the satisfaction of the Commissioner of Internal Revenue the fact of his physical presence abroad with a definite intention to reside therein, or (ii) leaves the Philippines during the taxable year to reside abroad, either as an immigrant or for employment on a permanent basis, or (iii) works and derives income from abroad and whose employment thereat requires him to be physically present abroad most of the time during the taxable year. A citizen of the Philippines who has been previously considered as a non-resident citizen and who arrives in the Philippines at any time during the taxable year to reside permanently in the Philippines shall likewise be treated as a non-resident citizen for the taxable year in which he arrives in the Philippines with respect to his income derived from sources abroad until the date of his arrival in the Philippines.

CORPORATE INCOME TAX

Beginning 2009, a domestic corporation is subject to a tax of thirty percent (30%) on its taxable income (gross income less allowable deductions) from all income sources within and outside the Philippines except, those items of income that are subject to final withholding tax, such as, (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of twenty percent (20%) of the gross amount of such income; (b) interest income from depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of seven and 50/100 percent (7.50%) of such income; (c) net capital gains from the sale, exchange or other disposition of shares of stock in a domestic corporation not traded in the stock exchange; and (d) capital gains presumed to have been realized on the sale, exchange or disposition of lands and/or buildings which are treated as capital assets.

A resident foreign corporation (except certain types of corporations enumerated in the Tax Code) is subject to a tax of thirty percent (30%) of its taxable income (gross income less allowable deductions) from all sources within the Philippines except those items of income that are subject to final withholding tax, such as: (a) gross interest income from Philippine currency bank deposits and yield or any other monetary benefit from deposit substitutes, trust funds, and similar arrangements as well as royalties from sources within the Philippines that are generally taxed at the lower final withholding tax rate of twenty percent (20%) of the gross amount of such income; (b) interest income from a depository bank under the expanded foreign currency deposit system that is subject to a final tax at the rate of 7.50% of such income; and (c) net capital gains from the sale, exchange or other disposition of shares of stock in a domestic corporation not traded in the stock exchange.

A minimum corporate income tax of two percent (2%) on gross income as of the end of the taxable year is imposed on domestic corporations and resident foreign corporations beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary income tax for the taxable year.

Nevertheless, any excess of the minimum corporate income tax over the ordinary corporate income tax shall be carried forward and credited against the latter for the three (3) immediately succeeding taxable years. Further, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses on account of prolonged labor dispute, or because of force majeure, or because of legitimate business reverses.

The President of the Philippines may, upon the recommendation of the Secretary of Finance and upon the occurrence of certain macroeconomic conditions, allow domestic and resident foreign corporations the option to be taxed on a gross basis at the rate of fifteen percent (15%). This authority has not been exercised to date.

A final withholding tax of 30% is imposed, as a general rule, upon the gross income received during each taxable year of a non-resident foreign corporation from all sources within the Philippines, subject to the provisions of tax treaties between the Philippines and the country of residence of such foreign corporation.

TAX ON DIVIDENDS

Individual Philippine citizens and resident aliens are subject to a final tax on dividends derived from the common shares at the rate of 10%, which tax shall be withheld by the Company.

Non-resident alien individuals engaged in a trade or business in the Philippines are subject to a final withholding tax on dividends derived from common shares at the rate of twenty percent (20%). A non-resident alien individual who comes to the Philippines and stays for an aggregate period of more than 180 days during any calendar year is considered engaged in a trade or business in the Philippines. Non-resident alien individuals not doing business in the Philippines are subject to a final withholding tax on dividends derived from the common shares at the rate of twenty five percent (25%) subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident alien individuals.

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to income tax at the rate of ten percent (10%). Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines from a domestic corporation are subject to a twenty percent (20%) tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines from a domestic corporation are subject to tax at twenty five percent (25%) of the gross amount, subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations (*i.e.*, foreign corporations not engaged in trade or business in the Philippines) are subject to tax at the rate of thirty percent (30%) effective January 1, 2009.

The thirty percent (30%) rate for dividends paid to a non-resident foreign corporation may be reduced depending on the country of residence of such foreign corporation if it has an existing tax treaty with the Philippines. A country with a tax treaty may have a reduced preferential tax rate depending on the provisions of the corresponding tax treaties. The thirty percent (30%) rate may be reduced to fifteen

percent (15%) if (i) the country in which the non-resident foreign corporation is domiciled imposes no tax on foreign-sourced dividends or (ii) the country of domicile of the non-resident foreign corporation allows a credit against the tax due from the non-resident foreign corporation, for taxes deemed to have been paid in the Philippines equivalent to fifteen percent (15%) beginning on January 1, 2009, which represents the difference between the regular income tax of thirty percent (30%) and the fifteen percent (15%) tax on dividends.

Stock dividends distributed pro-rata to any holder of shares of stock are not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the holder is subject to the capital gains or stock transaction tax.

Philippine tax authorities have prescribed certain procedures, through an administrative issuance, for availment of tax treaty relief. Subject to the approval by the BIR of the recipient's application for tax treaty relief, the Company shall withhold taxes at a reduced rate on dividends to be paid to a non-resident holder, if such non-resident holder provides the Company with proof of residence and, if applicable, individual or corporate status. Proof of residence for an individual consists of certification from his embassy, consulate, or other equivalent certifications issued by the proper government authority, or any other official document proving residence. If the regular tax rate is withheld by the Company instead of the reduced rates applicable under a treaty, the non-resident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim with the tax authorities and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

The term "non-resident holder" means a holder of the common shares:

- who is an individual who is neither a citizen nor a resident of the Philippines or an entity which is a foreign corporation not engaged in trade or business in the Philippines; and
- should a tax treaty be applicable, whose ownership of the common shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.

SALE, EXCHANGE OR DISPOSITION OF SHARES

Capital Gains Tax, if sale was made outside the PSE

Net capital gains realized by a resident or non-resident other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, unless an applicable treaty exempts such gains from tax or provides for preferential rates, are subject to tax as follows:

Not over ₱100,000.00	Five percent (5%)
Amount in excess of ₱100,000.00	Ten percent (10%)

The rate of tax is the same for both individual and corporation regardless of nationality and domicile.

Gains from the sale or disposition of shares in a Philippine corporation may be exempt from capital gains tax or subject to a preferential rate under a tax treaty as noted above.

The transfer of shares shall not be recorded in the books of the Company unless the BIR certifies that capital gains tax and documentary stamp tax ("DST") relating to the transfer have been paid or other conditions to qualify for exemption or reduction in tax rate have been met.

Taxes on Transfer of Shares Listed and Traded at the Exchange

A sale, exchange or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.50% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, unless an applicable treaty exempts such sale from the stock transaction tax. This tax shall be paid by the selling stockbroker on behalf of its client. The stock transaction tax is classified as a percentage tax and is paid in lieu of capital gains tax.

In addition, a VAT of twelve percent (12%) is imposed on the commission earned by the PSE-registered broker, which tax is generally passed on to the client.

The Bureau of Internal Revenue has effectively expanded the application of the 5%/10% capital gains tax by extending it even to trades through the stock exchange of shares of listed companies which do not maintain their public ownership requirement. The BIR, in a letter dated December 28, 2010 addressed to the SEC, stated that it would "strictly impose the 5%/10% capital gains tax" for trades in listed companies "who will not maintain their public ownership requirement", said public ownership requirement being the 10% to 33% public ownership levels (based on the listed company's market capitalization) required for an initial public offering or IPO. This BIR letter was referred to the PSE by the SEC on January 3, 2011. The PSE subsequently issued a memorandum dated January 20, 2011 in response to the SEC on the BIR's statements. The PSE noted that the Tax Code imposes a stock transaction tax of ½ of 1% of the gross selling price or gross value in money of shares of stock listed and traded on the PSE, without qualification and that the power of the Secretary of Finance to promulgate rules and regulations implementing the Tax Code should be confined to the details for the implementation of the law and does not include the power to amend the law.

Regardless, on November 7, 2012, the BIR issued regulations which provided that the tax treatment of sales or other dispositions of shares of stock of publicly listed companies which fail to meet the minimum public ownership after December 31, 2012 shall be subject to the 5%/10% capital gains tax and the documentary stamp tax.

Documentary Stamp Tax on Shares

The original issue of shares of stock is subject to DST of One Philippine Peso (PHP 1.00) for each Two Hundred Pesos (PHP 200.00) par value or a fraction thereof, of the shares of stock issued. On the other hand, the sale, transfer or other disposition of shares of stock (including the re-issuance of previously redeemed shares of stock) is subject to a DST of 75/100 Pesos (PHP 0.75) for each Two Hundred Pesos (PHP 200.00) par value or a fractional part thereof of the shares sold, transferred or otherwise disposed of.

However, for a period of five (5) years from March 20, 2004, the sale, barter or exchange of shares of stock listed and traded at the PSE shall be exempt from DST. On June 30, 2009, President Arroyo signed Republic Act No. 9648 or "An Act Exempting from Documentary Stamp Tax any Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Exchange, Further Amending For The Purpose Section 199 of The National Internal Revenue Code of 1997, as Amended by Republic Act No. 9243, and for other purposes" which permanently exempts the sale, barter or exchange of shares of stock listed and traded

through the local stock exchange from the payment of DST. The application of this exemption was made retroactive to March 20, 2009.

In addition, the borrowing and lending of securities which will be executed under the securities borrowing and lending program to be implemented by a registered exchange, or which are in accordance with regulations prescribed by the appropriate regulatory authority, will likewise be exempt from DST. However, the securities borrowing and lending agreement should be duly covered by a master securities borrowing and lending agreement acceptable to the appropriate regulatory authority, and should be duly registered and approved by the BIR. Otherwise, such agreement would be subject to the documentary stamp tax on debt instruments at the rate of One Pesos (PHP 1.00) on each Two Hundred Pesos (PHP 200.00) or the fractional part thereof of the issue price of such debt instrument.

Tax on Initial Public Offering

A sale, barter, exchange or other disposition through IPO of shares of stock in closely held corporations as defined in the Tax Code is subject to a tax based on the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or disposed of in accordance with the proportion of shares of stock sold, bartered, exchanged or disposed of to the total outstanding shares of stock after the listing on the PSE:

Percentage of Stocks Sold to Outstanding Capital Stock	Rate
Up to 25%	Four percent (4%)
Over 25% but not over 33 & 1/3%	Two percent (2%)
Over 33 & 1/3%	One percent (1%)

The Tax Code defines a "closely-held corporation" to mean either: (a) a corporation at least fifty percent (50%) in value of the outstanding capital stock; or (b) a corporation at least fifty percent (50%) of the total combined voting power of all classes of stock entitled to vote, is owned directly or indirectly by or for not more than twenty (20) individuals, to be determined based on certain rules. The person liable for the payment of the tax is either the issuing corporation in a primary offering or the selling stockholder in a secondary offering.

Estate and Gift Taxes

The transfer of shares of stock of a Philippine corporation upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien, regardless of residence, is subject to Philippine taxes at progressive rates ranging from five percent (5%) to twenty percent (20%), if the net estate is over Two Hundred Thousand Pesos (PHP 200,000.00). Individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer shares of stock by way of gift or donation are liable to pay Philippine donors' tax on such transfer of shares ranging from two percent (2%) to fifteen percent (15%) of the net gifts during the year exceeding One Hundred Thousand Pesos (PHP 100,000.00). The rate of tax with respect to net gifts made to a stranger (*i.e.*, one who is not a brother, sister, spouse, ancestor, lineal descendant or relative by consanguinity within the fourth degree of relationship) is a flat rate of thirty percent (30%).

Estate and donors' taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the decedent at the time of his death or the donor at the time of the donation was

a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

TAXATION OUTSIDE THE PHILIPPINES

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and capital gains tax and the transfer of such shares by gift (donation) or succession is subject to the donors' or estate taxes stated above. Sales or other dispositions of shares of stock in a domestic corporation through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, are, however, subject to a stock transaction tax at the rate of 0.50% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, unless an applicable treaty exempts such sale from the stock transaction tax.

The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax consideration on non-resident holders of shares of stock under laws other than those of the Philippines. Each prospective holder should consult his own tax adviser as to the particular tax consequences to such holder of purchasing, owning and disposing of the Offer Shares, including the applicability and effect of any state, local and national laws.

PHILIPPINE FOREIGN INVESTMENT, FOREIGN OWNERSHIP AND EXCHANGE CONTROLS

REGISTRATION OF FOREIGN INVESTMENTS AND EXCHANGE CONTROLS

BSP regulations require registration of investments in Philippine securities if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits, and earnings that accrue on such investments will be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance will be sourced outside the Philippine banking system, registration is not required. BSP Circular No. 471 (Series of 2005) subjects foreign exchange dealers and money changers to Republic Act No. 9160 (the Anti-Money Laundering Act of 2001, as amended) and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit, among others, the original BSP registration document in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends. Registration of investments in Philippine securities listed on the PSE may be done with the BSP or through an investor's custodian bank which shall issue a registration document on behalf of the BSP. A custodian bank may be any commercial bank or offshore banking unit in the Philippines appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with the investment in the Philippines. Applications for registration must be accompanied by (i) purchase invoice or subscription agreement and/or proof of listing on the PSE, (ii) credit advice or bank certificate showing the amount of foreign currency inwardly remitted and converted to pesos through a commercial bank and (iii) in certain instances, transfer instructions from the shareholder or dealer, as the case may be.

Upon registration of the investment, proceeds of divestments or dividends, the registered investments may be repatriated or remitted immediately and in full through the Philippine banking system, net of applicable taxes, without need of BSP approval. Remittance is allowed upon presentation to the authorized agent bank of the BSP registration document, at the exchange rate applicable on the date of the actual remittance. Pending repatriation or reinvestment, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest thereon, net of taxes, may also be remitted in full. Divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, through the Monetary Board, with the approval of the President of the Philippines, temporarily suspend or restrict the sale of foreign exchange in the imminence of or during a foreign exchange crisis, or in times of national emergency. Furthermore, there can be no assurance that BSP foreign exchange regulations will not be made more restrictive in the future.

The registration with the BSP of all foreign investments in the Subject Shares shall be the responsibility of the foreign investor.

RESTRICTION ON FOREIGN OWNERSHIP

Foreign investors are permitted to invest in only a limited number of securities of Philippine corporations due to restrictions on foreign ownership imposed under the Constitution and by Philippine statutes, particularly in respect of securities of corporations engaged in restricted business activities. The principal restricted business activities are the ownership of land, exploitation and development of natural resources,

ownership of educational institutions, operation of public utilities, and advertising, commercial banking, mass media, retail trade and rural banking activities.

Under the Foreign Investments Act of 1991, as amended, foreign investments in any Philippine corporation not engaged in a restricted business activity may not exceed 40% of a corporation's outstanding capital stock unless such foreign investment represents an inward remittance of at least Two Hundred Thousand US Dollars (US\$ 200,000.00).

PARTIES TO THE OFFER

The Issuer	:	PHILSTOCKS FINANCIAL, INC. G/F EC-05B East Tower Philippine Stock Exchange Center Exchange Road, Ortigas Center Pasig City, Philippines 1605 Branch Office G/F Unit 101 MBTC Downtown Center Tytana Plaza Lorenzo Ruiz, Binondo Manila, Philippines 1006
Issue Manager and Underwriter	:	UNICAPITAL, INC. 3/F Majalco Building Benavidez cor. Trasierra Streets, Legaspi Village Makati City, Philippines 1229
Selling Agents	:	TRADING PARTICIPANTS OF THE PHILIPPINE STOCK EXCHANGE, INC.
Legal Counsel to the Issuer	:	PACIS & REYES ATTORNEYS-AT-LAW 8/F Chatham House 116 Valero Street corner V.A. Rufino Street Salcedo Village, Makati City, Philippines 1227
Legal Counsel to the Underwriter	:	PICAZO BUYCO TAN FIDER & SANTOS Liberty Center, 104 H.V. dela Costa Street Salcedo Village, Makati City, Philippines 1227
Auditors	:	KL SIY & ASSOCIATES Unit 1409 Prestige Tower Emerald Avenue, Ortigas Center Pasig City, Philippines 1605
Receiving Agent	:	RIZAL COMMERCIAL BANKING CORPORATION TRUST AND INVESTMENTS DIVISION 9/F RCBC Plaza, 6819 Ayala Avenue Makati City, Philippines 0727
Escrow Agent and Stock Transfer Agent	:	BDO UNIBANK, INC. TRUST AND INVESTMENTS GROUP BDO Corporate Center, 7899 Makati Avenue Makati City, Philippines 0726