

# COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

[illegible]

(Business Address : No. Street/City Province)

**RICHARD ALLAN A. CO**

Contact Person

**396-5270**

Company Telephone Number

**MARCH 31, 2019**

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| 1 | 2 |
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Month

|   |   |
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| 3 | 1 |
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Day

Fiscal Year

SEC FORM 17-Q

FORM TYPE

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Month

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Day

Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

\_\_\_\_\_

Total No. of Stockholders

### Total Amount of Borrowings

|  |              |
|--|--------------|
|  | Total Annual |
|  |              |

Domestic

Borrowings

Foreign

To be accomplished by SEC Personnel concerned

|  |  |  |  |  |  |  |  |  |
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File Number

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LCU

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## STAMPS

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**SEC REG. NO. A199908874**

**DFNN INC.  
(Consolidated First Quarter)**

**Office Address:**

**L2 – L5 14<sup>TH</sup> Floor Philippine Stock Exchange Tower  
5<sup>TH</sup> Avenue, corner 28<sup>TH</sup> Street, Bonifacio Global City  
Taguig City, Philippines 1634**

**Telephone No.: 396-5270**

**Fiscal Year Ending: December 31, 2019**

**SEC FORM 17-Q**

**Active Secondary License Type and File Number: None**

**May 22, 2019**

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

1. For the quarterly period ended March 31, 2019
2. Commission identification number A199908874
3. BIR Tax Identification No. 202-955-796-000
4. Exact name of registrant as specified in its charter

DFNN INC.

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

*Manila, Philippines*

6. Industry Classification Code:  (SEC Use Only)

.....  
.....

7. Address of registrant's principal office  
Postal Code 1634

L2-L5 14<sup>TH</sup> Floor Philippine Stock Exchange Tower  
5<sup>TH</sup> Avenue corner 28<sup>TH</sup> Street  
Bonifacio Global City, Taguig  
Metro Manila, Philippines 1634

8. Registrant's telephone number, including area code

(632) 396-5270

9. Former name, former address and former fiscal year, if changed since last report

3F Bonifacio Technology Center 31<sup>St</sup> Street Corner 2nd Avenue,  
E-Square IT Park – SEZ Bonifacio Global City, Taguig Metro Manila  
Philippines

10. Securities registered pursuant to Sections 4 and 8 of the RSA

| Title of each Class                      | Number of shares of common stock outstanding and amount of debt outstanding |
|--|---|
| <u>Common Shares, PhP 1.00 par value</u> | <u>324, 620,008</u>   |

11. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes ☒ No ☐

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐

(b) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements.

*See attached Financial Reports*

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

*The following discussion should be read in conjunction with the company's consolidated financial statements. Such consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines ("Philippine GAAP").*

The Company does not experience any seasonality or cyclicity in its interim operations. Most of the Company's projects have implementation cycles between 6 months to 24 months. As such revenue comparisons on a quarterly basis may not be comparable.

#### **Three Months ended March 31** **2019 vs. 2018**

Revenue for the three months ended March 31, 2019 amounted to P301.4 million, an increase of P12.0 million or 4.1% compared to the same period last year with recorded total revenue of P289.4 million.

The Company posted an EBITDA of ₱45.4 million versus ₱74.1 million for the same period last year, a decrease of ₱28.8 million or 38.8% from the same period last year.

DFNN has now focused its efforts on its Gaming product offerings, Gaming Business Process Outsourcing Services, and its Secure Internet and Custom Financial applications through its various proprietary systems. DFNN's proprietary software, systems and platforms have been accepted for use in the Legal Gaming and Gambling industry of which technology needs are similar to the financial institutions that were initially targeted by the company. DFNN has increased its marketing efforts to provide more systems to the growing online gaming market in Asia and these initiatives which are long term in nature will impact significantly to the group's revenue and will provide for recurring revenue.

#### **Consolidated Results of Operation**

|   | For the 3 months ended |       |             |          |
|---|------------------------|-------|-------------|----------|
|   | March 31               |       | Fav/(Unfav) |          |
| (In ₱ Million)                          | 2019                   | 2018  | Variance    | %        |
| Revenue                                 | 301.4                  | 289.4 | 12.0        | 4.1%     |
| Cost and expenses                       | 262.9                  | 221.1 | 41.8        | 18.9%    |
| Depreciation and amortization           | 20.9                   | 20.3  | (0.7)       | (3.3%)   |
| Other income (charges)                  | 4.2                    | 3.4   | 0.7         | 20.8%    |
| Provision for (benefit from) income tax | 1.1                    | (1.3) | (2.5)       | (183.7%) |
| Net Income                              | 20.5                   | 52.8  | (32.3)      | (61.1%)  |
| EBITDA                                  | 45.4                   | 74.1  | (28.8)      | (38.8%)  |

## Consolidated Results of Operation

|  | <u>For the First Quarter Ended</u> |                    |                        |                 |
|--|------------------------------------|--------------------|------------------------|-----------------|
|  | <u>March 31</u>                    |                    | <u>Fav/(Unfav)</u>     |                 |
| <b>(In ₱ Million)</b>                      | <u><b>2019</b></u>                 | <u><b>2018</b></u> | <u><b>Variance</b></u> | <u><b>%</b></u> |
| Revenue                                    | <b>301.4</b>                       | 289.4              | 12.0                   | 4.1%            |
| Cost and expenses                          | <b>262.9</b>                       | 221.1              | 41.8                   | 18.9%           |
| Depreciation and amortization              | <b>20.9</b>                        | 20.3               | (0.7)                  | (3.3%)          |
| Other income (loss)                        | <b>4.2</b>                         | 3.4                | 0.7                    | 20.8%           |
| Provision for (benefit from)<br>income tax | <b>1.1</b>                         | (1.3)              | (2.5)                  | (183.7%)        |
| <b>Net Income</b>                          | <b>20.5</b>                        | 52.8               | (32.3)                 | (61.1%)         |
| EBITDA                                     | <b>45.4</b>                        | 74.1               | (28.8)                 | (38.8%)         |

### Material Changes for Revenue/Other Revenue

(1<sup>st</sup> Quarter 2019 vs. 2018)

Revenue during the first three months of 2019 is mainly in line with comparable period in 2018, with the increase in service fee income and sale of licenses partly offset by the decrease in commission income.

- **Commission Income.** The revenue from share-based income generated from licensed gaming operations for the three months ended March 31, 2019 decreased due mainly to the reduction in the number of gaming terminals by 3.38%. As of March 31, 2019, the Company has deployed 5,974 terminals nationwide.
- **Service Fee Income.** Revenue generated from the development and maintenance of software solutions during the three-month period ended March 31, 2019 amounted to ₱23.3 million, an increase of ₱7.1 million or 43.9% compared to comparable period last year. The increase is attributable to transaction services revenue, and income generated through processing and integration fees, through the aggressive sales effort of the management team, and enhancing the product suite to expand into blockchain technologies.
- **Sale of Licenses.** Sales of software and application licenses for the three months ended March 31, 2019 amounted to ₱16.3 million, an increase of ₱15.1 million or 1,207.0% compared to comparable period last year. The increase in revenue was due to the increase in foreign license revenue.

## Material Changes for Costs and Expenses

(1<sup>st</sup> Quarter 2019 vs. 2018)

### Costs and Expenses

For the three-month period ended March 31, 2019 the DFNN Group had consolidated cost and expenses in the amount of ₱262.9 million, an increase of ₱41.8 million or 18.9% compared to the same period last year.

- **Services fees and other fees.** Service fees for the three months ended March 31, 2019 amounted to ₱201.4 million which showed an increase of ₱15.8 million or 8.5% compared to similar period last year. The increase is mainly attributable to variable costs associated with the licensed gaming operations and software development related services of the group.
- **Personnel cost.** Compared to similar period last year, salaries and other personnel costs showed an increase of ₱9.1 million due mainly to increase in Group headcount to support the growth in licensed gaming operations and project implementations.
- **Other Operating Expenses.** The increase in this account of ₱13.5 million compared to the same period last year is attributable to higher spend on taxes and licenses, repairs and maintenance, and insurance.

### Key Performance Indicators:

| (In ₱ Million)      | March 31, 2019 | December 31, 2018 |
|---------------------|----------------|-------------------|
| Current Assets      | 1,435.3        | 1,342.3           |
| Total Assets        | 2,045.6        | 1,958.4           |
| Current Liabilities | 692.6          | 622.3             |
| Total Liabilities   | 860.9          | 793.6             |
| Total Equity        | 1,184.6        | 1,164.7           |

| Financial Ratios:              |                                      | March 31, 2019 | March 31, 2018 |
|--------------------------------|--------------------------------------|----------------|----------------|
| Operating Income Margin        | Operating Income / Revenue           | 6.79%          | 16.60%         |
| Current Ratio                  | Current Assets / Current Liabilities | 2.07           | 2.03           |
| Current Assets to Total Assets | Current Assets / Total Assets        | 70.17%         | 49.38%         |
| Debt to Equity Ratio           | Total Liabilities / Total Equity     | 0.73           | 0.48           |
| Asset to Equity Ratio          | Total Assets / Total Equity          | 1.73           | 1.48           |
| Return on Total Assets         | EBIT / Total Assets                  | 1.19%          | 2.99%          |
| Return on Total Equity         | Net Income / Total Equity            | 1.55%          | 4.35%          |
| Interest Rate Coverage Ratio   | EBIT / Interest Expense              | 8.89           | 22.73          |

Overall, the Company's net income for the three months ended March 30, 2019 amounted to ₱20.5 million, which is lower by ₱32.3 million or 61.1% compared to ₱52.8 million for the same period last year. The decrease in net income is mainly attributable to lower revenues which decreased by ₱31.7 million compared to the same period last year.

## **Financial Condition**

As of March 31, 2019, DFNN's Total Assets stood at approximately ₱2.05 billion. DFNN had no significant long-term debt. Stockholders' Equity amounted to ₱1.18 billion.

The Company's cash position remained liquid throughout the three-month period. DFNN had consolidated cash and cash equivalents amounting to ₱90.1 million as of March 31, 2019.

DFNN had no material commitments for capital expenditures as of March 31, 2019.

DFNN has incurred significant costs and invested substantial funds towards the acquisition of a signed and executed contract (the Project) with the Philippine Charity Sweepstakes Office (PCSO), as well as the development and delivery of work under this contract. This Project was unilaterally suspended by PCSO, despite the fact that the Company had already fulfilled all of its deliverables under the contract.

DFNN filed for a civil case entitled an "Application for Interim Measure of Protection in Aid of Arbitration - Preliminary Injunction with Application for Temporary Order for Protection" and PCSO filed with the Regional Trial Court its Notice of Appeal. On March 21, 2013, the Company received a resolution from the Court of Appeals granting DFNN's Motion to Dismiss and dismissing the Appeal filed by PCSO.

DFNN received a copy of the Arbitral Award dated May 21, 2015 in relation to the arbitration proceedings mandated by the Equipment Lease Agreement (ELA) dated April 9, 2003 between the Company and the PCSO.

In its Arbitral Award, the Arbitration Panel ruled that PCSO illegally and improperly terminated the ELA with the Company. In this regard, PCSO was ordered to pay the Company the amount of ₱27,000,000 as liquidated damages, in accordance with the terms of the ELA.

A Petition for Correction of Domestic Arbitral Award was instituted in the Regional Trial Court of Makati (the Court) to seek correction of the computation of damages awarded to the Company in the arbitral award dated May 21, 2015.

DFNN received the Decision dated February 17, 2016 issued by the Court in relation to the Petition for Correction (the "Petition") filed by the Company. In its Decision, the Court granted the Petition and ordered the correction of the Arbitral Award to ₱310,095,150 plus 6% interest from date of finality of the Decision until final satisfaction thereof by PCSO in accordance with computation for liquidated damages provided under Section 13.2 of the ELA.

An Order dated May 18, 2016 was issued by the Court, in relation to its Petition for Correction of Arbitral Award with the PCSO. In the Order, the Court denied the PCSO's Motion for Reconsideration for lack of merit. The said Order stated that, "The Court, after having read the parties' respective pleadings does not find any justifiable reason to overturn the assailed Decision, much less issue a different ruling. When the Court ruled for the petitioner, it was after a thorough perusal of the attendant circumstances, taking into consideration the facts and applicable law."

Meanwhile, on 23 January 2017, DFNN filed before the Commission on Audit ("COA") a Petition for the Enforcement of its money claim against PCSO (i.e., P310 Million plus 6%



interest) considering the immediately executory nature of the RTC Br. 66 Makati City Decision. However, to date, the COA has yet to resolve the Petition.

Thereafter, PCSO appealed the said decision of RTC Br. 66 Makati City to the Court of Appeals, which then affirmed the ruling of the lower court. PCSO then elevated the matter to the Supreme Court, in G.R. No. 232801, assailing the ruling of the Court of Appeals. As of date, the Supreme Court has yet to resolve the case.

### **Material Changes in the financial condition of DFNN**

(March 31, 2019 vs. December 31, 2018)

Cash & Cash Equivalents. The decrease in cash and cash equivalents is mainly due to payments related to marketing support for the outlets, and partial settlement of short-term loans.

Receivables. The increase in receivables is attributable to the increase in daily gross hold with the Gaming Sites, rent income earned from new sub-lease agreements, and advances made to affiliated companies.

Other Current Assets. The increase in the balance of this account is mainly due to the increase in Input VAT, as well as other receivables from outlets for marketing support.

Property and Equipment. The decrease in the balance was attributable to depreciation and amortization of the cost of Build-Out and Fit-Out of Technology and Data Center in Sta. Rosa, Laguna.

Investment in Associates. The balance is the carrying investment of DFNN, Inc. in the shares of HatchAsia Inc. representing about 21.97% holding percentage which is accounted using the equity method of accounting.

Goodwill and Intangible Assets. The decrease was mainly due to the straight line amortization of the account.

Accounts Payable and Other Current Liabilities. Current liabilities increased due mainly to increase in trade payables as a result of higher volume of transactions related to licensed gaming operations and software development services.

Other than those stated above, there were no significant changes or events that impacted on DFNN's continuing operations.

Other than those stated above and to the best of the Company Management's knowledge, Management is not aware of any trend, demand, commitment, event or uncertainty that will have a material impact on the issuer's liquidity. Management is not aware of any event that may trigger any material direct or contingent financial obligation, including any default or acceleration of an obligation. Management is not aware of any material off-balance sheet transaction, arrangement, obligation (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period. Management is not aware of any trend, event or uncertainty that may have a material impact (favorable or unfavorable) on the Company's net sales/revenues/income from continuing operations. Management is not aware of any significant element of income or loss that did not arise from the Company's continuing operations.

## SIGNATURES

Pursuant to the requirements of the Securities Regulations Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

For: **DFNN INC.**



**Antonio A. Lopa**  
*Chairman*



**Calvin Lim Eng Kiat**  
*President/CEO*



**Raymund Martin M. Escalona**  
*Chief Financial and Investment Officer*

Date: 22 MAY 2019

## **DFNN INC. And Subsidiaries**

Consolidated Financial Statements as at December 31, 2018 and  
Quarters ended March 2019 and March 2018

**DFNN INC. & SUBSIDIARIES**

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Philippine Pesos)

|  | UNAUDITED<br>MARCH 31,<br>2019 | AUDITED<br>DECEMBER 31,<br>2018 |
|--|--------------------------------|---------------------------------|
| <b>ASSETS</b>  |                                |                                 |
| <b>Current Assets</b>  |                                |                                 |
| Cash   | 90,078,945                     | 96,410,210                      |
| Receivables – net  | 669,068,477                    | 656,857,442                     |
| Financial assets at fair value through profit or loss        | 393,017,102                    | 386,423,829                     |
| Other current assets   | 283,157,507                    | 202,614,941                     |
| <b>Total Current Assets</b>                                  | <b>1,435,322,031</b>           | <b>1,342,306,422</b>            |
| <b>Noncurrent Assets</b>                                     |                                |                                 |
| Goodwill and intangible assets                               | 273,170,542                    | 278,116,893                     |
| Noncurrent portion of financial assets                       | 18,634,586                     | 18,634,586                      |
| Investment in associates                                     | 74,993,376                     | 75,014,329                      |
| Property and equipment - net                                 | 105,561,496                    | 106,450,691                     |
| Deferred tax assets  | 36,912,915                     | 36,912,915                      |
| Other noncurrent assets                                      | 100,992,028                    | 100,939,184                     |
| <b>Total Noncurrent Assets</b>                               | <b>610,264,943</b>             | <b>616,068,598</b>              |
| <b>TOTAL ASSETS</b>  | <b>2,045,586,974</b>           | <b>1,958,375,020</b>            |
| <b>TOTAL LIABILITIES AND EQUITY</b>                          |                                |                                 |
| <b>Current Liabilities</b>                                   |                                |                                 |
| Accounts payable and other current liabilities               | 646,354,323                    | 576,079,888                     |
| Short-term loans payable                                     | 35,558,571                     | 38,099,439                      |
| Income tax payable   | 10,734,634                     | 8,127,171                       |
| <b>Total Current Liabilities</b>                             | <b>692,647,528</b>             | <b>622,306,498</b>              |
| <b>Noncurrent Liabilities</b>                                |                                |                                 |
| Deferred tax liabilities                                     | 81,614,794                     | 83,098,699                      |
| Deposits for future stock subscriptions                      | 36,750,000                     | 36,750,000                      |
| Retirement benefits liability                                | 11,502,653                     | 11,502,653                      |
| Loans payable  | 8,495,046                      | 6,505,437                       |
| Accrued rent and rental deposits                             | 9,233,288                      | 12,768,998                      |
| Other non-current liabilities                                | 20,702,431                     | 20,702,431                      |
| <b>Total Noncurrent Liabilities</b>                          | <b>168,298,212</b>             | <b>171,328,218</b>              |
| <b>Total Liabilities</b>                                     | <b>860,945,740</b>             | <b>793,634,716</b>              |
| <b>Equity</b>  |                                |                                 |
| Equity attributable to equity holders of the Parent Company: |                                |                                 |
| Capital stock  | 324,620,008                    | 324,620,008                     |
| Additional paid-in capital                                   | 583,036,164                    | 583,036,164                     |
| Cumulative translation adjustments                           | (37,910,773)                   | (37,374,521)                    |
| Treasury Stock   | (26,677,255)                   | (26,677,255)                    |
| Equity reserve   | (49,230,618)                   | (49,230,618)                    |
| Stock options outstanding                                    | 62,264,707                     | 62,264,707                      |
| Other comprehensive income                                   | (2,602,463)                    | (2,602,463)                     |
| Retained earnings  | 213,823,935                    | 213,823,935                     |
| Net Income (loss)  | 18,407,357                     | -                               |
|  | <b>1,085,731,062</b>           | <b>1,067,859,957</b>            |
| Non-controlling interest                                     | 98,910,172                     | 96,880,347                      |
| <b>Total Equity</b>  | <b>1,184,641,234</b>           | <b>1,164,740,304</b>            |
| <b>TOTAL LIABILITIES AND EQUITY</b>                          | <b>2,045,586,974</b>           | <b>1,958,375,020</b>            |

DFNN INC. & SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Philippine Pesos)

|  | For the 3 months   |                    | For the 3 months   |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | January to March   |                    | January to March   |                    |
|  | 2019               | 2018               | 2019               | 2018               |
| <b>REVENUE</b>   |                    |                    |                    |                    |
| Commission income  | 261,768,407        | 271,991,008        | 261,768,407        | 271,991,008        |
| Service fees   | 23,287,548         | 16,179,549         | 23,287,548         | 16,179,549         |
| Sale of licenses   | 16,328,643         | 1,249,370          | 16,328,643         | 1,249,370          |
|  | <b>301,384,598</b> | <b>289,419,927</b> | <b>301,384,598</b> | <b>289,419,927</b> |
| <b>COST AND EXPENSES</b>                                 |                    |                    |                    |                    |
| Service and other fees                                   | 201,029,843        | 185,224,026        | 201,029,843        | 185,224,026        |
| Personnel  | 24,595,299         | 15,524,131         | 24,595,299         | 15,524,131         |
| Travel, transportation and logistics costs               | 11,652,934         | 9,634,625          | 11,652,934         | 9,634,625          |
| Rent   | 5,946,595          | 6,773,910          | 5,946,595          | 6,773,910          |
| Utilities  | 6,186,686          | 3,938,137          | 6,186,686          | 3,938,137          |
| Others   | 13,514,354         | -                  | 13,514,354         | -                  |
|  | <b>262,925,711</b> | <b>221,094,829</b> | <b>262,925,711</b> | <b>221,094,829</b> |
| <b>INCOME(LOSS) BEFORE DEPRECIATION AND AMORTIZATION</b> | <b>38,458,887</b>  | <b>68,325,098</b>  | <b>38,458,887</b>  | <b>68,325,098</b>  |
| <b>DEPRECIATION AND AMORTIZATION</b>                     | <b>20,947,244</b>  | <b>20,278,292</b>  | <b>20,947,244</b>  | <b>20,278,292</b>  |
| <b>INCOME (LOSS) FROM OPERATIONS</b>                     | <b>17,511,643</b>  | <b>48,046,806</b>  | <b>17,511,643</b>  | <b>48,046,806</b>  |
| Interest expense   | (2,747,200)        | (2,369,024)        | (2,747,200)        | (2,369,024)        |
| Interest income  | 3,482,969          | 3,420,038          | 3,482,969          | 3,420,038          |
| Share in profit (loss) of associates                     | (20,953)           | 2,623,349          | (20,953)           | 2,623,349          |
| Foreign exchange gain (loss) - net                       | 80,080             | (23,317)           | 80,080             | (23,317)           |
| Other income-net   | 3,365,260          | (208,079)          | 3,365,260          | (208,079)          |
| <b>INCOME (LOSS) BEFORE INCOME TAX</b>                   | <b>21,671,799</b>  | <b>51,489,773</b>  | <b>21,671,799</b>  | <b>51,489,773</b>  |
| <b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>           | <b>1,127,418</b>   | <b>(1,346,646)</b> | <b>1,127,418</b>   | <b>(1,346,646)</b> |
| <b>NET INCOME</b>  | <b>20,544,381</b>  | <b>52,836,419</b>  | <b>20,544,382</b>  | <b>52,836,419</b>  |
| Other Comprehensive Income (Loss)                        |                    |                    |                    |                    |
| Cumulative translation adjustment                        | <b>(643,451)</b>   | <b>(6,726,381)</b> | <b>(643,451)</b>   | <b>(6,726,381)</b> |
| <b>TOTAL COMPREHENSIVE INCOME</b>                        | <b>19,900,930</b>  | <b>46,110,038</b>  | <b>19,900,930</b>  | <b>46,110,038</b>  |
| <b>Net Income Attributable To:</b>                       |                    |                    |                    |                    |
| Equity Holders for the Parent Company                    | 18,407,357         | 52,085,547         | 18,407,357         | 52,085,547         |
| Non-Controlling Interests                                | 2,137,024          | 750,872            | 2,137,024          | 750,872            |
|  | <b>20,544,381</b>  | <b>52,836,419</b>  | <b>20,544,381</b>  | <b>52,836,419</b>  |
| <b>Total Comprehensive Income Attributable To:</b>       |                    |                    |                    |                    |
| Equity Holders for the Parent Company                    | 17,871,105         | 46,479,781         | 17,871,105         | 46,479,781         |
| Non-Controlling Interests                                | 2,029,825          | (369,743)          | 2,029,825          | (369,743)          |
|  | <b>19,900,930</b>  | <b>46,110,038</b>  | <b>19,900,930</b>  | <b>46,110,038</b>  |
| <b>Earnings Per Share Attributable to</b>                |                    |                    |                    |                    |
| Equity holders of the Parent Company                     | <b>0.057</b>       | <b>0.160</b>       | <b>0.057</b>       | <b>0.160</b>       |

DFNN INC. & SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Philippine Pesos)

|                                      | Capital            | Additional         | Subscribed    | Cumulative             | Treasury            | Equity              | Stock Options     | Other                | Retained Earnings/ | Minority          | Total                |
|--------------------------------------|--------------------|--------------------|---------------|------------------------|---------------------|---------------------|-------------------|----------------------|--------------------|-------------------|----------------------|
|                                      | Stock              | Paid-In Capital    | Capital Stock | Translation Adjustment | Stock               | Reserve             | Outstanding       | Comprehensive Income | (Deficit)          | Interest          |                      |
| <b>Balances at December 31, 2018</b> | <b>324,620,008</b> | <b>583,036,164</b> | -             | <b>(37,374,521)</b>    | <b>(26,677,255)</b> | <b>(49,230,618)</b> | <b>62,264,707</b> | <b>(2,602,463)</b>   | <b>213,823,935</b> | <b>96,880,347</b> | <b>1,164,740,304</b> |
| Issuance of capital stock            | -                  | -                  | -             | -                      | -                   | -                   | -                 | -                    | -                  | -                 | -                    |
| Reissuance of treasury stock         | -                  | -                  | -             | -                      | -                   | -                   | -                 | -                    | -                  | -                 | -                    |
| Translation adjustment               | -                  | -                  | -             | (536,252)              | -                   | -                   | -                 | -                    | -                  | (107,199)         | (643,451)            |
| Dividends                            | -                  | -                  | -             | -                      | -                   | -                   | -                 | -                    | -                  | -                 | -                    |
| Net income for the period            | -                  | -                  | -             | -                      | -                   | -                   | -                 | -                    | 18,407,357         | 2,137,024         | 20,544,381           |
| <b>Balances at March 31, 2019</b>    | <b>324,620,008</b> | <b>583,036,164</b> | -             | <b>(37,910,773)</b>    | <b>(26,677,255)</b> | <b>(49,230,618)</b> | <b>62,264,707</b> | <b>(2,602,463)</b>   | <b>232,231,292</b> | <b>98,910,172</b> | <b>1,184,641,234</b> |
| <b>Balances at December 31, 2017</b> | <b>324,620,008</b> | <b>583,036,164</b> | -             | <b>(26,426,385)</b>    | <b>(26,677,255)</b> | <b>(49,230,618)</b> | <b>57,233,922</b> | <b>(4,107,935)</b>   | <b>239,405,913</b> | <b>69,900,036</b> | <b>1,167,753,850</b> |
| Issuance of capital stock            | -                  | -                  | -             | -                      | -                   | -                   | -                 | -                    | -                  | 600,000           | 600,000              |
| Reissuance of treasury stock         | -                  | -                  | -             | -                      | (302,889)           | -                   | -                 | -                    | -                  | -                 | (302,889)            |
| Translation adjustment               | -                  | -                  | -             | (5,605,766)            | -                   | -                   | -                 | -                    | -                  | (1,120,615)       | (6,726,381)          |
| Dividends                            | -                  | -                  | -             | -                      | -                   | -                   | -                 | -                    | -                  | -                 | -                    |
| Net income for the period            | -                  | -                  | -             | -                      | -                   | -                   | -                 | -                    | 52,085,547         | 750,872           | 52,836,419           |
| <b>Balances at March 31, 2018</b>    | <b>324,620,008</b> | <b>583,036,164</b> | -             | <b>(32,032,151)</b>    | <b>(26,980,144)</b> | <b>(49,230,618)</b> | <b>57,233,922</b> | <b>(4,107,935)</b>   | <b>291,491,460</b> | <b>70,130,293</b> | <b>1,214,160,999</b> |

**DFNN INC. & SUBSIDIARIES**

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In Philippine Pesos)

|   | For the 3 months ended<br>March 31 |                      |
|---|------------------------------------|----------------------|
|   | 2019                               | 2018                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>               |                                    |                      |
| Income before income tax                                  | 18,407,357                         | 52,085,547           |
| Adjustments for:  |                                    |                      |
| Depreciation and amortization                             | 20,947,244                         | 20,278,292           |
| Interest expense  | 2,747,200                          | 2,369,024            |
| Interest and dividend income                              | (3,482,969)                        | (3,420,038)          |
| Share in profit of an associate                           | 20,953                             | (2,623,349)          |
| Operating income before working capital changes           | 38,639,785                         | 68,689,476           |
| Increase in:  |                                    |                      |
| Receivables   | (8,736,566)                        | (375,131,990)        |
| Other current assets                                      | (80,542,566)                       | (25,261,938)         |
| Increase in:  |                                    |                      |
| Accounts payable and other current liabilities            | 68,214,885                         | 53,227,804           |
| Accrued rent and rental deposits                          | (3,535,710)                        | -                    |
| Net cash from (used in) operations                        | 14,039,828                         | (278,476,648)        |
| Income taxes paid   | 1,123,558                          | 21,954,882           |
| Interest and dividend received                            | 8,500                              | 3,420,038            |
| Net cash from (used In) operating activities              | 15,171,886                         | (253,101,728)        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>               |                                    |                      |
| Additions to property and equipment                       | (15,111,698)                       | (1,110,001)          |
| Decrease (Increase) in other noncurrent assets            | (52,844)                           | 8,472,900            |
| Financial assets at FVPL                                  | (6,593,273)                        | 208,162              |
| Net cash provided (used in) investing activities          | (21,757,815)                       | 7,571,061            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>               |                                    |                      |
| Availment (repayment) of loans                            | (551,259)                          | 809,044              |
| Acquisition of treasury shares                            | -                                  | (302,889)            |
| Changes in noncontrolling interest                        | 1,493,573                          | (5,375,509)          |
| Payment of interest                                       | (687,650)                          | (2,536,280)          |
| Net cash from (used in) financing activities              | 254,664                            | (7,405,634)          |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>          | <b>(6,331,265)</b>                 | <b>(252,936,301)</b> |
| <b>CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR</b>      | <b>96,410,210</b>                  | <b>331,738,040</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b> | <b>90,078,945</b>                  | <b>78,801,739</b>    |

**DFNN**

Aging of Receivables

As of March 31, 2019

|                               | Current            | 1-30              | 31-60             | 61-90             | Over 90            | TOTAL              |
|-------------------------------|--------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Trade                         | 65,233,691         | 13,759,350        | 11,144,834        | 35,043,663        | 43,843,585         | 169,025,123        |
| Due from Affiliated Companies | -                  | -                 | -                 | -                 | 299,666,989        | 299,666,989        |
| Accrued Interest Receivable   | 26,926,012         | -                 | -                 | -                 | -                  | 26,926,012         |
| Loans Receivable              | 10,698,000         | -                 | -                 | -                 | 57,106,667         | 67,804,667         |
| Others                        | 1,204,588          | 284,596           | 785,962           | 8,466,822         | 94,903,719         | 105,645,687        |
| <b>TOTAL</b>                  | <b>104,062,291</b> | <b>14,043,946</b> | <b>11,930,796</b> | <b>43,510,485</b> | <b>495,520,960</b> | <b>669,068,477</b> |