

XURPAS INC.*Preliminary Information Statement was filed on September 28, 2020***Xurpas' Response
November 3, 2020****SEC Form
20-IS****Checklist of Requirements****Page
No. Remarks****Notice of
Meeting****COVER SHEET**

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

Please disclose the place of meeting in accordance with SEC MC 6 series of 2020, to wit: "Section 15. Place of Meetings of Stockholders or Members. The presiding officer shall call and preside the stockholders' or members' meetings, whether regular or special, at the principal office of the corporation as provided in the articles of incorporation, or, if not practicable, in the city or municipality where the principal office of the corporation is located, [RCCSOJ]"

In light of the current circumstances due to the coronavirus disease, (Covid-19), Xurpas submitted a letter with the Commission requesting for the conduct of meeting via VideoConference on October 30, 2020.

Stockholders may attend the meeting via zoom facility as provided in the Notice of Meeting.

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

Please update in accordance with the Amended Notice of Meeting dated 09 October 2020.

This has been moved to November 3, 2020.

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

Please disclose information of not earlier than 90 days from date of ASM or latest practicable trading date.

Please see as revised. We note that the shares to be issued pursuant to the Subscription Agreement dated September 20, 2020 have not been issued as of date.

Title of Each Class

Number of Shares of Common Stock Outstanding or Amount of Debt

**Part
I.****A. General Information**

ITEM 1. DATE, TIME AND PLACE OF MEETING		
Date, time, place of meeting		
	Please disclose the place of meeting in accordance with SEC MC 6 series of 2020, to wit: "Section 15. Place of Meetings of Stockholders or Members. The presiding officer shall call and preside the stockholders' or members' meetings, whether regular or special, at the principal office of the corporation as provided in the articles of incorporation, or, if not practicable, in the city or municipality where the principal office of the corporation is located, [RCCSOJ]"	Considering that public gatherings are still prohibited and to ensure public health and safety, the Company has submitted a letter with the Commission requesting for the conduct of meeting via videoconference. The zoom link is also provided in the Notice of Meeting and Definitive Information Statement.
Approximate date on which information statement is first sent or given to security holders	Please update in accordance with the Amended Notice of Meeting dated 09 October 2020.	Please see as revised.
ITEM 2. DISSENTER'S RIGHT OF APPRAISAL		
Brief outline of right of appraisal or similar right of dissenter.	(1) Please disclose information as to the Purchase of 100% of Wavemaker Group, Inc., a fund management company which is different from the line of business of Xurpas Inc. (2) Please disclose as to the waiver of to conduct right of public offering.	Please note that we have removed the (a) purchase of Wavemaker Group Inc. and (b) waiver of right to conduct public offer from the Agenda. As such, there is no matter in the Agenda which would give rise to the exercise of the appraisal right.
		Please note that we intend to secure stockholders' approval on the purchase of Wavemaker Group Inc. and waiver of public offer in the next special stockholders' meeting.
B. Control and Compensation Information		
ITEM 4. VOTING SECURITIES & PRINCIPAL HOLDERS		
As to each class entitled to vote, state the number of shares outstanding & the number of votes to which each class is entitled.	Please disclose information not earlier than 90 days from date of ASM or latest practicable trading trade.	See as revised. We have removed the shares to be issued to the subscribers pursuant to the Subscription Agreement dated September 20, 2020.
Furnish information required by Part IV paragraph (C) of "Annex C, as		

(1) Security Ownership of Certain Record and Beneficial Owners of more than 5%:																			
<table border="1"> <tr> <th>Title of Class</th> <th>Name, Address of Record Owner and Relationship with Issuer</th> <th>Name of Beneficial Owner and Relationship with Record Owner</th> <th>Citizenship</th> <th>No. of Shares Held</th> <th>Percentage</th> </tr> <tr> <td colspan="6" style="height: 100px;"></td> </tr> </table>						Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage							<p>(1) Please disclose separately the number of shares indirectly owned by Nico Jose S. Nollado.</p> <p>(2) Please disclose the natural persons entitled to vote for Wavemaker US Fund Management Holdings, Inc. and Wavemaker Partners V LP</p>	<p>(1) See as revised.</p> <p>(2) We removed the shares to be issued to Wavemaker Subscribers pursuant to the Subscription Agreement dated September 20, 2020. The Xurpas Shares have not been issued and recorded in the corporate books of the company as of date.</p>
Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage														
(2) Security Ownership of Management																			
<table border="1"> <tr> <th>Title of Class</th> <th>Name of the Beneficial Owner</th> <th>Amount and Nature of the Beneficial Ownership</th> <th>Citizenship</th> <th>Percent of Class</th> </tr> <tr> <td colspan="5" style="height: 100px;"></td> </tr> </table>						Title of Class	Name of the Beneficial Owner	Amount and Nature of the Beneficial Ownership	Citizenship	Percent of Class						<p>(1) Number of directors per IS (8) is different from that in the Articles of Incorporation (7). (2) Please disclose separately the number of shares indirectly owned by Nico Jose S. Nollado.</p>	<p>(1) Please note that pursuant to the Amended Articles of Incorporation approved on February 5, 2018, Xurpas shall have eight (8) directors. Please see attached for your reference.</p>		
Title of Class	Name of the Beneficial Owner	Amount and Nature of the Beneficial Ownership	Citizenship	Percent of Class															
If a change in control has occurred since the beginning of the last F.Y.						Number of directors Item 4(4) paragraph 3 (8) is different from that in the Articles of Incorporation	See attached articles of incorporation which reflects that Xurpas should have eight (8) directors.												
1. State the name of the person who acquired such control																			
2. Amount and source of consideration used																			
3. Basis of control																			
4. Date & description of the transaction(s) which resulted in the change in control																			
5. Percentage of voting securities now beneficially owned																			
6. Identify from whom control was assumed																			
ITEM 5. DIRECTORS & EXECUTIVE OFFICERS																			

Checklist of Requirements		Pag e No.	Remarks	
Information required by Part IV paragraphs (A), (D)(1) and (D)(3) of "Annex C,				
A (A)(1) Identify Directors, including Independent Directors and Executive				
	(a) List the names, ages and citizenship of all directors, including independent directors, executive officers and all persons nominated or chosen to become such where required under Section 38 of the Code and SRC Rule 38.1 adopted thereunder; also provide the names of the incorporators in the case of an investment company.		Number of directors in the IS (8) is different from the Articles of Incorporation (7).	See attached articles of Incorporation which reflects that Xurpas should have eight (8) directors.
	(d) Brief description of person's business experience (last five years); and		Please disclose for Mr. Nico Jose S. Nollodo.	Please see as revised.
	(e) Identification of other directorship held in reporting companies.		Please disclose for Mr. Nico Jose S. Nollodo.	Please see as revised.
(5) Part IV, Paragraph (D) of "Annex C" as amended				
Certain Relationships and Related Transactions				
(SEC MC No. 14, Series of 2004)				
(1) In addition to the disclosures in the financial statements which are required under SFAS/IAS No. 24 on the Related Party Disclosures, registrant shall describe under this item the elements of the transactions that are necessary for an understanding of the transactions' business purpose and economic			Reference to the Notes to the AFS is incorrect. The same should be Note 18 not 20.	Please see as revised.
(e) any ongoing contractual or other commitments as a result of the arrangement.			Please discuss as to the Subscription agreement with Wavemakers.	Considering that the transactions have not been completed (no Xurpas shares issued as of date, and the purchase of Wavemaker Group Inc. is still conditioned on receipt of stockholders' approval), this should not form part of the disclosure on Related Party Transaction as of now. Moreover, the transactions (Subscription Tranche and Purchase Tranche) have been simultaneously approved and will be completed in parallel.
				Moreover, Wavemaker Partners /

			Subscribers do not hold any officer / director position as of date.
	(2) The disclosure shall also include information about parties that fall outside the definition "related parties" under SFAS/IAS No. 24, but with whom the registrants or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent, parties on an arm's length basis. For example, an entity may be established and operated by individuals that were former senior management of, or have some other current or former relationship with, a registrant. The purpose of the entity may be to own assets used by the registrant or provide financing or services to the registrant. Although former management or persons with other relationships may not meet the definition of a related party pursuant to SFAS/IAS 24, the former management positions may result in negotiation of terms that are more or less favorable than those available on an arm's-length basis from clearly independent third parties that are material to the registrant's financial position or financial		
	In some cases, investors may be unable to understand the registrant's reported results of operations without a clear explanation of these arrangements and relationships. Items of similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements		
C. Issuance and Exchange of Securities			
ITEM 9. AUTHORIZATION OR ISSUANCE OF SECURITIES OTHERWISE THAN FOR EXCHANGE			
A Title and amount of securities to be authorized/issued		Please disclose the reason why the number of shares to be issued to the new subscribers increased.	There was a minor increase in the number of shares to be issued to the Subscribers to maintain the agreed upon percentage which is at 47.68% of the total outstanding shares of Xurpas. We note that Xurpas

			<p> sold certain number of treasury shares in 2020. Consequently, the number of shares to be issued to the Subscribers to maintain the agreed upon percentage also increased. </p> <p> Please see as revised. </p>
B Information required by Part II(B) of "Annex C, as amended"			
	Description of Registrant's Securities		
	1 Common or Preferred Stock		
	(b) If common equity is offered, describe any dividend, voting and preemption rights.	<p> Please discuss as to the waiver on the right for public offer. </p>	<p> This will no longer form part of the meeting. Xurpas will hold a Special Stockholders' Meeting for matters involving the subscription of Wavemaker and purchase of Wavemaker Group, Inc. </p> <p> See below additional information provided in the Information Statement: </p> <p> <u>Waiver of Public Offer</u> </p> <p> Under the Exchange's Rules on Additional Listing, for related party transactions, in addition to the stockholders approval of the transaction, the Issuer must secure a waiver of the requirement to conduct a rights or public offering of the shares subscribed from the majority of the outstanding shares held by the minority stockholders present or represented in the meeting. </p> <p> Considering that the shares that will be issued to Wavemaker Subscribers, and the said amount received pursuant to the subscription will be used by the company to purchase Wavemaker Group Inc., the Company shall secure stockholders' approval on the Waiver of Public Offer. </p>

				This will form part of the Special Stockholders' Meeting to be conducted by Xurpas. The date for the special meeting has not been finalized as of date.
C Brief description of transaction in which securities are to be issued				
1	Nature & approximate amount of consideration received/to be received by the registrant; and		Please discuss why the use of the proceeds from the subscription will be used to purchase Wavemaker Group, Inc. to subscriber to Wavemaker Group, Inc. (related to the subscribers).	<p>This is upon mutual agreement of the Parties. See as revised:</p> <p>The purchase price for 100% of Wavemaker Group Inc. is at Php170,700,101.90. The parties, upon mutual agreement, have agreed that the subscription price received by the company will be used to purchase 100% Wavemaker Group Inc.</p>
D If the securities are to be issued other than in a public offering for cash, state reasons for the proposed authorization or issuance and the general effect upon the rights of existing security holders.			Please disclose. Please discuss in relation to the waiver of the right to public offering.	<p>Please see as revised:</p> <p>Upon issuance of the Xurpas Shares in favor of the Subscribers, Xurpas Shares held by the public will be at 20.95%.</p> <p>For the listing of at least 10% Additional Shares with the Exchange, the rules require that for transactions involving related parties, the majority vote of the outstanding shares held by the minority stockholders present ore represented in the meeting will need to waive the conduct of a rights or public offering. The Company shall secure the said waiver in the next special stockholders' meeting.</p>
ITEM 12. MERGER, CONSOLIDATION, ACQUISITION & SIMILAR MATTERS				The acquisition of Wavemaker Group Inc. has been removed in the Agenda. The

				purchase of Wavemaker Group Inc. will form part of the agenda in the next special stockholders' meeting of Xurpas.
A If action to be taken with respect to any transaction involving the				
1	Merger/consolidation of the registrant into or with any other person or of any other person into or with the registrant			
2	Acquisition by the registrant or any of its security holders of securities of another person			
3	Acquisition by the registrant of any other going business or of the assets thereof			
4	Sale/other transfer of all or any substantial part of the assets of the registrant			
5	Liquidation or dissolution of the registrant			
B Registrants subject to paragraph (a) hereof shall furnish the following				

Checklist of Requirements		Page No.	Remarks	
1	Name, address & phone no. of the principal executive office		Please disclose the reason why the company to be purchased is now changed from Wavemaker UF Fund Management Holdings, LLC to Wavemaker Group, Inc.	See below disclosure as reflected in the Information Statement: "The parties have decided to use a corporation instead of a Limited Liability Company taking into account the benefits arising from the use of a corporate entity as the corporate vehicle for the said investment."
2	Brief description of the general nature of the business conducted by the other person		Please discuss regarding possible amendment in the Purpose section of the Articles of Incorporation. Wavemaker Group, Inc. is a fund management company and not involved in the primary purpose of Xurpas.	See below discussion as incorporated in the Information Statement: <i>Stockholders' Approval</i> Wavemaker Group Inc. is a fund management entity that primarily invests in companies that focuses on high technology industries. Although Xurpas will purchase interests in the management entities that invests in technology companies, Xurpas will nonetheless secure stockholders' approval on the said investment. Considering the foregoing, the Company, at its next Special Stockholders' meeting, will secure approval of 2/3 of the outstanding capital stock in accordance with Section 41 of the Revised Corporation Code. Any dissenting stockholder may also exercise his/her appraisal right. Note that approval regarding the purchase of Wavemaker Group Inc. is not included in the annual meeting to be held on November 27, 2020.
				Xurpas has been directly investing in technology companies to expand its access to technology portfolios which it can utilize to further its business. With the purchase of Wavemaker Group Inc.,

				<p>Xurpas will still be indirectly investing in these technology companies through the fund management entities.</p> <p>In the event that the Company is required to amend its primary purpose to reflect the foregoing, the Company shall comply with such mandate. It must be emphasized that as of date, the Company's main business remains the same, in accordance with its articles of incorporation, even with the business expansion to include Wavemaker's business.</p>
3	<p>Summary of the material features of the proposed transaction, if set forth in a written document, file a copy thereof with the Commission at the time preliminary copies of the proxy statement and form of proxy are filed. The summary will include the following:</p> <p>(B) Reason for engaging in the transaction</p> <p>(C) Explanation of any material differences in the rights of the security holders as a result of this transaction</p>		<p>Please disclose the reason why the company to be purchased is now changed from Wavemaker UF Fund Management Holdings, LLC to Wavemaker Group, Inc.</p> <p>Please disclose as to the waiver of public offering.</p>	<p>The parties have decided to use a corporation instead of a Limited Liability Company taking into account the benefits arising from the use of a corporate entity as the corporate vehicle for the said investment.</p> <p>The waiver of the public offering is with respect to the issuance of the Subscription Shares. Please refer to discussion in Item 9 which states:</p> <p><i>Waiver of Public Offer</i></p> <p>Under the Exchange's Rules on Additional Listing, for related party transactions, the issuer must secure a waiver of the requirement to conduct a rights or public offering of the shares subscribed from the majority of the outstanding shares held by the minority stockholders present or represented in the meeting.</p> <p>Considering that the shares that will be</p>

				issued to Wavemaker Subscribers, and the said amount received pursuant to the subscription will be used by the company to purchase Wavemaker Group Inc., the Company will secure stockholders' approval on the Waiver of Public Offer. This will form part of the Special Stockholders' Meeting to be conducted by Xurpas. The date for the special meeting has not been finalized as of date.
	(D) Brief statement as to the accounting treatment of the transaction	Please disclose.	See below discussion as incorporated in the Information Statement: "At the Parent Company level, the 100% stake in Wavemaker Group Inc. amounting to Php170.70 million will be classified as Investment in Subsidiary and will be accounted for using the cost method. Meanwhile, at the Xurpas Group level, the investment will be accounted for using the acquisition method wherein fair value of Wavemaker Group Inc.'s net identifiable assets and liabilities are measured at acquisition date and any resulting goodwill (excess of consideration over the net identifiable assets and liabilities) is recognized.	
4	Brief statement as to dividends in arrears/defaults in principal or interest in respect of any securities of the registrant or of such other person and as to the effect of the transaction thereon and such other information as may be appropriate in the particular case to disclose adequately the nature and effect of the proposed action.	Please disclose.	No dividends in arrears/ defaults.	
5	In comparative columnar form, on a historical and, if material, a pro forma basis, the following information for the registrant and the other person for the last 2 FY:	Please disclose.	Considering that Wavemaker Group, Inc. is a newly formed holding company, no historical financials can be provided herein. However, please refer to Annex "G" for the management entities' unaudited financial	

			statements.
	(A) Net sales or operating revenues		
	(B) Income(loss) from continuing operations		
	(C) Long term obligations and redeemable preferred stock		
6	In comparative columnar form, historical and pro forma per share data of the registrant and historical and equivalent pro forma per share data of the other person for the following items for the last 2 FY:	Please disclose.	The Company is a newly formed holding company. As such, there is no historical financials. The management company's financials which will be consolidated into the Holding Company are attached as Annex "G".
	(A) Book value per share		
	(B) Cash dividends declared per share		
	(C) Income(loss) from continuing operations		
7	Statement as to whether any regulatory requirement must be complied with or approval must be obtained in connection with the transaction and, if so, status of such compliance/approval.	Please disclose.	The shares have not been issued to Wavemaker Group, Inc. The Company is currently in discussions with the Commission on the requirements / compliance requirements in relation to the transaction.
8	If report, opinion or appraisal relating to the transaction has been received from an outside party, and such report is referred to in the proxy statement, furnish the following information: (A) Identify the outside party (B) Brief description of the qualification of such outside party (C) Methods of selection used	Please disclose, if any.	Meanwhile, the Exchange has considered the applicability of the Backdoor Listing Rules on the transaction. The rules on backdoor listing will be observed when the Company submits its application for the listing of the Subscription Shares with the Exchange.
			None, as of date.

	(D) Any material relationship between the outside party or its affiliates and the issuer or its affiliates which existed during the past 2 years or is mutually understood to be contemplated and any compensation received or to be received as a result of such		
	(E) If report, opinion or appraisal relates to the fairness of the consideration, state whether the issuer/affiliate determined the amount of consideration to be paid or the outside party recommended the amount of consideration to be paid		
	(F) Summary concerning such negotiation report, opinion or appraisal which shall include, but not limited to, the procedures followed; findings & recommendations; bases for and methods of arriving at such findings and recommendations; instruction received from the issuer or affiliate; and any limitation imposed by the issuer or affiliate on the scope of the investigation.		
9	Description of any past, present or proposed material contract, arrangement, understanding, relationship, negotiation or transaction during the past 2 FYs between the other person or its affiliates and the registrant or its affiliates.	Please disclose, if any.	None.
C Information for the registrant & for the other person			
I. Information required by Part I paragraphs (A), (B) and (C) of "Annex			
A	Description of Business		
	(1) BUSINESS DEVELOPMENT		
	(b) Any Bankruptcy, Receivership or Similar Proceedings	Please disclose if any.	Not Applicable
	(c) Any Material Reclassification, Merger, Consolidation or Purchase or Sale of a significant amount of assets (not in the ordinary course of business).	Please disclose if any. (including the planned purchase of 100% ownership over Wavemakers Group)	None. Details regarding Wavemaker Group Inc. is already discussed in detail in Item 12.
	(2) BUSINESS OF ISSUER		
	(a) DESCRIPTION OF THE BUSINESS OF REGISTRANT AND ITS SIGNIFICANT SUBSIDIARIES		

Checklist of Requirements		Pag e No.	Remarks	
If Material:				We have removed the purchase of Wavemaker Group Inc. from the agenda for the Annual Stockholders' Meeting.
(2) Percentage of Sales or Revenues and Net Income Contributed by Foreign sales for each of the last 3 FY		Please disclose.	For Xurpas Group, the revenues from foreign sales have been incorporated in the Management Discussion & Analysis.	
				For Wavemaker Group Inc ("Wavemaker"), Xurpas will consider all revenues from Wavemaker (in the future) as foreign sales / revenues since the holding company (Wavemaker Group Inc.) is registered outside of the Philippines.
(3) Distribution Methods of the Products or Services		Please disclose.		Not Applicable
(4) Status of Publicly-Announced New Product or Service		Please disclose.		Not Applicable
(7) Dependence on One or a Few Major Customers and Identification of Such		Please disclose.		Not Applicable
(8) Transactions With and/or Dependence on Related Parties		Please disclose.		Wavemaker Group Inc. relies substantially on its General Partners – Frederick Manlunas, James Buckley Jordan and Benjamin Paul Bustamante Santos. See <i>discussion in the Management Report – Key Risks which states:</i>
				"Upon closing, the Corporation will heavily rely on the current portfolio of the active funds and the expertise of the General Partners on making investments that will be able to generate long-term capital appreciation."
(11) Effect of Existing or Probable Governmental Regulations on the Business		Please disclose.		None
(12) Estimate of Amount Spent for Research and Development Activities and its percentage to revenues during each of the last 3 FY		Please disclose.		None

	(13) Costs and Effects of Compliance w/ Environmental Laws		Please disclose.	None

Checklist of Requirements		Page e No.	Remarks	
B	Description of Property			
	(4) Indicate what properties the registrant intends to acquire in the next twelve (12) months, the cost of such acquisitions, the mode of acquisition and the sources of financing it expects to use.		Please disclose if any.	None
II. Information required by Part II(A) of "Annex C, as amended"				
A	Market Price of and Dividends			
	(1) Market Information			
	(b) If the information called for by paragraph (A) of this Part is being presented, the document shall also include the price information as of the latest practicable trading date, and in the case of securities to be issued in connection with an acquisition, business combination or other reorganization, as of the trading date immediately prior to the public announcement of such transaction.		Please discuss the current suspension of the trading of Xurpas common shares/	The Exchange has considered the Company's recent disclosures falling under the Backdoor Listing Rules. Considering the foregoing, the Exchange has requested the Company to submit certain documents, including securing Confirmation from the Commission on the said transaction. The Company is still waiting for the Commission's evaluation on the said transaction as of date. The discussion is also included in the Information Statement.
	(2) Holders			
	(a) (i) Approximate Number of Holders of Each Class of Common Security as of the latest practicable date but in no event more than 90 days prior to filing of report.		Please disclose information of not earlier than 90 days from date of ASM or latest practicable trading date.	See as revised. We removed here shares to be issued to Wavemaker Group since the said shares have not been issued as of Record Date.
	(ii) Names of the Top Twenty (20) Shareholders of Each Class			
	(iii) Number of Shares Held			
	(iv) Percentage of Total Shares Outstanding Held by Each			
	(b) If it relates to an acquisition, business combination or other reorganization, indicate the effect of such transaction on the amount and percentage of present holdings of the registrant's common equity owned beneficially by:		Please disclose in relation to the September 20, 2020 subscription agreement.	We removed here shares to be issued to Wavemaker Group since the said shares have not been issued as of Record Date.

	(i) more than five percent (5%) beneficial owner of registrant's common equity;			
	(ii) each director and nominee; and			
	(iii) all directors and officers as a group, and the registrant's present commitments to such persons with respect to the issuance of shares.			
	(4) Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction	Please disclose the effect of the transaction to the present stockholders, the waive on public offering in relation to the September 20, 2020 Subscription Agreement, the use of proceeds from such subscription, rights of new stockholders, and other relevant details.	Please see as revised.	We removed here shares to be issued to Wavemaker Group since the said shares have not been issued as of Record Date.
	III. Information required by Part III, paragraphs (A) and (B) of "Annex C,			
	(2) All other registrants shall provide the following information:			
	(a) Full fiscal years			
	(1) Discussion of the Registrant's Financial Condition, Changes in Financial Condition and Results of Operations for each of the last 3 fiscal years.	(1) 47.0 million in aggregate revenue for first quarter in Paragraph 2 (First half of 2020 compared with First half of 2019) is different from the 2nd Quarter Interim FS. Please revise accordingly. (2) Referral to Right of Use Asset as of March 31, 2020 in the MD&A (p. 10) should be for June 30, 2020. Please revise accordingly. (3) Other current liabilities for 2019 (2019 vs 2018) in the MD&A is different from the AFS. Please revise accordingly.(4) Net cash provided by (used in) Operating Activities, Net cash provided by (used in) Financing Activities, and Effect of foreign exchange charges in cash for 2019 (2019 vs 2018) are different from the AFS. Please revise accordingly. (5) The loss before income tax, net income and total comprehensive income for 2018 vs 2017 did not decreased but increased. Please revise	Please see as revised.	

	(2) If FS shows losses from operation, explain the causes underlying these losses and the steps the registrant has taken or is taking to address these cause.		Please disclose for AFS and interim financial statements.	
	(3) Past and future financial condition and results of operation, with particular emphasis on the prospects for the future.			
	(4) Key Variable and Other Qualitative and Quantitative Factors.			
	If Material:			
	(i) Any Known Trends, Events or Uncertainties (Material Impact on Liquidity)			Please include the credit line facilities obtained, among other resolutions of the BOD, for the BOD actions for ratification to the stockholders in the ASM.
	(ii) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation			See as revised. Annex K lists down all previous acts of the Board from 2019 to present. The same will form part of the agenda that will be subject to stockholders' ratification.
	(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.			
	(iv) Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures			
	(v) Any Known Trends, Events or Uncertainties (Material Impact on Sales)			

Checklist of Requirements		Page No.	Remarks
	(vi) Any Significant Elements of Income or Loss (from continuing operations)		
	(vii) Causes for Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%)		
	(viii) Seasonal Aspects that has Material Effect on the FS		
	(b) Interim Periods: Comparable discussion to assess material changes (last fiscal year and comparable interim period in the preceding year). Disclose the required information required under subparagraph (2)(a)(i) to (viii) above.	<p>Please provide for 3rd quarter of 2020. Otherwise, file an exemptive relief from the requirement of providing the Interim Financial Statement in the Information Statement and provide the same no later than five (5) days before the scheduled ASM, or for PLCs who would be conducting their ASM via remote communication or in absentia, no later than five (5) days before the cut-off period for submitting written questions/clarifications to the company.</p>	<p>The Company submitted an application for Exemptive Relief requesting the Commission to allow the Company to submit the Definitive Information Statement without the 3rd Quarter Financials.</p> <p>The Company also commits to submit the 3rd Quarter Financials, together with the MD&A discussion at least five (5) days before the scheduled ASM.</p>
ITEM 13. ACQUISITION/DISPOSITION OF PROPERTY			
	Brief description of the character/location of the property		Please discuss as to the acquisition of Wavemaker Group, Inc.
	Nature & amount of consideration to be paid/received by the registrant/subsidiary		
	Brief outline of the facts bearing upon the question of the fairness of the consideration		
	Name & address of the transferor/transferee & the nature of any material relationship to the issuer/any affiliate of the issuer		
	Brief outline of any material features of the contract/transaction		
D. Other Matters			

ITEM 15. ACTIONS WITH RESPECT TO REPORTS			
<i>Reports of Directors, Officers, Committees or Any Minutes of a Meeting</i>			Please include the ratification of acts of management and the Audited Financial Statements.
	State whether or not it constitutes approval/disapproval.		
	Identify each of such matters intended for approval/disapproval & furnish the information required by the appropriate item(s) of this Form.		
ITEM 17. AMENDMENTS OF CHARTER, BY-LAWS & OTHER DOCUMENTS			
		Please review possible necessity of amending the AOl due to change in purpose (investment in fund management business).	
		<p>Wavemaker Group Inc. is a fund management entity that primarily invests in high technology companies. Considering that Xurpas' investment is in the management entity, and not directly in the high technology companies, Xurpas' may be considered as investing the corporate funds in another corporation or business for any other purpose. Considering the foregoing, the Company, at the next Special Stockholders' meeting, will secure approval of 2/3 of the outstanding capital stock in accordance with Section 41 of the Revised Corporation Code. Any dissenting stockholder may also exercise his/her appraisal right.</p> <p>Xurpas has been directly investing in technology companies to expand its access to technology portfolios which it can utilize to further its business. With the purchase of Wavemaker Group Inc., Xurpas will still be indirectly investing in these technology companies through the fund management entities.</p> <p>In the event that the Company is required to amend its primary purpose to reflect the foregoing, the Company shall comply with such mandate. It must be emphasized that as of date, the Company's main business</p>	

		remains the same in accordance with its articles of incorporation, even with the expansion to include Wavemaker's business.
Brief reason(s) for and the general effect of such amendment		The above-discussion is reflected in Item 12. Please note that the Board has not proposed any amendment to the Company's primary purpose that will require discussion in Item 17. As mentioned, the Company is still engaged and still maintains its business, as provided in its Articles of Incorporation.
ITEM 18. OTHER PROPOSED ACTION		Please see as revised.
Brief description of the substance of each subject matter in the same degree	Please include the ratification of acts of management and the Audited Financial Statements.	
ITEM 19. VOTING PROCEDURES		
Vote required for approval/election	Please disclose why the waiver to conduct rights or public offering only requires majority vote of the outstanding shares of minority stockholders.	We have removed this from the Agenda. This will form part of the Special Stockholders' Meeting. No date has been set for the said meeting. Also, please note also that the Exchange's Rules on Additional Listing, for related party transactions, in addition to the stockholders approval of the transaction, the Issuer must secure a waiver of the requirement to conduct a rights or public offering of the shares subscribed from the majority of the outstanding shares held by the minority stockholders present or represented in the meeting. See discussion in Item 9 of the Information Statement. In any case, this will form part of the agenda for the next stockholders' meeting.

MANAGEMENT REPORT					
2 Management's Discussion and Analysis (MD&A) or					
Plan of Operation					
2	Management's Discussion and Analysis. MD&A helps to explain financial results. A reader of the MD&A should be able to understand the financial results of the registrant's business as discussed in the "Business" section. It shall provide information with respect to liquidity, capital resources and other information necessary to understand the registrant's financial condition and results of operation.				
	The discussion and analysis shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition. This would include descriptions and amounts of matters that would have an impact on future operations and have not had an impact in the past, and matters that have had an impact on reported operations and are not expected to have an impact upon future operations.				
	(a) Full fiscal years				

Checklist of Requirements		Page No.	Remarks
(1) Discussion of the Registrant's Financial Condition, Changes in Financial Condition and Results of Operations for each of the last 3 fiscal years.		(1) 47.0 million in aggregate revenue for first quarter in Paragraph 2 (First half of 2020 compared with First half of 2019) is different from the 2nd Quarter Interim FS. Please revise accordingly. (2) Referral to Right of Use Asset as of March 31, 2020 in the MD&A (p. 10) should be for June 30, 2020. Please revise accordingly. (3) Other current liabilities for 2019 (2019 vs 2018) in the MD&A is different from the AFS. Please revise accordingly. (4) Net cash provided by (used in) Operating Activities, Net cash provided by (used in) Financing Activities, and Effect of foreign exchange charges in cash for 2019 (2019 vs 2018) are different from the AFS. Please revise accordingly. (5) The loss before income tax, net income and total comprehensive income for 2018 vs 2017 did not decreased but increased. Please revise	(1) Please see as revised; (2) Please see as revised; (3) Amounts are the same per re-checking; (4) Please see as revised; (5) Revised. Please note that we used "decrease" to denote the movement of the Group's financial performance, from income earned in 2017 to net loss incurred in 2018.
(2) If FS shows losses from operation, explain the causes underlying these losses and the steps the registrant has taken or is taking to address these cause.		Please disclose for AFS and interim financial statements.	Please see <i>Management's Discussion and Analysis or Plan of Operation</i> of Annex D.
(3) Past and future financial condition and results of operation, with particular emphasis on the prospects for the future.			
(4) Key Variable and Other Qualitative and Quantitative Factors.			
If Material:			
(i) Any Known Trends, Events or Uncertainties (Material Impact on Liquidity)		Please include the credit line facilities obtained, among other resolutions of the BOD, for the BOD actions for ratification to the stockholders in the ASM.	No credit line facilities obtained. All board actions for ratification are identified in Annex "K".
(ii) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or			

	acceleration of an obligation			
	(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.			
	(iv) Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures			
	(v) Any Known Trends, Events or Uncertainties (Material Impact on Sales)			
	(vi) Any Significant Elements of Income or Loss (from continuing operations)			
	(vii) Causes for Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%)			
	(viii) Seasonal Aspects that has Material Effect on the FS			
	(b) Interim Periods: Comparable discussion to assess material changes (last fiscal year and comparable interim period in the preceding year). Disclose the required information required under subparagraph (2)(a)(i) to (viii) above.		Please provide for 3rd quarter of 2020. Otherwise, file an exemptive relief from the requirement of providing the Interim Financial Statement in the Information Statement and provide the same no later than five (5) days before the scheduled ASM, or for PLCs who would be conducting their ASM via remote communication or in absentia, no later than five (5) days before the cut-off period for submitting written questions/clarifications to the company.	The Company submitted an application for Exemptive Relief requesting the Commission to allow the Company to submit the Definitive Information Statement without the 3 rd Quarter Financials. The Company also commits to submit the 3 rd Quarter Financials, together with the MD&A discussion at least five (5) days before the scheduled ASM.
3	EXTERNAL AUDIT FEES (SEC MC No. 14, Series of 2004)			
A	Under the caption Audit and Audit-Related Fees, the aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor for:		Please break down aggregate fees (and estimated for 2020) for Audit and Audit Related Fees.	Please refer to Annex "D" – Management Report, Item 7 (External Audit Fees) which states: "The audit fees for 2020 are estimated to be at ₱2,343,000."

	1. The audit of the registrant's annual financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for those fiscal years;			
	2. Other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements. The registrant shall describe the nature of the services comprising the fees disclosed under this category.			
	B Under the caption "Tax Fees", the aggregate fees billed in each of the last two (2) fiscal years for professional services rendered by the external auditor for tax accounting, compliance, advice, planning and any other form of tax services. Registrant shall describe the nature of the services comprising the fees disclosed under this category.	Please provide the breakdown of fees (and estimated for 2020) for the tax consultancy and assistance in the preparation of annual income tax returns.	This is already included/incorporated in the audit fees.	
	C Under the caption "All Other Fees", the aggregate fees billed in each of the last two (2) fiscal years for products and services provided by the external auditor, other than the services reported under items (a) & (b) above. Registrants shall describe the nature of the services comprising the fees disclosed under this category;	Please disclose, if any.	Not Applicable	
5	Market Price of and Dividends required by Part V of Annex C, as amended			

			stockholders, and other relevant details.	
6	Discussion on Compliance with leading practice on Corporate Governance			
C	Any deviation from the company's Manual of Corporate Governance. Including a disclosure of the name and position of the person/s involved and sanction/s imposed on said individual		Please disclose if any.	None.
AUDITED FINANCIAL STATEMENTS				
5	Interim Financial Statements and MD&A as of September 30, 2020.		Please submit 3rd quarter report; otherwise, file an exemptive relief from the requirement of providing the Interim Financial Statement in the Information Statement and provide the same no later than five (5) days before the scheduled ASM, or for PLCs who would be conducting their ASM via remote communication or in absentia, no later than five (5) days before the cut-off period for submitting written questions/clarifications to the company.	See The Company has submitted an application for exemptive relief with the Commission.



REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION

Ground Floor, Secretariat Building, PICC
City Of Pasay, Metro Manila

COMPANY REG. NO. A200117708

**CERTIFICATE OF FILING
OF
AMENDED ARTICLES OF INCORPORATION**

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

XURPAS INC.
(Amending Article VI thereof.)

copy annexed, adopted on March 27, 2017 and May 10, 2017 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980, and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 5th day of February, Twenty Eighteen.




FERDINAND B. SALES
Director

Company Registration and Monitoring Department

COVER SHEET

COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application

AMENDMENT

SEC Registration Number

A 2 0 0 1 / 7 7 0 8

Company Name

Y V R P A S I N C

AMENDED TO:
New Company Name

Principal Office (No./Street/Barangay/City/Town)Province)

7 F C A M B R I D G E C E N T E R B L D G 1 0 8
T O R D E S I L L A S M A K A T I C I T Y

COMPANY INFORMATION

Company's Email Address

Company's Telephone Number/s

Mobile Number

CONTACT PERSON INFORMATION

The designated contact person **MUST** be a Director/Trustee/Partner/Officer/Resident Agent of the Corporation

Name of Contact Person

Email Address

Telephone Number/s

Mobile Number

Contact Person's Address

To be accomplished by CRMD Personnel

Date

Signature

Assigned Processor

Document I.D.

Received by Corporate Filing and Records Division (CFRD)

Forwarded to:

☐
☐
☐
☐
☐

Corporate and Partnership Registration Division
Green Lane Unit
Financial Analysis and Audit Division
Licensing Unit
Compliance Monitoring Division

AMENDED ARTICLES OF INCORPORATION

of

XURPAS INC.

Know All Men By These Presents:

The undersigned incorporators, all of legal age and majority of whom are residents of the Philippines, have this day voluntarily agreed to form a stock corporation under the laws of the Republic of the Philippines.

THAT WE HEREBY CERTIFY:

FIRST: That the name of this corporation shall be:

XURPAS INC.

SECOND: A. That the primary purpose of this corporation is:

To develop, produce, sell, buy or otherwise deal in products, goods or services in connection with the transmission, receiving, or exchange of voice, data, video or any form of kind of communication whatsoever, and to purchase or otherwise acquire, own, hold, develop and manage in pursuit of and related to its principal business, real and personal property of every kind and description and to possess and exercise in respect thereof, all rights, powers and privileges of ownership.

B. That the corporation shall have all the express powers of a corporation as provided for under Section 36 of the Corporation Code of the Philippines.

THIRD: That the place where the principal office of the corporation is to be established at 7th Floor Cambridge Centre Building 108 Tordesillas St., Salcedo Village, Makati City, Metro Manila.

FOURTH: That the term for which the corporation is to exist is fifty (50) years from and after the date of issuance of the certificate of incorporation.

FIFTH: That the names, nationalities, and residences of the incorporators are as follows:

Name	Nationality	Residence
Nico Jose S. Nollado	Filipino	LP Three Salcedo Condominium Salcedo Village, Makati City
Fernando Jude Fernando Garcia	Filipino	114 Opal St., Gloria 4, Tandang Sora, Quezon City
Raymond Gerard Sison Racaza	Filipino	1032 Domingo Pobleto St., BF Homes Executive Village, Las Pinas
Wilfredo Oposa Racaza	Filipino	1032 Domingo Pobleto St., BF

Mercedita S. Nollo	Filipino	Homes Executive Village, Las Pinas LP Three Salcedo Condominium Salcedo Village, Makati City
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SIXTH: That the number of directors of the corporation shall be eight (8) and that the names, nationalities and residences of the first directors who are to serve until their successors are elected and qualified as provided by the by-laws are as follows: **(As amended by the Board of Directors and Stockholders in their respective meetings held on March 27, 2017 and May 10, 2017, respectively)**

Name	Nationality	Residence
Nico Jose S. Nollo	Filipino	LP Three Salcedo Condominium Salcedo Village, Makati City
Fernando Jude Fernando Garcia	Filipino	114 Opal St., Gloria 4, Tandang Sora Quezon City
Raymond Gerard Sison Racaza	Filipino	1032 Domingo Poblete St., BF Homes Executive Village, Las Pinas
Wilfredo Oposa Racaza	Filipino	1032 Domingo Poblete St., BF Homes Executive Village, Las Pinas
Mercedita S. Nollo	Filipino	LP Three Salcedo Condominium Salcedo Village, Makati City

SEVENTH: That the authorized capital stock of the corporation is Five Hundred Million (Php 500,000,000.00) in lawful money of the Philippines, divided into Five Billion shares (5,000,000,000) with the par value of Ten Centavos (Php 0.10) per share.

The stockholders shall have no pre-emptive right to subscribe to all issues or disposition of shares of any class.

The corporation shall comply with the lock-up requirement provided under the Listing Rules for the Main and SME Boards of the Philippine Stock Exchange dated June 6, 2013.

EIGHTH: That at least 25% of the authorized capital stock has been subscribed and at least 25% of the total subscription has been paid as follows:

Name	Nationality	No. of Shares Subscribed	Amount Subscribed	Amount Paid
Nico Jose S. Nollo	Filipino	83,332	83,332.00	20,832.25
Fernando Jude Fernando Garcia	Filipino	83,334	83,334.00	20,832.75
Raymond Gerard Sison Racaza	Filipino	83,332	83,332.00	20,833.00
Wilfredo Oposa Racaza	Filipino	1	1.00	1.00
Mercedita S. Nollo	Filipino	1	1.00	1.00
TOTAL		250,000	Php 250,000.00	Php 62,500.00

NINTH: No transfer of stock or interest which would reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall

be allowed or permitted to be recorded in the proper books of the corporation and this restriction shall be indicated in all the stocks certificates issued by the corporation.

TENTH: That **RAYMOND GERARD SISON RACAZA** has been elected by the subscribers as treasurer of the corporation to act as such until his/her successor is duly elected and qualified in accordance with the by-laws; and that as such Treasurer, he/she has been authorized to receive for and in the name and for the benefit of the corporation, all subscriptions paid by the subscribers.

ELEVENTH: That the corporation manifests its willingness to change its corporate name in the event another person, firm or entity has acquired a prior right to use the said firm name or one deceptively or confusingly similar to it.

IN WITNESS WHEREOF, we have set our hands this 15th day of October, 2001 at Makati City.

SGD
NICO JOSE S. NOLLEDO

SGD
FERNANDO JUDE FERNANDO GARCIA

SGD
RAYMOND GERARD SISON RACAZA

SGD
WILFREDO OPOSA RACAZA

SGD
MERCEDITA S. NOLLEDO

WITNESSES:

SGD

SGD

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
Makati City)S.S.

BEFORE ME, a Notary Public in and for Makati City, Philippines, this 6th of November, 2001 personally appeared:

<i>Name</i>	<i>Competent Evidence of Identity</i>	<i>Date & Place Issued</i>	
Nico Jose S. Nollado	CTC-107994485	1/16/01	Makati City
Fernando Jude Fernando Garcia	CTC-03052741	10/12/01	Quezon City
Raymond Gerard Sison Racaza	CTC-09576484	4/10/01	Imus Cavite
Wilfredo Oposa Racaza	CTC-09576479	4/10/01	Imus Cavite
Mercedita S. Nollado	CTC-04147161	2/07/01	Makati City

all known to me and to me known to be the same persons who executed the foregoing Articles of Incorporation and they acknowledged to me that the same is their free and voluntary act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and at the place first above written.

Doc. No. 476;
Page No. 97;
Book No. XLVIII;
Series of 2001.

SGD

FRANCISCO A. TIONGSON
Notary Public – Until 31 Dec 2001
PTR No. 7738973 – 08 Jan. 2001
Issued at Makati City
TIN 132-285-238

AMENDED BY-LAWS

OF

XURPAS INC.

ARTICLE I.

SUBSCRIPTION, ISSUANCE AND TRANSFER OF SHARES

Section 1. Subscriptions – Subscribers to the capital stock of the corporation shall pay the value of the stock in accordance with the terms and conditions prescribed by the Board of Directors. Unpaid subscriptions shall not earn interest unless determined by the Board of Directors.

Section 2. Certificate – The stockholder shall be entitled to one or more certificates for full paid stock subscription in his name in the books of the corporation. The certificates shall contain the matters required by law and the Articles of Incorporation. They shall be in such form and design as may be determined by the Board of Directors and numbered consecutively. The certificate shall be signed by the President, countersigned by the Secretary or Assistant Secretary, and sealed with the corporate seal.

Section 3. Facsimile Signing – The signature of the President and the countersignature of the Secretary may be by an individual signing by such officers or by a facsimile of either or both of their signatures. No certificate may be signed by facsimile by the duly authorized signing officers and no certificate bearing facsimile or manual signatures of the officers of the corporation shall be valid unless countersigned by the manual signatures of the transfer agent issuing the same.

Section 4. Transfer of Shares – Subject to the restrictions, terms and conditions contained in the Articles of Incorporation, shares may be transferred, sold, assigned or pledged by delivery of the certificates duly indorsed by the stockholder, his attorney-in-fact, or other legally authorized person. The transfers shall be valid and binding on the corporation only upon record thereof in the books of the corporation. The Secretary shall cancel the stock certificates to the transferee.

No share of stock against which the corporation holds unpaid claim shall be transferable in the books of the corporation.

All certificates surrendered or the transfer shall be stamped "Cancelled" on the face thereof, together with the date of cancellation, and attached to the corresponding stub with the certificate book.

Section 5. Transfer Agents – The Board of Directors of the corporation may from time to time to time appoint, cancel appointment, substitute and eliminate its transfer agent.

Section 6. Lost Certificates – The Board of Directors, subject to such rules and regulations as it may from time to time adopt, may order a new certificate or certificates of stocks to be issued in the place of any certificate or certificates of the corporation alleged to have been lost or destroyed; but in every such case the owner of the lost certificate or certificates shall first cause to be given to the corporation, a bond with,

sufficient surety, satisfactory to the Board of Directors, in such sum, not less than the par or market value, whichever is higher of such lost or destroyed certificates of stock, as the Board of Directors may, in its discretion require against any loss or claim that the corporation may incur by reason of such issuance of such new stock certificates; but the Board of Directors may, in its discretion, refuse to replace any lost certificates, save upon order of a court having jurisdiction on the matter, or upon compliance with the requirements of Section 73 of the Corporation Code.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Annual/Regular Meetings – The annual/regular meetings of stockholders shall be held every 2nd Monday of May of each year, if a legal holiday then on the day following. **(As approved by the Board of Directors on January 4, 2018 and by the Stockholders on May 10, 2017)**

Section 2. Special Meeting – The special meetings of the stockholders, for any purpose or purposes, may at any time be called by any of the following: (a) Board of Directors, at its own instance, or at the written request of stockholders representing a majority of the outstanding capital stock, (b) President.

Section 3. Place of Meeting – Stockholders meetings, whether regular or special, shall be held in the principal office of the corporation or at any place designated by the Board of Directors in the city or municipality where the principal office of the corporation is located.

Section 4. Notice of Meeting – Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mail at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned is announced at the meeting at which the adjourned is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Section 5. Quorum – Unless otherwise provided by law, in all regular or special meeting of stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.

Section 6. Conduct of Meeting – Meetings of the stockholders shall be presided over by the President, or in his absence, by a chairman to be chosen by the stockholders. The Secretary shall act as secretary of every meeting but if not present, the chairman of the meeting shall appoint a secretary of the meeting.

Section 7. Manner of Voting – At all meetings of stockholders, a stockholder may vote in person or by proxy. Unless otherwise provided in the proxy, it shall be valid only for

the meeting at which it has been presented to the Secretary. Proxies must be filed with the Secretary, Assistant Secretary or transfer agent of the corporation at least seven (7) days before the day of the meeting. Proxies filed with the Secretary, Assistant Secretary or transfer agent of the corporation may be revoked by the stockholders either in an instrument in writing duly presented to the Secretary, Assistant Secretary or transfer agent of the corporation at least three (3) days before the day of the meeting or by their personal presence at the meeting. Validation of proxies shall be done at least five (5) days before the day of the meeting by the Secretary or by a special committee of inspectors composed of the Secretary, Assistant Secretary and a representative of the transfer agent of the corporation. The decision of the Secretary or the special committee of inspectors, as the case may be, on the validity of the proxies shall be final and binding until and unless set aside by a court of competent jurisdiction.

Section 8. Closing of Transfer Books or Fixing of Record Date – For the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any dividend, the Board of Directors may provide that the stock and transfer books be closed for such period as may be deemed advisable previous to such meeting.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Powers of the Board – Unless otherwise provided by law, the corporate powers of the corporation shall be exercised, all business conducted and all property of the corporation controlled and held by the Board of Directors to be elected by and from among stockholders. Without prejudice to such powers as may be granted by law, the Board of Directors shall also have the following powers:

- a) From time to time, to make and change rules and regulations not inconsistent with these by-laws for the management of the corporation's business and affairs;
- b) To purchase, receive, take or otherwise acquire for and in the name of the corporation, any and all properties, rights, or privileges, including securities and bonds of other corporations, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;
- c) To invest the funds of the corporation in other corporations or for purposes other than those for which the corporation was organized, subject to such stockholders' approval as may be required by law;
- d) To incur such indebtedness as the Board may deem necessary, to issue evidence of the indebtedness including without limitation, notes, deeds of trust, bonds, debentures, or securities, subject to such stockholders' approval as may be required by law, and/or pledge, mortgage, or otherwise encumber all or part of the properties of the corporation;
- e) To establish pension, retirement, bonus, or other types of incentives or compensation plans for the employees, including officers and directors of the corporation;

- f) To prosecute, maintain, defend, compromise or abandon any lawsuit in which the corporation or its officers are either plaintiffs or defendants in connection with the business of the corporation;
- g) To delegate from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business of the corporation to any standing or special committee or to any officer or agent and to appoint any person to be agent of the corporation with such powers and upon such terms as may be deemed fit;
- h) To implement these by-laws and to act on any matter not covered by these by-laws, provided such matter does not require the approval or consent of the stockholders under the Corporation Code.

Section 2. Qualifications and Disqualifications – All directors shall be stockholders in their own right of at least one (1) share as of the date of their nominations, and shall be elected in accordance with these By-Laws and the Corporation Code, rules and regulations prescribed by the Securities and Exchange Commission, or such other relevant governmental agency or body especially in connection with the nomination and election of Independent Directors.

The corporation shall have at least three (3) Independent Directors or such number of Independent Directors that constitute at least one-third (1/3) of the members of the Board, whichever is higher. (As approved by the Board of Directors on March 27, 2017 and by the Stockholders on May 10, 2017)

An Independent Director shall mean a person who (a) is neither an officer or employee of the corporation, its parent or subsidiaries or any other individual having a relationship with the corporation, (b) apart from his fees and shareholdings, is independent of management and free from any business or other relationship that could, or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and (c) meets all the independence criteria enumerated in the corporation's Manual on Corporate Governance and such other criteria provided under applicable laws, rules or regulations or determined by the Board of Directors.

Qualification of Independent Directors

An Independent Directors shall have the following minimum qualifications and such additional qualifications provided under the Corporation Code, Securities Regulation Code, the Code of Corporate Governance issued by the Securities and Exchange Commission and other relevant laws, rules and regulations in effect at the relevant time:

- a) He shall have at least one (1) share of stock of the corporation;
- b) He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years; and
- c) He shall possess integrity and probity.

Disqualifications of Directors

Any stockholder may be elected director, provided however, that no person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business or activity that competes with or is antagonistic to that of the corporation or any of its subsidiaries and affiliates. Without limiting the generality of the foregoing a person shall be deemed to be so engaged:

- a) If he is an officer, manager, director or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any corporation (other than one in which the corporation owns at least 30% of the capital stock) engaged in a business or activity which the Board, by at least two-thirds vote of the directors present constituting a quorum, determines to be competitive or antagonistic to that of the corporation or its subsidiaries and affiliates; or
- b) If he is an officer, manager, director or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the corporation or that of its subsidiaries and affiliates and in the judgment of the Board, by at least two-thirds vote of the directors present constituting a quorum, that the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or
- c) If the Board, in the exercise of its judgment in good faith, determines by at least two thirds vote of the directors present constituting a quorum that he is the nominee of any person set forth in (a) or (b) above.

The term "subsidiary" as used in this Section is defined as a corporation or entity in which the corporation directly or indirectly owns, controls or has the power to vote at least majority of the shares or interests therein.

The term "affiliate" as used in this Section is defined as a corporation or entity in which the corporation directly or indirectly owns, controls or has the power to vote at least ten percent (10%) but not more than fifty percent (50%) of the shares or interests therein.

In determining whether or not a person is engaged in a business or activity which competes with or is antagonistic to that of the corporation or any of its subsidiaries and affiliates, or if he is a controlling person, beneficial owner, or the nominee of another, or if he suffers from the foregoing disqualifications, the Board may take into account such factors as business, professional and family relationships.

For the proper implementation of this provision, all nominations for the election of directors by the stockholders shall be submitted in writing to the Nomination Committee not earlier than sixty (60) days nor later than thirty (30) days prior to the date when the Definitive Information Statement is required to be sent out to the stockholders under relevant regulations. Nominations which are not submitted within such nomination period shall not be valid.

The Nomination Committee, by majority vote, shall pass upon the qualification of the nominee to the Board. It may also, in the exercise of its discretion and by majority vote of its members, disqualify a nominated shareholder who, in the Nomination Committee's judgment, represents an interest adverse to or in conflict with those of the corporation. No nominations shall be entertained or allowed on the floor during the Annual Stockholders' Meeting.

The final list of candidates shall be made available to the Securities and Exchange Commission and to all stockholders through the filing and distribution of the Information Statement or in such other reports required by the Securities and Exchange Commission. (As approved by the Board of Directors on August 9, 2017 and by the Stockholders on May 10, 2017)

In addition, no person shall qualify or be eligible for nomination as a director if:

- a) There is a finding against him by final and executory judgment by the Securities and Exchange Commission or a court or other administrative body of competent jurisdiction of a willful serious violation, or willful aiding, abetting, counselling, inducing, or procuring of the serious violation of, any material provision for the Securities Regulation Code, the Corporation Code, or any other law administered by the Securities and Exchange Commission or Bangko Sentral ng Pilipinas;
- b) He is judicially declared insolvent;
- c) There is a finding against him by final judgment by a foreign court or equivalent regulatory authority with competent jurisdiction of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;
- d) He previously committed patently unlawful act(s) and/or other act(s) deemed prejudicial or inimical to the reputation and/or interest of the corporation;
- e) He committed acts causing undue injury to the corporation, its subsidiaries or affiliates or committed acts causing injury to another corporation while acting as a director therein; or
- f) He previously committed gross negligence or bad faith in directing the affairs of another corporation where he serves as a director or officer.

Persons disqualified by these by-laws, existing laws and the rules of the Securities and Exchange Commission shall not be eligible to become an Independent Director.

Section 3. Election and Term – The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

Section 4. Vacancies – Any vacancy occurring in the Board of Directors other than by removal by the stockholders or by expiration of term may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of

stockholders called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filled by election at the same meeting of stockholders without further notice, or at any regular or at any special meeting of stockholders called for the purposes, after giving notice as prescribed in these by-laws.

Section 5. Meetings – Regular meetings of the Board of Directors shall be held every quarter on such dates and at places as may be called by the Chairman of the Board, or upon the request of a majority of the Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board, the President and Chief Executive Officer or a majority of the Board of Directors of the corporation.

Attendance at Board meetings through teleconference or videoconference may be allowed (i.e. conferences or meetings through electronic medium or telecommunications where the participants who are not physically present are located at different local or international places). Board meetings through teleconferencing or videoconferencing should comply with the applicable rules and requirements of the Securities and Exchange Commission.

Section 6. Notice – Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary at least two(2) business days before the date of the meeting by delivery, fax, electronic mail or short messaging system (SMS) to each director or by other means of written or printed communication generally accepted and used by the business community as at present available through or as may be made available through technical advances or innovations in the future.

The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the specific purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 7. Quorum – A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of majority of all the members of the Board.

Section 8. Conduct of the Meetings – Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, by any other director chosen by the Board. The Secretary shall act, as secretary of every meeting, if not present, the Chairman of the meeting, shall appoint a secretary of the meeting.

Section 9. Compensation – By resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of

stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

Section 10. Manual on Corporate Governance – To aid the Board of Directors in the promotion of and adherence to the principles of good governance, the Board adopted a Manual on Corporate Governance, which may be amended from time to time as may be deemed by the Board and such Manual shall be supplementary to these By-Laws.

ARTICLE IV

COMMITTEE

Section 1. Executive Committee – The Board of Directors may, by resolution or resolutions passed by a majority of all its members, create an executive committee composed of not less than three (3) members of the Board of Directors. Its members shall be appointed by the Board of Directors and hold office for one year or until their respective successors shall have been appointed. During the intervals between the meetings of the Board of Directors, the Executive Committee shall possess and may exercise all the powers of the Board of Directors in the management and direction of the affairs of the corporation in all cases in which specific directions shall not have been given by the Board of Directors. Except as provided in Section 35 of the Corporation Code, the Executive Committee shall have and exercise all such other powers as may be delegated to it by the Board of Directors. The Executive Committee shall keep regular minutes of its proceedings and report its approvals or acts to the Board of Directors at the meetings of the Board of Directors next succeeding such action and shall be subject to revisions and alterations by the Board of Directors provided, that no rights of thirds parties shall be affected by any such revision or alteration. Regular minutes of the proceedings of the Executive Committee shall be kept in a book provided for the purpose. Vacancies in the Executive Committee shall be filled by the Board of Directors. A majority of the Executive Committee shall be necessary to constitute a quorum, and in every case the affirmative vote of a majority of the members shall be necessary for the passage of any resolution. It shall adopt its own rules of procedure. The Board of Directors shall have the power to change the members of the Executive Committee at any time, to fill vacancies therein and to discharge or dissolve such Executive Committee either with or without cause.

Section 2. Other Committees – The Board of Directors shall have the power among other things, to create committees and other bodies as may be necessary or beneficial in the operation and internal regulation of the corporation. Such committees shall have such powers and function as may be delegated to them by the Board of Directors or as defined in the Manual on Corporate Governance except those that may not be delegated under the Corporation Code. Then Board of Directors shall have the power to appoint and remove the members of such committees and may at any time with or without cause dissolve any of such committees.

ARTICLE V

OFFICERS

Section 1. Election/Appointment – Immediately after the election of the directors at the annual or special meeting of stockholders, the Board of Directors shall formally organize

by electing or appointing the President, the Treasurer, and the Secretary at said meeting.
(As approved by the Board of Directors on August 9, 2017 and by the Stockholders on May 10, 2017)

The Board may, from time to time, elect or appoint such other officers as it may determine to be necessary or proper. Any two (2) or more positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time.

Section 2. President – The President may be the Chief Executive Officer of the corporation and shall exercise the following functions:

- a) To preside at the meetings of the stockholders;
- b) To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;
- c) To supervise and manage the business affairs of the corporation upon the direction of the Board of Directors;
- d) To implement the administrative and operational policies of the corporation under his supervision and control;
- e) To appoint, remove, suspend or discipline employees of the corporation, prescribe their duties, and determine their salaries;
- f) To oversee the preparation of the budgets and the statements of accounts of the corporation;
- g) To represent the corporation at all functions and proceedings;
- h) To execute on behalf of the corporation all contracts, agreements and other instruments affecting the interests of the corporation which require the approval of the Board of Directors.
- i) To make reports to the Board of Directors and stockholder;
- j) To sign certificates of stock;
- k) To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.

Section 3. The Secretary – The Secretary must be a resident and a citizen of the Philippines. He shall have the following specific powers and duties:

- a) To record the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;

- b) To keep record books showing the details required by law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred;
- c) To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;
- d) To attend to the giving and serving of all notices of the corporation required by law or these by-laws to be given;
- e) To certify to such corporate acts, countersign corporate documents or certificates and make reports or statements as may be required of him by law or by government rules and regulations;
- f) To act as inspector at the election of directors and, as such, to determine the numbers of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and affect of proxies, and to receive votes, ballots or consents, hear and determine questions in connection with the right to vote, count and tabulate all votes, determine the results, and do such acts as are proper to conduct the election;
- g) To perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President. **(As approved by the Board of Directors on August 9, 2017 and by the Stockholders on May 10, 2017)**

Section 4. The Treasurer – The Treasurer of the corporation shall have the following duties:

- a) To keep full and accurate accounts of receipts and disbursements in the books of the corporation;
- b) To have custody of, and be responsible for, all the funds, securities and bonds of the corporation;
- c) To deposit in the name and to credit of the corporation, in such bank as may be designate from time to time by the Board of Directors, all the moneys, funds, securities, bonds and similar valuable effects belonging to the corporation which may come under his control;
- d) To render annual statements showing the financial condition of the corporation and such other financial reports as the Board of Directors, or the President may, from time to time require;
- e) To prepare such financial reports, statements, certifications and other documents which may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies;
- f) To exercise such powers and perform such duties and functions as may be assigned to him by the President. **(As approved by the Board of Directors on August 9, 2017 and by the Stockholders on May 10, 2017)**

Section 5. Terms and Office – The term of office of all officers shall be one (1) year and until their successors are duly elected and qualified. **(As approved by the Board of Directors on August 9, 2017 and by the Stockholders on May 10, 2017)**

Section 6. Vacancies – If any position of the officers becomes vacant by reason of death, resignation, disqualification or for any other cause, the Board of Directors, by majority vote, may elect a successor who shall hold office for the unexpired term. **(As approved by the Board of Directors on August 9, 2017 and by the Stockholders on May 10, 2017)**

Section 7. Compensation – The officers shall receive such remuneration as the Board of Directors may determine. A director shall not be precluded from serving the corporation in any other capacity as an officer, agent or otherwise, and receiving compensation herefore. **(As approved by the Board of Directors on August 9, 2017 and by the Stockholders on May 10, 2017)**

ARTICLE VI

VOTING UPON STOCKS HELD BY THE CORPORATION

Unless otherwise ordered by the Board of Directors, the President or the Chief Executive Officer shall have full power and authority in behalf of the corporation to attend, to act and to vote at any meeting of stockholders of any company in which the corporation holds stock and at any such meetings shall possess and may exercise any and all rights and powers incident to the ownership of such stock, and which, as the owner thereof, the corporation might have possessed and exercised if present. The Board of Directors, by resolution, from time to time, may confer like powers upon any person or persons, not necessarily directors or officers of the corporation. **(As approved by the Board of Directors on August 9, 2017 and by the Stockholders on May 10, 2017)**

ARTICLE VII

INDEMNIFICATION OF DIRECTORS/OFFICERS

Section 1. This corporation shall indemnify every director or officer, his heirs, executors and administrators against all costs and expenses reasonably incurred by such person in connection with any civil, criminal, administrative or investigative action, suit or proceeding (other than an action by this corporation) to which he may be, or is made, a party by reason of his being or having been a director or officer of this corporation, except in relation to matters as to which he shall be finally adjudged in such action, suit or proceeding, to be liable for gross negligence, misconduct or breach of fiduciary duty.

In the event of a settlement or compromise, indemnification shall be provided only in connection with such matters covered by the settlement as to which this corporation is advised by counsel that the person to be indemnified did not commit a breach of duty as such director or officer.

The amount payable by way of indemnity shall be determined and paid only pursuant to a resolution adopted by a majority of all the members of the Board of Directors.

The costs and expenses incurred in defending the aforementioned action, suit or proceedings may be paid by this corporation in advance of this final disposition of such action, suit or proceeding, as authorized in the manner provided for in the preceding paragraph upon receipt of an undertaking by or on behalf of the director or officer to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by this corporation as authorized in this Article. *(New provision adopted on July 10, 2014)*

ARTICLE VIII

OFFICES

Section 1. The principal office of the corporation shall be located at the place stated in Article III of the Articles of Incorporation. The corporation may have such other branch offices, either within or outside the Philippines as the Board of Directors may designate.

ARTICLE IX

AUDIT OF BOOKS, FISCAL YEAR, DIVIDENDS AND FINANCE

Section 1. External Auditor – At the regular stockholders' meeting, the external auditor of the corporation for the ensuing year shall be appointed. The external auditor shall examine, verify and report on the earnings and expenses of the corporation.

Section 2. Fiscal Year – The fiscal year of the corporation shall begin on the first day of January and end on the last December of each year.

Section 3. Dividends – Dividends shall be declared and paid out of unrestricted retained earnings which shall be payable in cash, property or stock to all stockholders on the basis of outstanding stock held by them, as often and such times as the Board of Directors may determine and in accordance with law.

The Board of Directors shall have power and authority to fix and determine and from time to time vary, the amount to be reserved over and above its capital stock paid in, as working capital, to meet contingencies, to provide for the equalization of dividends and/or for other purposes, to direct and determine the use and disposition of working capital and of any amounts so reserved; to use and apply the surplus or any part thereof in acquiring the bonds or other obligations or shares of the capital stock of the corporation to such extent in such manner and upon such terms as the directors shall deem expedient and shares of capital stock so purchased or acquired may be resold and shall not be deemed to have been retired unless such shares shall have been retired for the purpose of reducing the capital of the corporation in the manner provided by law to determine whether any, what part, of the net profits or surplus shall be declared and paid as dividends; and generally to fix and determine the use and disposition of any net profits or surplus.

Section 4. Profit-sharing and Bonuses – Participation in the unrestricted profits or earnings from operations, after taxes may be paid to the directors, officers and employees of the corporation to be distributed in the manner, amounts and proportion as the Board of Directors may determine.

Section 5. Stock Option Plan – The Board of Directors may grant or issue stock option or purchase plans to its employees, directors or officers subject to the applicable laws, rules and regulations.

Section 6. Inspection of Corporate Records – The Board of Directors shall, from time to time, determine to what extent and under what times and places and under what conditions and regulations the accounts and books of the corporation or any of them shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any book or document of the corporation, except as conferred by statute or authorized by the Board of Directors.

ARTICLE X

SEAL

Section 1. Form and Inscriptions – The corporate seal shall be determined by the Board of Directors.

ARTICLE XI

AMENDMENTS

Section 1. These by-laws may be amended or repealed by the affirmative vote of at least a majority of the Board of Directors and the Stockholders representing a majority of the outstanding capital stock at any stockholders' meeting called for that purpose. However, the power to amend, modify, repeal or adopt new by-laws may be delegated to the Board of Directors by the affirmative vote of stockholders representing not less than two-thirds of the outstanding capital stock; provided, however that any such delegation of powers to the Board of Directors to amend, repeal or adopt new by-laws may be revoked only by the vote of stockholders representing a majority of the outstanding capital stock at a regular or special meeting.

IN WITNESS WHEREOF, we, the undersigned stockholders have adopted the foregoing by-laws and have hereunto affixed our signatures this 15th day of October, 2001 at Makati City.

SECRETARY'S CERTIFICATE

I, **MARK S. GORRICETA**, of legal age, Filipino, and with office address at 15F Strata 2000, F. Ortigas Jr. Road, Ortigas Center, Pasig City, Philippines, after having been sworn to in accordance with law, do hereby certify that:

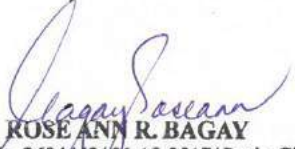
1. I am the duly elected and incumbent Corporate Secretary of **XURPAS INC.** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at 7th Floor Cambridge Centre Building, 108 Tordersillas St., Salcedo Village, Makati City and as such, I have custody and possession of the corporate books and other records of the Corporation, including the minutes of meetings of the Corporation's Stockholders and Board of Directors.
2. To the best of my knowledge and based on the records of the Corporation, no action or proceeding has been filed or is pending before any court, agency or body involving an intra-corporate dispute and/or claim by any person or group against the Board of Directors, individual directors and/or major corporate officers of the Corporation as its duly elected and/or appointed directors or officers or vice versa.

AUG 17 2017 IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____ in **PASIG CITY**


MARK S. GORRICETA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this **AUG 17 2017** in **PASIG CITY**, affiant exhibiting to me his Passport No. EC5401039 issued at DFA Manila valid until September 18, 2020.

Doc. No. 120 ;
Page No. 25 ;
Book No. II ;
Series of 2017.


ROSE ANN R. BAGAY
PTR No. 262442/01-18-2017/ Pasig City
IBP No. 1076606/01-26-17/ Cavite City
Roll No. 64361
MCLE Compliance No. V-0014543; 02-29-2016
15/F Strata 2000, F. Ortigas Jr. Road,
Ortigas Center, Pasig City
Telephone No. 696-0687; 696-0988
Appointment No. 209 (2016-2017) - Pasig City
Commissioned until 31 December 2017

**DIRECTORS' CERTIFICATE
OF AMENDMENT OF ARTICLES OF INCORPORATION
OF XURPAS INC.**

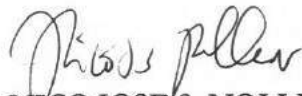


We, the undersigned, being the Chairman of the Board, Corporate Secretary, and majority the Board of Directors of **XURPAS INC.** (the "**Corporation**"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at 7th Floor Cambridge Centre Building, 108 Tordersillas St., Salcedo Village, Makati City, hereby certify that the Articles of Incorporation of the Corporation was amended pursuant to Section 16 of the Corporation Code of the Philippines by a majority of the directors and the vote of stockholders representing at least 2/3 of the outstanding capital stock at a meeting held on March 27, 2017 and May 10, 2017 respectively.

The amendment refers to Article VI of the Articles of Incorporation which increased the number of directors from seven (7) to eight (8).

IN TESTIMONY WHEREOF, we have signed this Certification on
AUG 22 2017 at PASIG CITY.

[Signature Page Follows]



NICO JOSE S. NOLLEDO

Chairman of the Board & Chief Executive Officer



RAYMOND GERARD S. RACAZA

President, Chief Operating Officer, & Director




FERNANDO JUDE F. GARCIA

Chief Technology Officer & Director



WILFREDO O. RACAZA

Director



MERCEDITA S. NOLLEDO

Director



ALVIN D. LAO

Independent Director



JONATHAN GERARD A. GURANGO

Independent Director

MARK S. GORRICETA

Corporate Secretary

COUNTERSIGNED:

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.


SUBSCRIBED AND SWORN to before me this AUG 22 2017 at
PASIG CITY, affiants exhibiting to me their respective evidence of identity as follows:

Name	Competent Evidence of Identity	Expiry Date/ Place Issued
Nico Jose S. Nollo	TIN: 201-176-986	
Raymond Gerard S. Racaza	TIN: 205-589-826	
Fernando Jude F. Garcia	TIN: 202-766-194	
Wilfredo O. Racaza	TIN: 104-128-283	
Mercedita S. Nollo	TIN: 108-728-846	
Alvin D. Lao	TIN: 204-350-573	
Jonathan Gerard A. Gurango	TIN: 175-404-607	
Mark S. Gorriceta	TIN: 191-642-808	

all known to me and to me known to be the same persons who executed the foregoing document consisting of three (3), including this page and acknowledged to me that the same is their free and voluntary act and deed and that of the corporation herein represented.

IN WITNESS WHEREOF, I have hereunto set my hand, the day, year and place above written.

Doc No.: 121;
Page No.: 24;
Book No.: 11;
Series of 2017.


ROSE ANN R. BAGAY
PTR No. 262442/01-18-2017/ Pasig City
IBP No. 1010606/01-26-17/ Cavite City
Roll No. 64361
MCLE Compliance No. V-0014543; 02-29-2016
15/F Strata 2000, F. Ortigas Jr. Road,
Ortigas Center, Pasig City
Telephone No. 696-0687; 696-0988
Appointment No. 209 (2016-2017) - Pasig City
Commissioned until 31 December 2017

**CERTIFICATE OF AMENDMENT OF
THE BY-LAWS OF XURPAS INC.**

We, the undersigned, being the Chairman of the Board, Corporate Secretary, and majority the Board of Directors of **XURPAS INC.** (the “**Corporation**”), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at 7th Floor Cambridge Centre Building, 108 Tordersillas St., Salcedo Village, Makati City, hereby certify that:

1. On March 27, 2017, majority of the directors in a meeting held at the principal office of the Corporation approved the amendment of Article III Section II of the By-laws. Accordingly, during the Corporation’s Annual Stockholders’ Meeting held on May 10, 2017 at Manila Polo Club, McKinley Road, Makati City, stockholders owning at least two-thirds (2/3) of the outstanding capital stock of the Corporation approved the amendment of Article III Section II of the By-laws. Pursuant to the said approvals, Article III Section II shall be read as follows:

“Section 2. Qualifications and Disqualifications – All directors shall be stockholders in their own right of at least one (1) share as of the date of their nominations, and shall be elected in accordance with these By-Laws and the Corporation Code, rules and regulations prescribed by the Securities and Exchange Commission, or such other relevant governmental agency or body especially in connection with the nomination and election of Independent Directors.

The corporation shall have at least three (3) Independent Directors or such number of Independent Directors that constitute at least one-third (1/3) of the members of the Board, whichever is higher...”

2. During the Corporation’s Annual Stockholders’ Meeting held on May 10, 2017 at Manila Polo Club, McKinley Road, Makati City, stockholders owning at least two-thirds (2/3) of the outstanding capital stock of the Corporation approved the delegation of authority to the Board of Directors to amend or repeal the by-Laws of the Corporation or to adopt new By-laws;
3. Pursuant to said authority, during the meeting of the Board of Directors held on August 9, 2017 at least a majority of the members of the Board of Directors of the Corporation approved the amendments to the By-laws specified below; and
4. The accompanying copy of the amended By-Laws of the Corporation, embodying the underscored amendments, are true and correct and were approved by the affirmative vote of at least a majority of the members of the Board of Directors.

The amendments which were approved refers to the following:

a. Amendment of Article II Section 1: Annual/Regular Meetings to read as follows:

“Section 1. Annual/Regular Meetings – The annual/regular meetings of stockholders shall be held every 2nd week of May of each year, if a legal holiday then on the day following.”

The place where such meeting shall be held has been removed in Article II Section 1 to be consistent with the provision already indicated in Article II Section 3.

b. Amendment of Article III Section 2: Qualifications and Disqualifications to read as follows:

“Section 2. Qualifications and Disqualifications – All directors shall be stockholders in their own right of at least one (1) share as of the date of their nominations, and shall be elected in

accordance with these By-Laws and the Corporation Code, rules and regulations prescribed by the Securities and Exchange Commission, or such other relevant governmental agency or body especially in connection with the nomination and election of Independent Directors.

The corporation shall have at least three (3) Independent Directors or such number of Independent Directors that constitute at least one-third (1/3) of the members of the Board, whichever is higher.

An Independent Director shall mean a person who (a) is neither an officer or employee of the corporation, its parent or subsidiaries or any other individual having a relationship with the corporation, (b) apart from his fees and shareholdings, is independent of management and free from any business or other relationship that could, or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and (c) meets all the independence criteria enumerated in the corporation's Manual on Corporate Governance and such other criteria provided under applicable laws, rules or regulations or determined by the Board of Directors.

Qualification of Independent Directors

An Independent Directors shall have the following minimum qualifications and such additional qualifications provided under the Corporation Code, Securities Regulation Code, the Code of Corporate Governance issued by the Securities and Exchange Commission and other relevant laws, rules and regulations in effect at the relevant time:

- a) He shall have at least one (1) share of stock of the corporation;
- b) He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years; and
- c) He shall possess integrity and probity.

Disqualifications of Directors

Any stockholder may be elected director, provided, however, that no person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business or activity that competes with or is antagonistic to that of the corporation or any of its subsidiaries and affiliates. Without limiting the generality of the foregoing a person shall be deemed to be so engaged:

- a) If he is an officer, manager, director or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any corporation (other than one in which the corporation owns at least 30% of the capital stock) engaged in a business or activity which the Board, by at least two-thirds vote of the directors present constituting a quorum, determines to be competitive or antagonistic to that of the corporation or its subsidiaries and affiliates; or
- b) If he is an officer, manager, director or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the corporation or that of its subsidiaries and affiliates and in the judgment of the Board, by at least two-thirds vote of the directors present constituting a quorum, that the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or

- c) If the Board, in the exercise of its judgment in good faith, determines by at least two thirds vote of the directors present constituting a quorum that he is the nominee of any person set forth in (a) or (b) above.

The term "subsidiary" as used in this Section is defined as a corporation or entity in which the corporation directly or indirectly owns, controls or has the power to vote at least majority of the shares or interests therein.

The term "affiliate" as used in this Section is defined as a corporation or entity in which the corporation directly or indirectly owns, controls or has the power to vote at least ten percent (10%) but not more than fifty percent (50%) of the shares or interests therein.

In determining whether or not a person is engaged in a business or activity which competes with or is antagonistic to that of the corporation or any of its subsidiaries and affiliates, or if he is a controlling person, beneficial owner, or the nominee of another, or if he suffers from the foregoing disqualifications, the Board may take into account such factors as business, professional and family relationships.

For the proper implementation of this provision, all nominations for the election of directors by the stockholders shall be submitted in writing to the Nomination Committee not earlier than sixty (60) days nor later than thirty (30) days prior to the date when the Definitive Information Statement is required to be sent out to the stockholders under relevant regulations. Nominations which are not submitted within such nomination period shall not be valid.

The Nomination Committee, by majority vote, shall pass upon the qualification of the nominee to the Board. It may also, in the exercise of its discretion and by majority vote of its members, disqualify a nominated shareholder who, in the Nomination Committee's judgment, represents an interest adverse to or in conflict with those of the corporation. No nominations shall be entertained or allowed on the floor during the Annual Stockholders' Meeting.

The final list of candidates shall be made available to the Securities and Exchange Commission and to all stockholders through the filing and distribution of the Information Statement or in such other reports required by the Securities and Exchange Commission.

In addition, no person shall qualify or be eligible for nomination as a director if:

- a) There is a finding against him by final and executory judgment by the Securities and Exchange Commission or a court or other administrative body of competent jurisdiction of a willful serious violation, or willful aiding, abetting, counselling, inducing, or procuring of the serious violation of, any material provision for the Securities Regulation Code, the Corporation Code, or any other law administered by the Securities and Exchange Commission or Bangko Sentral ng Pilipinas;
- b) He is judicially declared insolvent;
- c) There is a finding against him by final judgment by a foreign court or equivalent regulatory authority with competent jurisdiction of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;
- d) He previously committed patently unlawful act(s) and/or other act(s) deemed prejudicial or inimical to the reputation and/or interest of the corporation;
- e) He committed acts causing undue injury to the corporation, its subsidiaries or affiliates or committed acts causing injury to another corporation while acting as a director therein; or

- f) He previously committed gross negligence or bad faith in directing the affairs of another corporation where he serves as a director or officer.

Persons disqualified by these by-laws, existing laws and the rules of the Securities and Exchange Commission shall not be eligible to become an Independent Director.”

c. Amendment of Article V Section 1: Election/Appointment to be read as follows:

“**Section 1.** Election/Appointment – Immediately after the election of the directors at the annual or special meeting of stockholders, the Board of Directors shall formally organize by electing or appointing the President, the Treasurer, and the Secretary at said meeting.”

Reference to the election or appointment of a Vice-President has been removed.

d. Deletion of Article V Section 3: The Vice President which previously states:

Section 3. The Vice-President – He shall, if qualified, act as President in the absence of the latter. He shall have such other powers and duties as may from time to time are assigned to him by the Board of Directors or by the President. *(As amended on July 10, 2014)*

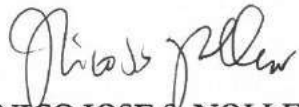
Accordingly, there was a renumbering of succeeding sections in Article V due to the deletion of the above section.

e. Amendment of Article VI: Voting upon stocks held by the Corporation to read as follows:

“Unless otherwise ordered by the Board of Directors, the President or the Chief Executive Officer shall have full power and authority in behalf of the corporation to attend, to act and to vote at any meeting of stockholders of any company in which the corporation holds stock and at any such meetings shall possess and may exercise any and all rights and powers incident to the ownership of such stock, and which, as the owner thereof, the corporation might have possessed and exercised if present. The Board of Directors, by resolution, from time to time, may confer like powers upon any person or persons, not necessarily directors or officers of the corporation.”

Reference to a Vice-President has been deleted. In addition, the Chief Executive Officer has also been granted the authority to act and vote upon stocks held by the Corporation.

IN TESTIMONY WHEREOF, we have signed this Certification on _____ at _____.



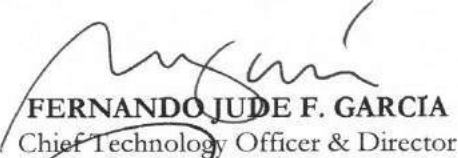
NICO JOSE S. NOLLEDO

Chairman of the Board & Chief Executive Officer



RAYMOND GERARD S. RACAZA

President, Chief Operating Officer, & Director



FERNANDO JUDE F. GARCIA

Chief Technology Officer & Director



WILFREDO O. RACAZA

Director



MERCEDITA S. NOLLEDO

Director



ALVIN D. LAO

Independent Director



JONATHAN GERARD A. GURANGO

Independent Director



MARK S. GORRICETA

Corporate Secretary

COUNTERSIGNED:

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
PASIG CITY)S.S.


SUBSCRIBED AND SWORN to before me this AUG 22 2017 at
PASIG CITY, affiants exhibiting to me their respective evidence of identity as follows:

Name	Competent Evidence of Identity	Expiry Date/ Place Issued
Nico Jose S. Nollo	TIN: 201-176-986	
Raymond Gerard S. Racaza	TIN: 205-589-826	
Fernando Jude F. Garcia	TIN: 202-766-194	
Wilfredo O. Racaza	TIN: 104-128-283	
Mercedita S. Nollo	TIN: 108-728-846	
Alvin D. Lao	TIN: 204-350-573	
Jonathan Gerard A. Gurango	TIN: 175-404-607	
Mark S. Gorriceta	TIN: 191-642-808	

all known to me and to me known to be the same persons who executed the foregoing document consisting of six (6) pages, including this page and acknowledged to me that the same is their free and voluntary act and deed and that of the corporation herein represented.

IN WITNESS WHEREOF, I have hereunto set my hand, the day, year and place above written.

Doc No.: 122;
Page No.: 22;
Book No.: II;
Series of 2017.


ROSE ANN R. BAGAY
PTR No. 2624442/01-18-2017/ Pasig City
IBP No. 1070606; 01-26-17/ Cavite City
Roll No. 64361
MCLE Compliance No. V-0014543; 02-29-2016
15/F Strata 2000, F. Ortigas Jr. Road,
Ortigas Center, Pasig City
Telephone No. 696-0687; 696-0988
Appointment No. 209 (2016-2017) - Pasig City
Commissioned until 31 December 2017

CERTIFICATE OF AMENDMENT OF THE BY-LAWS OF XURPAS INC.

We, the undersigned, being the Chairman of the Board, Corporate Secretary, and majority the Board of Directors of **XURPAS INC.** (the "**Corporation**"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at 7th Floor Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, hereby certify that:

1. During the Corporation's Annual Stockholders' Meeting held on May 10, 2017 at Manila Polo Club, McKinley Road, Makati City, stockholders owning at least two-thirds (2/3) of the outstanding capital stock of the Corporation approved the delegation of authority to the **Board of Directors** (the "Board") to amend or repeal the By-Laws of the Corporation or to adopt new By-Laws;
2. Pursuant to said authority, during the meeting of the Board held on January 4, 2018, at least majority of the members of the Board approved the further amendment of Article II Section 1 of the By-Laws, to read as follows:

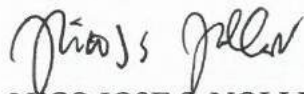
"Section 1. Annual/Regular Meetings – The annual/regular meetings of stockholders shall be held every 2nd Monday of May of each year, if a legal holiday then on the day following."

3. The place where the annual/regular meetings will be held was removed in Article II Section 1 to be consistent with the provision already indicated in Article II Section 3. Further, the date of conduct of the annual/regular meetings was specified to be held every 2nd Monday of May of each year.
4. The accompanying copy of the amended By-Laws of the Corporation, embodying the underscored amendments, are true and correct and were approved by the affirmative vote of at least a majority of the members of the Board.

IN TESTIMONY WHEREOF, we have signed this Certification on

JAN 12 2018 at PASAY CITY.

[Signature Page Follows]



NICO JOSE S. NOLLEDO

Chairman of the Board & Chief Executive Officer
TIN No. 201-176-986



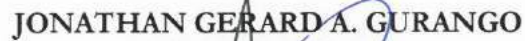
FERNANDO JUDE F. GARCIA

Chief Technology Officer & Director
TIN No. 101-718-670



MERCEDITA S. NOLLEDO

Director
TIN No. 108-728-846



Independent Director
TIN No. 175-404-607



Corporate Secretary
TIN No. 191-642-808

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
PASAY CITY)S.S.


SUBSCRIBED AND SWORN to before me this **JAN 12 2018** at _____, affiants exhibiting to me their respective evidence of identity as follows:

Name	Competent Evidence of Identity	Expiry Date/ Place Issued
Nico Jose S. Nollado	TIN No. 201-176-986	
Fernando Jude F. Garcia	TIN No. 101-718-670	
Jonathan Gerard A. Gurango	TIN No. 175-404-607	
Mercedita S. Nollado	TIN No. 108-728-846	
Mark S. Gorriceta	TIN No. 191-642-808	

all known to me and to me known to be the same persons who executed the foregoing document consisting of three (3) pages, including this page and acknowledged to me that the same is their free and voluntary act and deed and that of the corporation herein represented.

IN WITNESS WHEREOF, I have hereunto set my hand, the day, year and place above written.

Doc No.: 278;
Page No.: 56;
Book No.: 1;
Series of 2018.


Atty. Jovino R. Angel
Notary Public and in Pasay City
Notarial Commission 17-08
Until December 31, 2018
PTR No. 5826093 / IBP No. 1062667
Both issued in Pasay City on Jan. 03, 2018
MCLE Compliance No. V-0024151/10-25-18
Roll of Attorney's No. 28761

NOTICE OF 2020 ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of Xurpas Inc. will be conducted virtually through the Zoom Videoconference facility <https://zoom.us/j/97581721364> (Meeting ID: **97581721364**) on November 27, 2020 at 9:00 o'clock in the morning with the following:

AGENDA

1. Call to Order
2. Certification of Notice and Quorum
3. Review and Approval of Minutes of the Previous Meeting held on May 7, 2020
4. Message of the Chairman
5. Annual Report of the President and Approval of the 2019 Audited Financial Statements
6. Election of Directors and Independent Directors
7. Appointment of External Auditor
8. Ratification of previous acts of the Directors and Management
9. Adjournment

In light of the current conditions and in support of the efforts to contain the outbreak of the Coronavirus Disease 2019 (Covid-19), Xurpas Inc. will **not** conduct a face-to-face or in person meeting. Subject to validation procedures, stockholders may attend the meeting *remotely*.

For **Registration** to participate and/or vote in absentia, please visit: <http://2020asmreg.xurpas.com>. Registration starts on October 31, 2020. Stockholders who will join by proxy may also visit and register in the same link. PSE Trading Participants / Brokers may also submit the following to the Corporate Secretary (corpsec@xurpas.com): (1) the list of stockholders (together with e-mail address of the stockholders) who have indicated that they wish to attend the meeting remotely and/or vote in absentia or through remote communication, with their e-mail address; (2) a certification on the number of the shares held by the said stockholder as of record date. **The Company is not soliciting proxies.**

Only stockholders of record at the close of business day on **October 23, 2020** are entitled to notice of meeting, attendance to the live webcast of the meeting, and to vote through remote communication or *in absentia*. **Attendance and Voting shall be subject to validation procedures.**

November 3, 2020



ATTY. MARK S. GORRICETA
*Corporate Secretary, Chief Legal Officer and
Chief Compliance Officer*

All submissions shall be subject to validation procedures of Xurpas. Deadline for Registration, Voting *in absentia* and Proxy Submission is on **November 20, 2020 5:00 PM**. Validation of all submitted ballots for the voting *in absentia* and proxies shall be done on **November 23, 2020**. The security code for the electronic stockholders' meeting for each registered stockholder shall be sent via e-mail on **November 25, 2020**. If you need any assistance, you may contact us at corpsec@xurpas.com.

Access to Xurpas Inc.'s Notice and Agenda, Definitive Information Statement, Proxy and other documents required for the Annual Stockholders Meeting may be accessed through Xurpas' website at

<http://www.xurpas.com>. You can also request for soft or hard copies of the meeting materials through an email request to corpsec@xurpas.com.

Please submit all questions and comments to corpsec@xurpas.com on or before November 26, 2020, 12:00 p.m.

EXPLANATION OF AGENDA ITEMS

Call to Order

The Chairman will formally open the meeting at approximately 9:00 in the morning. Live Webcast of the Meeting will be accessible via <https://zoom.us/j/97581721364> (Meeting ID: **97581721364**). Stockholders who have registered via <http://2020asmreg.xurpas.com> will be given the security code through e-mail on November 25, 2020.

Certification on Notice and Quorum

In light of the current conditions and in support of the efforts to contain the outbreak of Covid-19, Xurpas Inc. (the “**Corporation**”) shall distribute the Definitive Information Statement through (a) a disclosure with the Philippine Stock Exchange Electronic Disclosure Generation Technology (“PSE EDGE”); and (b) Xurpas’ website (<http://www.xurpas.com>).

In accordance with Section 23 and 57 of the Revised Corporation Code, and pursuant to SEC Memorandum Circular No. 6 series of 2020¹ which allow stockholders’ meetings to be conducted by way of remote communication or *in absentia* and voting exercised through remote communication or *in absentia*, the Company shall provide a link which will be accessed by the stockholders to participate and vote *in absentia* on the matters presented for resolution at the meeting.

Stockholders who will attend the meeting through remote communication or *in absentia* shall be deemed present for purposes of quorum. The Corporate Secretary shall also certify the existence of a quorum.

The following are the rules of conduct and procedure for the meeting:

1. Stockholders may attend the meeting remotely provided that they have submitted the registration requirements via <http://2020asmreg.xurpas.com> (“**Registration**”). The deadline for Registration is on **November 20, 2020, 5:00 P.M.**
2. Stockholders may also submit their proxies through <http://2020asmreg.xurpas.com>. The **deadline for submission of Proxy is on November 20, 2020, 5:00 P.M.** The validation of the proxies shall be conducted on **November 23, 2020.**
3. Questions and comments may be sent prior to or during the meeting at corpsec@xurpas.com and shall be limited to the items in the Agenda. Deadline for submission of questions and comments is on **November 26, 2020, 12:00 P.M.**
4. Stockholders who have registered to participate in the meeting by remote communication shall be included in determining quorum, together with the stockholders who voted *in absentia* and submitted their proxy.
5. Voting
 - 5.1. Stockholders may cast their votes by submitting their ballots via <http://2020asmreg.xurpas.com>.
 - 5.2. Stockholders may issue a Proxy authorizing the Chairman of the meeting to vote on their behalf via <http://2020asmreg.xurpas.com>.

¹ Re: Guidelines on the attendance and participation of directors, trustees, stockholders, members, and other persons of corporations in regular and annual meetings through teleconferencing, video conferencing and other remote or electronic means of communication dated March 12, 2020.

6. The Corporate Secretary shall tabulate and validate all votes received on November 23, 2020.
7. The meeting proceedings shall be recorded in audio format and uploaded in Xurpas' website within seven (7) business days from the meeting.

Approval of the Minutes of the Previous Meeting

The minutes of the meeting held on May 7, 2020 are attached in the Information Statement and posted at the company website.

Message of the Chairman

The Chairman, Mr. Nico Jose S. Nollado, shall deliver his message to the stockholders of the Company.

Annual Report of the President

The President, Mr. Alexander D. Corpuz, shall deliver a report to the stockholders on the performance of the Company in 2019 and the first three (3) quarters of 2020. All other information that needs to be reported pursuant to the Revised Corporation Code shall likewise be presented by the President. Mr. Corpuz will present also to the stockholders for approval the 2019 Annual Report and Audited Financial Statements of the Company.

Election of Directors and Independent Directors

The following have been nominated to the Board of the Company:

- (1) Nico Jose S. Nollado
- (2) Alexander D. Corpuz
- (3) Fernando Jude F. Garcia
- (4) Wilfredo O. Racaza
- (5) Atty. Mercedita S. Nollado
- (6) Jonathan Gerard A. Gurango, *Independent*
- (7) Imelda C. Tionson, *Independent*
- (8) Bartolome S. Silayan, Jr., *Independent*

Every stockholder entitled to vote shall have the right to vote *in absentia* or by proxy the number of shares outstanding in his name at the time of the election. The stockholder may vote his shares for as many persons as there are directors to be elected.

Appointment of External Auditor

Sycip Gorres Velayo & Co. (SGV & Co.) has been nominated as the Company's external auditor for the fiscal year 2020.

Ratification of previous acts of the Directors and Management

All previous acts of the Board and Management for calendar year 2019 up to October 9, 2020 are provided in Annex K of the Information Statement. The foregoing matters will be subject to the ratification of the stockholders.

The resolutions relating to (1) issuance of Xurpas Shares to Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckley Jordan, Wavemaker Partners V LP and Wavemaker US Fund Management Holdings, LLC; and (2) purchase of Wavemaker Group Inc. were removed from the resolutions for ratification and will form part of the next stockholders' meeting.

XURPAS INC.
2020 Annual Stockholders' Meeting
November 27, 2020

Instructions for Attendance to the Stockholders' Meeting in absentia, Voting in Absentia and Submission of Proxy



Please prepare the following:

1. Name, Valid E-mail Address, Contact Number
2. Valid Government-Issued Identification Card (ID)
3. Broker's Certification (if applicable)
4. Secretary's Certificate attesting to the authority of the Authorized Representative to act on behalf of the Corporation / Submit the Forms (for Corporate Shareholders)

Stockholders of Record as of October 23, 2020 are entitled to attend the virtual Stockholders' Meeting and Vote in Absentia. Register via <http://2020asmreg.xurpas.com>

Registration and Voting starts on October 31, 2020. Deadline for Registration, Voting and/or Submission of Proxy is on November 20, 2020 5:00 PM.



Registered Stockholders of Xurpas will receive their security code for the virtual Stockholders' Meeting via e-mail on November 25, 2020.

The meeting will be accessible (live) on November 27, 2020 at 9:00 AM via <https://zoom.us/j/97581721364> (Meeting ID: 97581721364).

You may contact us at corpsec@xurpas.com if you need any assistance.

In light of the current conditions and in support of the efforts to contain the outbreak of Covid-19, Xurpas Inc. will **not** conduct a face-to-face or in person meeting. The stockholders may attend the meeting *remotely* through a videoconference facility.



**XURPAS INC.
REGISTRATION FORM,
VOTING IN ABSENTIA AND/OR PROXY FORM**

To be accomplished via **2020asmreg.xurpas.com**

Registration Starts on October 23, 2020

I. Registration

For Individual Shareholder	<i>Please fill up</i>	For Corporate Shareholders	<i>Please fill up</i>
Name		Corporate Name	
Contact Number		Name of Authorized Representative	
E-mail Address		Contact Number	
		E-mail Address	

For Individual Stockholder: Valid Government-Issued Identification Card For Corporate Shareholders: Valid Government-Issued Identification Card of the Authorized Representative	<i>Upload</i>
Broker's Certification (<i>if applicable</i>)	<i>Upload</i>
Secretary's Certificate (<i>for Corporate Shareholders</i>)	<i>Upload</i>

(Yes or No)	I hereby certify that I am a stockholder of Xurpas Inc. as of Record Date (October 23, 2020) and I signify my intention to attend the virtual stockholders' meeting on November 27, 2020 at 9:00 AM. The instructions to attend the stockholders' meeting and security code will be sent to you in the e-mail address you have indicated herein on November 25, 2020 .
--------------------	---

II. Voting in Absentia or Issuance of Proxy

Please choose one (1)	
Voting in Absentia <i>Please accomplish Ballot</i>	Proxy I, being a stockholder of Xurpas Inc. constitutes and appoints the Chairman of the meeting to be my proxy, to represent and vote all shares registered in my name of, and which I beneficially own, at the annual meeting of the stockholders on November 27, 2020 at 9:00 a.m. and any adjournment(s) and postponement(s) thereof, hereby ratifying and confirming any and all actions taken on matters which may properly come before such meeting or adjournment(s) thereof.

III. Ballot

	Matters for Approval	For	Against	Abstain
1.	Approval of Minutes of Previous Meeting held on May 7, 2020			
2.	Annual Report and Approval of the 2019 Audited Financial Statements			
3.	Election of Directors and Independent Directors			
	• Nico Jose S. Nollado			
	• Alexander D. Corpuz.			
	• Fernando Jude F. Garcia			
	• Wilfredo O. Racaza			
	• Atty. Mercedita S. Nollado			
	• Jonathan Gerard A. Gurango			
	• Bartolome S. Silayan, Jr.			
	• Imelda C. Tionson			
4.	Appointment of External Auditor			
5.	Ratification of previous acts of the Directors and Management			

Other Terms and Conditions																	
(You will not be able to proceed with the submission if any item is left blank)																	
	I hereby certify that the number of votes covered by this Ballot shall be in accordance with the total number of Xurpas registered in my name as of record date.																
	In case of an account with <i>joint owners</i> , or an account in an <i>and/or capacity</i> , I hereby certify that I have secured the consent of all other owners in the submission of this Ballot.																
	In case of a corporate shareholder, I hereby certify that I am an authorized representative of the corporation and I am duly authorized to submit this Proxy.																
	If my shares are lodged with PDTC or registered under the name of a broker, bank or other fiduciary, I hereby authorize Xurpas Inc. or any of its duly authorized representative to request and secure the necessary certification from <i>PDTC or my broker</i> on the number of shares which are registered in my name as of record date and issue the said certification in accordance with this Form.																
	I further hereby certify that my Xurpas shares are lodged with the following brokers:																
	<table border="1"> <thead> <tr> <th>Name of Broker</th> <th>Contact Person</th> <th>Contact Details</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> </tbody> </table>	Name of Broker	Contact Person	Contact Details													
Name of Broker	Contact Person	Contact Details															
	Stockholder's data will be collected, stored, processed and used exclusively for the purposes of electronic registration, voting in absentia and/or submission of Proxy for the Electronic Stockholders' Meeting of Xurpas. In order to meet privacy obligations under the Data Privacy Act of 2012, Stockholder's registrations will be stored in accordance with the statutory retention periods. Detailed information of Xurpas' Data Privacy Policy is provided in http://www.xurpas.com .																

Xurpas reserves the right to request a hard copy of the Registration Form with physical signatures from the stockholder, if necessary.



By signing below, I hereby certify that any and all information contained in this Registration Form, or provided in connection herewith, is true and complete and that Xurpas may rely on the accuracy of any such information.

Name and Signature of Stockholder

REMINDER:

This Registration Form shall be accomplished and submitted **on or before November 20, 2020 5:00 p.m.** Stockholders may also accomplish this Registration Form and submit directly to corpsec@xurpas.com together with a valid government-issued identification card, certification from the Broker (for scripless shares) and Secretary's Certificate (for corporate shareholders). Validation of proxies shall be held on November 23, 2020. Security Code will be sent to the e-mail of the stockholders who have submitted their registration on November 25, 2020. Notarization of this Registration Form is not required.

- ### For Stockholders:

Registration and Voting in Absentia and/or Proxy Submission	Registration starts on October 31, 2020	http://2020asmreg.xurpas.com
Annual Stockholders' Meeting	November 27, 2020, 9:00 A.M.	<p>In light of the current conditions and in support of the efforts to contain the outbreak of Covid-19, the stockholders may only attend the meeting via remote communication (through Zoom Videoconference Facility).</p> <p>Zoom Videoconference Facility https://zoom.us/j/97581721364 or Meeting ID: 97581721364</p> <p>The Security Code will be sent via e-mail on November 11, 2020.</p>

9. Approximate date on which the Information Statement is first to be sent or given to security holders **November 3, 2020**
10. In case of Proxy Solicitations:
- Name of Person Filing the Statement/Solicitor: **Not Applicable**
Address and Telephone No. **Not Applicable**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class | Number of Shares of Common Stock
Outstanding or Amount of Debt Outstanding |
|----------------------|---|
| Common Shares | 1,872,796,877 |
12. Are any or all of registrant's securities listed in a Stock Exchange?
- Yes [☒] No [☐]
- If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
- 1,797,700,660 common shares of the Corporation are listed with the Philippine Stock Exchange.**

PART I.**INFORMATION REQUIRED IN INFORMATION STATEMENT****A. GENERAL INFORMATION****Item 1. Date, time and place of meeting of security holders.**

The Annual Stockholders' Meeting of Xurpas Inc. ("**Xurpas**" or the "**Corporation**") will be held on the following date at the following address:

Date:	November 27, 2020
Time:	9:00 a.m.
Place:	7F Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, 1227

Registration and Voting in Absentia and/or Submission of Proxy	Registration starts on October 31, 2020	http://2020asmreg.xurpas.com
Annual Stockholders' Meeting	November 27, 2020, 9:00 A.M.	<p><i>In light of the current conditions and in support of the efforts to contain the outbreak of Covid-19, the stockholders may only attend the meeting via remote communication (through Zoom Videoconference Facility).</i></p> <p>Zoom Videoconference Facility https://zoom.us/j/97581721364 or Meeting ID: 97581721364</p>

		Security Code will be sent via e-mail on November 25, 2020
--	--	--

Complete mailing address
of registrant:

**7F Cambridge Centre Building, 108 Tordesillas
St. Salcedo Village, Makati City**

Approximate mailing date
Of this information statement
And Proxy Form:

**November 3, 2020 to be distributed via PSE EDGE
and posted at <http://www.xurpas.com>**

Item 2. Dissenters' Right of Appraisal

There are no matters or proposed actions as specified in the attached Notice of Annual Meeting that may give rise to a possible exercise by stockholders of their appraisal right under Section 80 of the Revised Corporation Code of the Philippines.

Section 80, Title X: Appraisal Right of the Revised Corporation Code of the Philippines, provides that any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

- (a) in case of any amendment to the articles of incorporation that has the effect of changing or restricting the rights of any stockholder or class of shares, or authorizing preferences in any respect superior to those of outstanding shares of any class, or extending or shortening the term of corporate existence;
- (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
- (c) in case of merger or consolidation; and
- (d) in case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

This appraisal right may be exercised by any stockholder who has voted against the proposed corporate action, by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right.

The Corporation shall apply and observe the rules identified in Title X of the Revised Corporation Code on exercise of Appraisal Right.

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

- a. The incumbent directors and executive officers, those nominated for election as independent director, and their associates, have no substantial interest in any matter to be acted upon at the meeting other than election to the office.
- b. No director has informed the Corporation of his opposition to any matter to be acted upon at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

a. Class of voting shares

Number of outstanding shares as of October 23, 2020	:	1,872,796,877 common shares
Number of votes per share	:	One vote each share of stock held as of record date of October 23, 2020

b. Record date

All stockholders of record as of October 23, 2020 are entitled to notice and to vote at the meeting.

c. Election of directors and cumulative voting rights

The election of directors and independent directors should be by ballot and cumulative voting is allowed.

Every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares outstanding in his name at the time of the election. The stockholder may vote his shares for as many persons as there are directors to be elected.

The stockholder may also cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates he may see fit; provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. There is no condition precedent to the exercise of the stockholders' right to cumulative voting.

D. Security ownership of certain record and beneficial owners and management

1. Security ownership of certain record and beneficial owners

As of November 2, 2020, the Corporation is not aware of any person who is directly or indirectly the record or beneficial owner of more than 5% of the Corporation's capital stock except as set forth below:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class
Common	Nico Jose S. Nollado	Nico Jose S. Nollado	Filipino	283,056,869 (Direct) and 39,169,763 (Indirect) ¹	17.21%

¹ Shares registered in the name of Eden International Holdings Pte. Ltd.

	Urdaneta Tower, Ayala Avenue, Makati City (Chairman and Chief Executive Officer)				
Common	Fernando Jude F. Garcia North Lane, Jem 2 Subd., Tandang Sora, Quezon City (Director, Chief Technology Officer and Treasurer)	Fernando Jude F. Garcia	Filipino	375,073,960 (Direct)	20.06%
Common	Raymond Gerard S. Racaza One Salcedo Place, Jaime Velasquez St., Salcedo Village, Makati City	Raymond Gerard S. Racaza	Filipino	375,765,960 (Direct)	20.03%
Common	PCD Nominee Corp. (Filipino)	PCD participants acting for themselves and for their customers ²	Filipino	544,269,330 ³ (Direct)	29.06%
Common	PCD Nominee Corp. (Non-Filipino)	PCD participants acting for themselves and for their customers ⁴	Non-Filipino	252,237,795 (Direct)	13.47%

As of October 23, 2020, 15.56% of the outstanding shares of the Corporation are held by foreigners.

² Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. The Corporation has no record relating to the power to decide how the shares held by PCD are to be voted.

³ List of Stockholders issued by the Stock Transfer Agent reflects that PCD Nominee (Filipino) holds 1,415,447,479 common shares in Xurpas Inc. We revised this to remove shares in the name of Mr. Nico Jose S. Nollado, Mr. Fernando Jude F. Garcia, Mr. Raymond Gerard S. Racaza, and Xurpas' Treasury Shares.

⁴ List of Stockholders issued by the Stock Transfer Agent reflects that PCD Nominee (Non-Filipino) holds 291,407,558 common shares in Xurpas Inc. We revised this to remove shares in the name of Eden International Holdings Pte. Ltd.

2. Security ownership of directors and management

As of November 2, 2020, the Corporation's directors and executive officers own the following number of shares:

Title of Class	Name of Owner and Position	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class
Common	Nico Jose S. Nollado Chairman	Filipino	283,056,869 (Direct) and 39,169,763 (Indirect) ⁵	17.21%
Common	Alexander D. Corpuz Director, President, Chief Finance Officer and Chief Information Officer	Filipino	1,000 (Direct)	Nil
Common	Fernando Jude F. Garcia Director, Chief Technology Officer and Treasurer	Filipino	375,073,960 (Direct)	20.06%
Common	Mercedita S. Nollado Director	Filipino	2,378,338 (Direct)	0.13%
Common	Wilfredo O. Racaza Director	Filipino	1,060 (Direct)	Nil
Common	Jonathan Gerard A. Gurango Independent Director	Filipino	169,399 (Direct)	Nil
Common	Imelda C. Tiongson Independent Director	Filipino	1,000 (Direct)	Nil
Common	Bartolome S. Silayan, Jr. Independent Director	Filipino	2,000 (Direct)	Nil
Total (Directors and Officers as a Group)			699,853,379	37.37%

3. Voting Trust Holders of 5% or More

The Corporation is not aware of any person holding 5% or more of the Corporation's shares under a voting trust or similar agreement.

4. Changes in Control

There was no change of control in the Corporation during the year. There are no existing provisions in the Corporation's Articles of Incorporation or By-Laws that will delay, defer, or in any manner prevent a change in control of the Corporation.

The Corporation has executed a Subscription Agreement on September 20, 2020 wherein Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckley Jordan, Wavemaker Partners V LP and Wavemaker US Fund Management Holdings, LLC. (the "**Wavemaker Subscribers**") subscribed to new common shares in Xurpas Inc. equivalent to 47.68%. The shares in favor of the Wavemaker Subscribers have not been issued as of date. The company will likewise secure stockholders' approval

⁵ Shares registered in the name of Eden International Holdings Pte. Ltd.

on Waiver of Public Offer pursuant to the Exchange's Rules on Additional Listing wherein listing of shares of at least 10% involving related parties would require majority vote of the minority present or presented in the said meeting. The said matter will form part of the agenda in the next stockholders' meeting.

The Subscription Agreement provides that the Subscribers will only be entitled to two (2) out of the eight (8) board seats after completion of all Post-Closing Deliverables. There will also be no change in Management of Xurpas after closing of the transaction.

Item 5. Directors and Executive Officers

(i) Board of Directors, Independent Directors and Executive Officers

On November 8, 2019, the Corporation held its 2019 Annual Stockholders' Meeting wherein the six (6) directors were elected as such for the ensuing year. Two (2) independent directors, Ms. Imelda C. Tiongson and Mr. Bartolome S. Silayan, Jr. were elected during the Special Stockholders' Meeting held on May 7, 2020.

Directors	Nationality	Position	Age	Year Position was Assumed
Nico Jose S. Nollado	Filipino	Chairman	44	2001
Alexander D. Corpuz	Filipino	Executive Director (President, Chief Finance Officer and Chief Information Officer)	53	2019
Fernando Jude F. Garcia	Filipino	Executive Director (Treasurer and Chief Technology Officer)	47	2001
Mercedita S. Nollado	Filipino	Non-Executive Director	79	2001
Wilfredo O. Racaza	Filipino	Non-Executive Director	72	2001
Jonathan Gerard A. Gurango	Filipino	Independent Director	62	2014
Imelda C. Tiongson	Filipino	Independent Director	53	2020
Bartolome Silayan, Jr.	Filipino	Independent Director	53	2020
Mark S. Gorriceta	Filipino	Corporate Secretary, Chief Legal Officer and Chief Compliance Officer	42	2014

Background Information

Nico Jose S. Nollado, Filipino, 44, has been the Chairman and Director of the Corporation since 2001. He is a director of the following entities: IT and Business Process Association of the Philippines (IBPAP) since 2018 and several subsidiaries of Xurpas – Altitude Games (since 2015), Storm Technologies Inc. (since 2015), Art of Click Pte. Ltd (since 2016), Xurpas Enterprise Inc. (since 2015) and Seer Technologies Inc. (since 2015). He is also a director of Eden International Holdings Pte Ltd. (since 2015), X Mobile Store Pte. Ltd. (since 2017) and Gurango Software Corporation (since 2012). He is the first Filipino Entrepreneur chosen by the Endeavour network. He is also the Ernst and Young's 2015 Philippine Entrepreneur of the year and was chosen as one of The Outstanding Young Men

(“TOYM”) in the Philippines in 2015. Mr. Nolledo holds a Bachelor of Science degree in Management from Ateneo de Manila University.

Alexander D. Corpuz, Filipino, 53, was appointed as Director and President of the Corporation effective February 1, 2019. He has also been the Corporation’s Chief Finance Officer since 2014 and Chief Information Officer since 2018. Mr. Corpuz has 29 years of experience in the field of finance, ten years of which was in investment and commercial banking. He was Vice President of Bank of America in 2001, before serving as CFO for Liberty Telecoms, Information Gateway, Mañosa Group of Companies and Hatchd Inc. Mr. Corpuz holds a Bachelor of Science in Business Administration degree from University of the Philippines, Diliman, Cum Laude. He obtained his Masters in Business Management from the Asian Institute of Management, Makati City. He is a member of the Financial Executives Institute of the Philippines (FINEX).

Fernando Jude F. Garcia, Filipino, 47, has been the Chief Technology Officer and Director of the Corporation since 2001. He was also appointed as Treasurer effective February 1, 2019. He also served as Corporate Secretary of the Corporation until December 2014. He created the Corporation’s Griffin Platform, the mobile consumer content gateway and platform for all of the Corporation’s mobile consumer content products and services. He also created the Corporation’s modular middleware system that can easily integrate with any modern billing gateway. He is the chief engineer responsible for the Corporation’s software architecture and systems integration. Examples of such systems and protocols are the following: SMS (CIMD2/EMI-UCP/SMPP), MMS (EIAF/MM7), Voice Services (SIP), Billing/IN (Diameter/UCIP/ParlayX2.1), Security (IPSEC), Publish-subscribe Systems and Video Streaming (RTMP/HLS) and blockchain technology (BTC/ETH). He is also responsible for architecting the Corporation’s fully Cloud-based system infrastructure. Before founding the Corporation, he was a software developer in iAyala. Mr. Garcia holds a Bachelor of Science degree in Applied Physics from the University of the Philippines in Diliman, Quezon City.

Wilfredo O. Racaza, Filipino, 72, has been a Director of the Corporation since 2001. Mr. Racaza has 49 years of marketing and finance experience under his belt. He was the head of New Business Development in Mobil Oil Philippines for 15 years. He previously worked as an insurance executive in Manulife Financial Philippines for 33 years. He is a Registered Financial Consultant (Graduated Cum Laude in May 2015). He has garnered numerous accolades and multiple awards such as Branch of the Year recognitions and consistent agency sales awards. He has been a consistent awardee in the General Agents and Managers Association (GAMA) of the Philippines from 2003 to Present. Mr. Racaza holds a Bachelor of Science in Commerce Degree Major in Accountancy from Xavier University-Ateneo de Cagayan in Cagayan de Oro City.

Mercedita S. Nolledo, 79, Filipino, has been a Director of the Corporation since 2001. Atty. Nolledo is currently a director of Bank of the Philippine Islands, BPI Family Savings Bank and BPI Capital Corporation, Anvaya Golf and Nature Club, Inc., BPI Asset Management & Trust Corporation and Michigan Holdings, Inc. She is the Chairman of BPI Investment Management Corporation. She is currently an independent director of D&L Industries, Inc. She is a member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc. She has served as a director of Cebu Holdings, Inc. from 1993 to 2006 and of Ayala Corporation from 2004 to 2010. Atty. Nolledo was formerly Corporate Secretary and General Counsel of the Ayala Group of Companies and the Senior Managing Director of the Ayala Corporation. She served as Executive Vice President, director and Corporate Secretary of Ayala Land, Inc. and as the firm’s Treasurer. Atty. Nolledo placed second in the Certified Public Accountant exams in 1960 and also placed second in the 1965 bar exams. She holds a Bachelor of Science degree in Business Administration, magna cum laude, from the University of Philippines. Atty. Nolledo holds a Bachelor of Laws degree, cum laude, from the University of the Philippines.

Jonathan Gerard A. Gurango, 62, Filipino, has been an independent director of the Corporation since 2014. Mr. Gurango has a solid track record in forming and running successful software companies. He founded Match Data Systems (MDS) in Seattle, USA in 1987, MDS Philippines in 1991, and MDS

Australia in 1996. In 1999, he sold MDS to Great Plains Software, which was acquired by Microsoft in 2001. Mr. Gurango served as the Asia Pacific Regional Director for Microsoft Business Solutions, before he left in 2003 to form Gurango Software. In 2007, he was inducted into the Hall of Fame for Microsoft's Most Valuable Professionals, in recognition of his mastery of software technology and business. In 2006, the Philippine Center for Entrepreneurship acknowledged him as one of the country's Ten Most Inspiring Technopreneurs. In addition to leading Gurango Software as the most successful Microsoft Dynamics partner in the Philippines, he has co-founded several other software start-ups such as SPRING.ph, and was the President of the Philippine Software Industry Association from 2013 to 2014. Mr. Gurango studied Industrial Engineering at the University of the Philippines, Diliman, Quezon City. He also studied Electrical Engineering at the University of Washington, Seattle, Washington, USA.

Imelda C. Tiongson, 53, Filipino, has been an Independent Director of the Corporation since May 7, 2020. She is currently the President of Opal Portfolio Investments (SPV-AMC) Inc. She is currently an independent director of Pru Life U.K and Seedin Technologies Inc. She was an Independent Director of Fin Tech Global Resources until August 2020 and a Trustee of Fintech Philippines Association until 2019. Ms. Tiongson is also involved in several organizations; as a Trustee of the Institute of Corporate Directors, Vice Chairwoman of the Governance Committee of the Management Association of the Philippines, and the Head of Technoethics and Chairwoman of Governance for Fintech Alliance. She is also a lecturer for Risk Management for International Finance Corporation (*an entity affiliated with the World Bank Group*) and Institute of Corporate Directors (ICD). She is also a lecturer in Ateneo Graduate School of Business - Center for Continuing Education.

She previously worked as a Senior Lending Officer in National Australia Bank and as Senior Vice President of Philippine National Bank. She was also a director of Vitarich Corporation and a board advisor of East Asia Power Corporation.

Ms. Tiongson also participated in the groups that drafted the Revised Corporation Code which was enacted in 2019 and the Financial Rehabilitation and Insolvency Act of 2010.

Ms. Tiongson obtained her Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology. She also completed a Master Class on Remedial in Asian Institute of Management (AIM), Master Class in Blockchain/Cryptocurrency facilitated by Terrapinn and Master Class in Risk/Audit conducted by Worldbank ICD.

Bartolome Silayan Jr., 53, Filipino has been an independent director of the Corporation since May 7, 2020. He is currently the President of Phoenix One Knowledge Solutions Inc. ("Phoenix One"), a technology corporate training company which he started in 2005. He is also the President of Cafisglobal Inc, a boutique software services company serving clients in Australia. Prior to Phoenix One, he also founded Mind Stream Inc. in 2001, the franchise holder of NIIT, the largest technology education company from India. Before he became an entrepreneur, he was the Philippine Country Head of The Pillsbury Company in 1997. He worked in Hongkong and China in 1994 as Marketing Manager for the Quaker Oats company handling the Gatorade brand. He finished BS Business Management from Ateneo de Manila University and obtained his MBA from Northwestern University's Kellogg school of management.

Mark S. Gorriceta, 42, Filipino, has been the Corporate Secretary and Chief Legal Officer of the Corporation since 2014. He was also appointed as Chief Compliance Officer of the Corporation in 2018. Atty. Gorriceta has been in the practice of law for sixteen years. He acts as legal counsel to several other listed companies, its subsidiaries or affiliates. Atty. Gorriceta also serves as Chief Legal Counsel and/or Corporate Secretary to several leading online and tech companies in the Philippines. He is the Managing Partner and head of the Corporate Group of Gorriceta Africa Cauton & Saavedra. A member of the Philippine Bar since 2005, he holds a Bachelor of Arts, Political Science degree from the Ateneo de

Manila University. He also attended certificate courses in Finance at the Asian Institute of Management in Makati City.

Attendance in Board Meetings

The attendance of the directors in the meetings of the Board held in 2019 is as follows:

Directors	Number of Meetings Held and Attended	Percentage
Nico Jose S. Nollado	16/16	100%
Raymond Gerard S. Racaza ⁶	2/2	100%
Alexander D. Corpuz ⁷	14/14	100%
Fernando Jude F. Garcia	16/16	100%
Wilfredo O. Racaza	15/16	94%
Mercedita S. Nollado	16/16	100%
Jonathan Gerard A. Gurango	15/16	94%
Alvin D. Lao ⁸	6/6	100%
Total Number of Meetings	16	

Ms. Imelda C. Tiongson and Mr. Bartolome S. Silayan, Jr., independent directors, were appointed on May 7, 2020.

In compliance with its Manual on Corporate Governance, the Corporation has established committees to perform certain management functions and achieve sound corporate governance. The following are the current members of the committees:

Director	Executive	Corporate Governance	Board Risk Oversight	Nomination	Audit	Related Party Transaction	Personnel and Compensation
Nico Jose S. Nollado	C						M
Fernando Jude F. Garcia	M						C
Alexander D. Corpuz	M			M			
Mercedita S. Nollado					M	M	
Wilfredo O. Racaza			M	M			
Jonathan Gerard A. Gurango		M		C			M
Imelda C. Tiongson		C	C		M	M	
Bartolome S. Silayan, Jr.		M	M		C	C	

C- Chairman

M- Member

⁶ Mr. Raymond Gerard S. Racaza resigned as director effective January 30, 2019.

⁷ Mr. Alexander D. Corpuz was appointed as director effective February 1, 2019

⁸ Mr. Alvin D. Lao resigned as a director on May 23, 2019.

Nomination of Directors

The Corporation's Nomination Committee pre-screened and accepted the nominations for the following directors:

- Nico Jose S. Nollado
- Alexander D. Corpuz
- Fernando Jude F. Garcia
- Atty. Mercedita S. Nollado
- Wilfredo O. Racaza
- Jonathan Gerard A. Gurango, *Independent*
- Bartolome Silayan, Jr., *Independent*
- Imelda C. Tiongson, *Independent*

The Nomination Committee evaluated the qualifications of the nominees and prepared the final list of nominees in accordance with the criteria provided in the Securities Regulation Code ("SRC"), the Corporation's Manual on Corporate Governance and the Corporation's By-Laws.

The Nomination Committee is headed by Mr. Jonathan Gerard A. Gurango and its members are: Mr. Wilfredo O. Racaza and Mr. Alexander D. Corpuz.

Only nominees whose names appear on the final list of candidates are eligible for election as directors. No nominations will be entertained or allowed on the floor during the Annual Stockholders' Meeting.

The Board elects the officers of the Corporation annually during its organizational meeting.

Independent Directors

The following are the nominees to act as Independent Directors:

- Jonathan Gerard A. Gurango
- Bartolome Silayan, Jr.
- Imelda C. Tiongson

Mr. Fernando Jude F. Garcia nominated the incumbent independent directors. Mr. Garcia and each of the nominated independent director are not related by consanguinity or affinity up to the fourth civil degree.

The certifications signed by the Independent Directors are attached herein as Annex "B1-B3"

(ii) Significant Employees

The Corporation values the contribution of each employee no matter how big or small and considers all its employees significant. There is no "significant employee" as defined in the SRC.

(iii) Family Relationships

Mr. Nico Jose S. Nollado, Chairman, is the son of Atty. Mercedita S. Nollado, a director.

There are no family relationships between the current members of the Board and the key officers other than the above.

(iv) **Involvement in Certain Legal Proceedings**

There are no material legal proceedings, bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a securities or commodities law for the past five years to which the Corporation or any of its subsidiaries or affiliates or its directors or executive officers is a party or of which any of its material properties is subject in any court or administrative government agency.

As of this report, the Corporation is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Corporation or on the results of its operations. No litigation or claim of material importance is known to be pending or threatened against the Corporation or any of its properties.

(v) **Certain Relationships and Related Transactions**

In the conduct of its day-to-day business, the Corporation engages in related party transactions such as service and licensing agreements, always at arms-length and taking into consideration the best interest of the Corporation.

The Corporation has secured loans from its key shareholders. On February 20, 2019, the board of directors approved the execution of a loan agreement wherein the key shareholders of the Corporation agreed to extend an aggregate of Php150 million loan to be used to fund enterprise projects and for general corporate purposes.

Please see Note 18 of the Corporation's 2019 Consolidated Audited Financial Statements for a detailed discussion of the related party transactions entered into by the Corporation.

(vi) **Ownership Structure and Parent Corporation**

As of 2019, the founders, Mr. Nico Jose S. Nollado and Mr. Fernando Jude F. Garcia, own 37.23% of the Corporation. They actively manage the Corporation's business activities. Mr. Raymond Gerard S. Racaza, also a founder but has resigned from any management role, owns 20.06% of the Corporation.

On September 20, 2020, the Corporation has approved the issuance of 47.68% of the outstanding shares in favor of Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckley Jordan, Wavemaker Partners V LP and Wavemaker US Fund Management Holdings, LLC. ("Wavemaker Subscribers"), or shares equivalent to 47.68% of the Company. The Company has not issued the shares in favor of the Wavemaker Subscribers as of date.

Xurpas Inc. has no parent company.

(vii) **Resignation of directors**

Mr. Raymond Gerard S. Racaza has resigned as Director effective January 30, 2019. Mr. Alvin D. Lao has resigned as Independent Director effective May 22, 2019. Mr. Raymond Gerard S. Racaza and Mr. Alvin D. Lao does not have any known disagreement with the Corporation's affairs and they resigned for personal reasons.

Item 6. Compensation of Directors and Executive Officers

a. Executive Compensation.

Estimated

Name	Position	Salary	Bonus	Other	Total
Alexander D. Corpuz	President, Chief Finance Officer & Chief Information Officer				
Fernando Jude F. Garcia	Treasurer & Chief Technology Officer				
Total	2020 (Projected)	₱8,764,000.00	N/A	N/A	₱8,764,000.00
	2019	6,163,838.25	N/A	N/A	₱6,163,838.25
	2018	12,584,516.66	N/A	N/A	12,584,516.66

The total annual compensation consists of basic pay and other taxable income.

The Corporation's executive officers have no other remuneration aside from the compensation described above.

b. Compensation of Directors

The directors receive a standard per diem of Php20,000.00 for every meeting attended, which may be adjusted, as decided by the Personnel and Compensation Committee. Non-executive directors have no compensation aside from their per diem.

c. Other Arrangements

The Corporation has no other existing arrangements such as bonus, profit sharing, stock options, warrants, rights, or other compensation plans or arrangements with its directors. The Corporation has applied for an Employee Stock Option Plan, approval of which is currently pending with the Securities and Exchange Commission and the Philippine Stock Exchange. The details are as follows:

Title and Amount of Securities	A minimum of 0.5% to a maximum of 1.5% of the outstanding capital stock of the Corporation’s common share are reserved for the Plan, but in no case shall the aggregate number of shares represented by outstanding options exceed 1% of fully-diluted shares, inclusive of shares represented by such outstanding options.						
Price	Not in any case be less than the Fair Market Value (“FMV”) of the Corporation’s shares, or such lower purchase price as may be allowed under the rules of the PSE or the SEC subject to adjustment in case of change in the FMV of the Corporation’s shares by virtue of stock dividends, stock splits or any of the events stated in Article 5.2 of the Plan. However, in no case shall it be less than the subscription price of ₱3.97 at which the Corporation’s shares were initially offered for sale to the public in December 2014.						
Option Expiry Date	3 rd Year anniversary of the option grant date.						
Exercise of Privilege	<table><tr><td>During the first year of the effectivity of the grant</td><td>1/3 of the total grant</td></tr><tr><td>During the second year of</td><td>1/3 of the total grant</td></tr></table>			During the first year of the effectivity of the grant	1/3 of the total grant	During the second year of	1/3 of the total grant
During the first year of the effectivity of the grant	1/3 of the total grant						
During the second year of	1/3 of the total grant						

		the effectivity of the grant		
		During the third year of the effectivity date of the grant	1/3 of the total grant	
		or such shorter or longer period as the Committee may prescribe from date of effectivity thereof or the "Vesting Period".		
Participants ⁹	<p>All such full time and regular employees of the Corporation and such other qualified persons determined by the Personnel and Compensation Committee from those recommended by the Executive Committee from a list of all such full-time and regular employees of the Corporation, its subsidiaries and/or affiliates are eligible to participate in the Plan.</p> <p>The Committee shall have the sole discretion to determine from the list recommended employees who will be granted options under the Plan, taking into consideration certain criteria such as, but not limited to the exceptional performance of the employee or his/her valuable contribution to the business of the Corporation, its subsidiaries and/or affiliates</p>			

The above application is pending approval of the Securities and Exchange Commission.

d. Employment Contracts, Termination of Employment, Change-in-Control Arrangements

The Executive Officers have entered into employment contracts with the Corporation which identifies their job functionalities. The Corporation does not have any compensatory plan or arrangements such as bonus, profit sharing, stock options, warrants, rights or other compensation plans or arrangements that results from the resignation, retirement of employment, or any other termination of an executive officer's employment with the Corporation, or from a change in control of the Corporation.

e. Warrants and Options Outstanding

The Corporation does not have any stock options, warrants or similar plans for any of its directors or officers. The Corporation has applied with the SEC for an Employee Stock Option Plan, approval of which is currently pending with the Securities and Exchange Commission and the Philippine Stock Exchange.

Item 7. Independent Public Accountants

SyCip, Gorres, Velayo & Company ("SGV") has been its external auditor since 2008. SGV is in compliance with the SRC requirement of rotating the handling partner every five consecutive years. A two-year *cooling off period* shall be observed in the re-engagement of the handling partner.

The handling partner who conducted the audit for the calendar year 2019 is Mr. Dolmar C. Montañez. He has been the handling partner for the audit of the Corporation' since calendar year 2017. He is also the recommended partner-in-charge for calendar year 2020.

⁹ The amount of options to be received by the Directors/Officers, or all other employees of the Xurpas' group is not determinable as of date.

The Board approved the re-appointment of SGV as the Corporation's external auditor for 2020. The re-appointment of SGV will be presented to the stockholders for their approval at the annual stockholders' meeting.

The Corporation has no disagreements with SGV on accounting principles and practices, financial statement disclosures, or auditing scope or procedures.

Representatives of SGV will attend the annual stockholders' meeting and will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

Item 8. Compensation Plans

There are no matters or actions to be taken up with respect to any stock option, warrants, or rights plan.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

On May 7, 2020, the Corporation's stockholders approved the issuance and listing of up to 1,706,072,261 new common shares from its unissued authorized capital stock in favor of Frederick Manlunas, Benjamin Paul Bustamante Santos and James Buckly Jordan, with the following resolutions:

"RESOLVED, that the stockholders of Xurpas Inc. approve the issuance of up to One Billion Seven Hundred Six Million Seventy Two Thousand Two Hundred Sixty One (1,706,072,261) new common shares ("**Subscription Shares**") from the unissued authorized capital stock and listing of the Subscription Shares with the Philippine Stock Exchange."

On September 20, 2020, the Board approved the issuance of 1,707,001,019 common shares ("**Subscription Shares**") at a price of Php0.10 per share ("**Subscription Price**") to the following:

Wavemaker Subscribers	No. of Shares	Par Value	Subscription Price (PHP)
Frederick Manlunas	866,540,356	Php 0.10	86,654,035.6
Benjamin Paul Bustamante Santos	240,524,858	Php 0.10	24,052,485.8
James Buckly Jordan	264,329,044	Php 0.10	26,432,904.4
Wavemaker Partners V LP	30,547,808	Php 0.10	3,054,780.8
Wavemaker US Fund Holdings, LLC	305,058,953	Php 0.10	30,505,895.3
Total	1,707,001,019		170,700,101.9

In the approval made by the Board on September 20, 2020, the distribution of the shares to be issued has been identified. Moreover, there was a minor increase in the number of shares to be issued to the Subscribers to maintain the agreed upon percentage which is at 47.68% of the total outstanding shares of Xurpas. We note that Xurpas sold 966,667 Xurpas shares taken out of its treasury shares in July 2020. Consequently, the number of shares to be issued to the Wavemaker Subscribers also increased.

On September 20, 2020, the Corporation and the Subscribers executed the Subscription Agreement attached herein as Annex "E" for the issuance of the Subscription Shares. The corresponding amendments are also included in the said attachment.

Considering the minor changes in the number of shares to be issued and the inclusion of corporate entities as Subscribers, the Corporation will secure the ratification from the stockholders on the issuance and listing of the Subscription Shares in its next stockholders' meeting. The matters relating to the stockholders' approval / ratification for the issuance and listing of Xurpas Shares in favor of the Wavemaker Subscribers will not be taken up during the 2020 Annual Stockholders' Meeting.

The Subscription Shares will be taken from the Corporation's unissued authorized capital stock.

Description of the Subscription Shares

The Corporation will issue new common shares to the Subscribers from the unissued authorized capital stock. There are no special rights attached to the shares to be issued to the Subscribers. Similar to all other holder of common shares, each holder of common share shall be entitled to such dividends as may be declared by the Board and on the basis of the outstanding stock held by them. The Board is authorized to declare dividends that shall be declared and paid out of the Corporation's unrestricted retained earnings. A cash dividend declaration does not require any further approval from the stockholders. A stock dividend approval shall require the further approval of the stockholders representing at least 2/3 of the Corporation's outstanding capital stock.

Each common share entitles the holders to one vote. At each meeting of the stockholders, each stockholder entitled to vote on a particular question or matter involved shall be entitled to vote for each share of stock standing in his name in the books of the Corporation as of record date. Voting shall be in accordance with the voting procedure described below.

Under the Corporation's articles of incorporation, holders of common stock have waived their preemptive right. There is no provision in the Corporation's amended articles of incorporation or by-laws that would delay, defer or prevent a change in control of the Corporation.

Transaction

On September 20, 2020, the Board approved two (2) transactions:

- (a) Purchase of 100% of Wavemaker Group Inc.; and
- (b) Issuance of 47.68% common shares to the Subscribers.

The Subscription Price will be paid by the Subscribers in cash and will be due on or before December 31, 2020. The issuance of the Subscription Shares will be subject to certain conditions, one of which is securing stockholders' approval on the listing of the Subscription Shares with the Philippine Stock Exchange.

Waiver of Public Offer

Under the Exchange's Rules on Additional Listing, for related party transactions, in addition to the stockholders approval of the transaction, the Issuer must secure a waiver of the requirement to conduct a rights or public offering of the shares subscribed from the majority of the outstanding shares held by the minority stockholders present or represented in the meeting.

Considering that the shares that will be issued to Wavemaker Subscribers, and the said amount received pursuant to the subscription will be used by the company to purchase Wavemaker Group Inc., the Company will secure stockholders' approval on the Waiver of Public Offer. This will form part of the Special Stockholders' Meeting to be conducted by Xurpas. The date for the special meeting has not been finalized as of date.

Corporate Structure

The Corporate Structure of the Corporation before and after the transaction will be as follows:

Principal Shareholders	Before		After	
	Number of Shares	%	Number of Shares	%
Nico Jose S. Nollobo	322,226,622	17.20%	322,226,622	9.00%
Fernando Jude F. Garcia	375,073,960	20.03%	375,073,960	10.48%
Raymond Gerard S. Racaza	375,765,960	20.06%	375,765,960	10.50%
Wavemaker Labs Pte. Ltd ¹⁰	47,099,950	2.51%	47,099,950	1.32%
Frederick Manlunas			866,540,356	24.21%
Benjamin Paul Bustamante Santos			240,524,858	6.72%
James Buckly Jordan			264,329,044	7.38%
Wavemaker Partners V LP ¹¹			30,547,808	0.85%
Wavemaker US Fund Management Holdings, LLC ¹²			305,058,953	8.52%
Others ¹³	752,630,385	40.19%	752,630,385	21.02%
Total	1,872,796,877	100%	3,579,797,896	100%

Upon issuance of the Xurpas Shares in favor of the Wavemaker Subscribers, Xurpas Shares held by the public will be at 20.95%. The Shares in favor of the Wavemaker subscribers have not been issued as of Record Date.

As such, the shares held by the Wavemaker Subscribers post-transaction may increase, depending on the number of shares that will be tendered during the Tender Offer Period. Consequently, public float will decrease.

Use of Proceeds

The proceeds from the issuance of the Subscription Shares will be used by the Corporation to purchase 100% of Wavemaker Group Inc. which owns the following fund management entities:

- 56.50% of the membership interests of Siemer Ventures, LLC;
- 63.67% of the membership interests of Wavemaker Partners, LLC;
- 95.00% of the membership interests of WMP GP V, LLC;
- 100% of the Manager Units of Wavemaker Global Select, LLC;
- 95% of the membership interests of Wavemaker Management, LLC.

¹⁰ Frederick Manlunas and Benjamin Paul Bustamante Santos are authorized directors of Wavemaker Labs Pte. Ltd. Benjamin Paul Bustamante Santos owns 50,000 Ordinary Shares, which translates to 16.67% ownership of Wavemaker Labs Pte. Ltd.

¹¹ WMP GP V, LLC is the GP of Wavemaker Partners V LP. As such, Wavemaker Partners V LP is controlled by Frederick Manlunas, Benjamin Paul Bustamante Santos and James Buckly Jordan.

¹² Wavemaker US Fund Management Holdings, LLC is owned by the following: 67% by Frederick Manlunas, 23% by James Buckly Jordan, and 10% by Benjamin Paul Bustamante Santos.

¹³ Includes shares of other directors.

The purchase price for 100% of Wavemaker Group Inc. is at Php170,700,101.90. The parties, upon mutual agreement, have agreed that the subscription price received by the company will be used to purchase 100% Wavemaker Group Inc.

The listing of the Subscription Shares with the Philippine Stock Exchange will be discussed during the Corporation's Special Stockholders' Meeting and will be subject to stockholders' approval. The date for the special meeting has not been finalized as of date.

Other terms

See below other material information provided in the agreement executed between the parties.

1. The Subscribers have waived their dividend rights in the event that there is any income or return in favor of Xurpas for a period of twelve months from completion of all post-closing deliverables, which shall be no later than December 31, 2020. This will ensure that the new Subscribers do not immediately benefit from any of the existing business of the Corporation that may cause any disadvantage to the current / public shareholders.
2. Xurpas has a commitment to the Subscribers to list the shares with the Exchange within one (1) year from completion of all post-closing deliverables, which shall be on a date no later than December 31, 2020. Nico Jose S. Nollado and Fernando Jude F. Garcia will do a share-swap for a certain number of listed shares in their name in exchange of the unlisted Xurpas shares issued to the Subscribers in the event the new shares will not be listed with the Exchange within the 1-year period.

Regulatory Approval

1. The Exchange has considered the applicability of the Backdoor Listing Rules on the transaction. The rules on backdoor listing will be observed when the Company submits its application for the listing of the Subscription Shares with the Exchange.
2. The Company is currently in discussions with the Commission if there are certain requirements to be complied with in relation to the transaction.

Item 10. Modification or Exchange of Securities

There are no matters or actions to be taken up for the modification of any class of the Corporation's securities or the issuance or authorization for issuance of one class of the Corporation's securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

- a. Management Report (includes Management's Discussion and Analysis) is attached as Annex "D";
- b. 2019 Annual Report is attached as Annex "H";
- c. Unaudited Consolidated Financial Statements as of March 31, 2020 is attached as Annex "I";
- d. Unaudited Consolidated Financial Statements as of June 30, 2020 is attached as Annex "J"

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

Purchase of 100% Shares in Wavemaker Group Inc.

On November 6, 2019, the board of directors of the Corporation approved the purchase of 100% equity interest in Wavemaker US Fund Management Holdings, LLC which consolidates four (4) existing fund management entities identified below:

Wavemaker US Fund Management Holdings, LLC.	No. of Shareholdings
Siemer Ventures LLC (GP of Wavemaker Partners II LP)	62.50%
Wavemaker Partners LLC (GP of Wavemaker Partners III LP)	66.67%
Wavemaker Management LLC (GP of Wavemaker Partners V LP)	90.00%
Wavemaker Global Select, LLC (Master SPV)	100.00%

Upon discussions and negotiation of the parties, there are changes from the previous approvals, to wit:

- (1) Xurpas will purchase 100% of Wavemaker Group Inc., a Delaware Corporation, instead of Wavemaker US Fund Management Holdings, LLC. The parties have decided to use a corporation instead of a Limited Liability Company taking into account the benefits arising from the use of a corporate entity as the corporate vehicle for the said investment. The following entities have been consolidated into the Wavemaker Group Inc.:

- 56.50% of the membership interests of Siemer Ventures, LLC;
- 63.67% of the membership interests of Wavemaker Partners, LLC;
- 95.00% of the membership interests of WMP GP V, LLC;
- 100% of the Manager Units of Wavemaker Global Select, LLC;
- 95% of the membership interests of Wavemaker Management, LLC.

On September 20, 2020, the Board of the Corporation approved the said purchase and authorized the execution of a Stock Purchase Agreement. The Stock Purchase Agreement provides that approval of the stockholders will be a condition prior to Closing of the transaction. Attached herein as Annex “F” is a copy of the Stock Purchase Agreement. .

Wavemaker Group Inc., a Delaware corporation, has registered office address at 221 N. Broad Street, Suite 3A, Middletown, DE 19709, New Castle County with contact details as follows: +1-310-310-2410

Accounting Treatment

At the Parent Company level, the 100% stake in Wavemaker Group Inc. amounting to Php170.70 million will be classified as Investment in Subsidiary and will be accounted for using the cost method. Meanwhile, at the Xurpas Group level, the investment will be accounted for using the acquisition method wherein fair value of Wavemaker Group Inc.’s net identifiable assets and liabilities are measured at acquisition date and any resulting goodwill (excess of consideration over the net identifiable assets and liabilities) is recognized.

Background on the fund management entities

The entities identified above are engaged in the following activities:

1. act as general partner of a limited partnership, and its parallel funds, in compliance with the limited partnership agreement of each such partnership;

2. deal with any cash or securities that the company may receive from time to time from the fund; and
3. invest in securities for its own account.

The fund management companies act as a general partner of a specific limited partnership and its parallel funds. The funds being managed are focused on companies with a clear path to recurring revenues and predictable customer lifetime value in the following Technology sectors: Enterprise Software, Frontier Tech, and Consumer. Provided below is a description of each of the fund being managed by the General Partners:

Siemer Ventures, LLC (“Siemer GP”)

Siemer GP was formed on July 21, 2011. It acts as the General Partner of Siemer Ventures II, LP (“**Siemer LP**”) with total fund size of \$20 million.

Siemer LP has invested in 90 companies across 24 technology categories as of year-end 2018. Many of the investments are in the AdTech, Digital Media, E-commerce, and SaaS/Enterprise categories.

Notable investments from Siemer LP include Phunware, an enterprise mobile software company which is now trading on the Nasdaq, and Pie, an enterprise messaging software and is the first acquisition Google has made in SEA.

The Siemer Limited Partnership Agreement (“**LPA**”) specifies that in each one year calendar period, after repayment to all of the partners of their allocated losses, 20% of the remaining profits shall be paid to Siemer GP as the general partner. In the event that investment exits resulting in proceeds are not sufficient to return the entire capital contributions made by the limited partners, then the Siemer GP is required to return back any distributed proceeds necessary such that each capital contribution by the limited partners has been repaid in full. Accordingly, the Siemer GP has operated such that the Siemer GP will not receive any carried interest until all capital contributions by limited partners have been repaid in full. The Company has indicated that no carried interest has been paid by Siemer LP to Siemer GP, and that no written agreement evidences this historical arrangement.

The Siemer LPA likewise specifies the Siemer LP’s purpose is to realize long-term capital appreciation for its limited partners primarily by making venture capital investments in the securities of domestic and foreign private companies primarily engaged in high technology industries.

Wavemaker Partners LLC (“Wavemaker Partners”)

Wavemaker Partners was formed on May 23, 2014 and acts as the General Partner of Wavemaker Partners III LP (“**Partners III LP**”) with total fund size of \$40 Million.

Partners III LP has invested in 84 technology companies across 25 business segments as of year-end 2018. Many of the investments are in Digital Media, E-commerce and Marketing & Sales Software categories.

Notable investments from Partners III LP include Linqia, an influencer marketing software, and Clutter, an online self-storage company funded by Softbank.

The Partners III LPA specifies the Partners III LP’s purpose is to realize long-term capital appreciation for its limited partners primarily by making venture capital investments in the securities of domestic and foreign private companies primarily engaged in high technology industries.

The Partners III LPA likewise specifies that in each one year calendar period, after repayment to all of the partners of their allocated losses, 20% of the amounts entitled to be received by each limited partner, with an exception for limited partners that have invested greater than \$5,000,000, shall be allocated to Wavemaker Partners as the general partner. In the event that investment exits resulting in proceeds are not sufficient to return the entire capital contributions made by the limited partners, then Wavemaker Partners is required to return back any distributed proceeds necessary such that each capital contribution by the limited partners has been repaid in full. Accordingly, Wavemaker Partners has operated such that Wavemaker Partners will not receive any carried interest until all capital contributions by limited partners have been repaid in full.

Wavemaker Partners V GP, LLC (“Partners V GP”)

Partners V GP was formed on January 19, 2018 and acts as the General Partner of Wavemaker Partners V, LP (“**Partners V LP**”) with a target of \$60 Million for its total fund size. As of date, it has already received LP commitments in the amount of \$52,545,000.00.

Partners V LP is focused on seed and series A technology investments in underserved markets and has early-investments in 21 ventures across 12 sectors as of year- end 2018.

Notable investments from Partners V LP include Wheels, a micro mobility transportation provider and Intrinio, a financial data marketplace.

The Partners V LPA specifies the Partners V LP’s purpose is to make venture capital investments, principally by investing in and holding equity and equity-oriented securities of privately held companies in technology-related fields. It may also invest in one or more of the Wavemaker funds, including the Digital Assets Fund, the Health Fund and the Midwest Fund.

The Partners V LPA likewise specifies that in each one year calendar period, after repayment to all of the partners of their allocated losses, 20% of the profits shall be allocated to the general partner as the target percentage, subject to the Partners V LPA. In the event that investment exits resulting in proceeds are not sufficient to return the entire capital contributions made by the limited partners, then Partners V GP is required to return back any distributed proceeds necessary such that each capital contribution by the limited partners has been repaid in full.

Wavemaker Global Select, LLC (“Wavemaker Select”)

Wavemaker Select was formed on January 19, 2018 and acts as the General Partner of Wavemaker Global Select SPV, the entity manages various technology investments spread across different vehicles in the US and SEA. Capital commitment as of date is at \$12.5 million.

Notable investments from Wavemaker Select include Relativity Space, a 3-D aerospace manufacturing company, PopID, a facial recognition software, and Marcy Venture Partners, an early-stage fund formed by Roc Nation, Jay-Z’s talent management agency.

Wavemaker Select has no operating agreement, however, the sellers has committed to execute an agreement which shall reflect the 20% carried interest, similar to the other funds. This agreement shall likewise form part of the Closing Deliverables for the transaction.

Wavemaker Management, LLC (“Wavemaker Management”)

Wavemaker Management was formed on January 19, 2018 by filing a Certificate of Formation with the Secretary of State of Delaware. Wavemaker Management is qualified to do business in the State of



California. Wavemaker Management holds a current City of Santa Monica Business License #235072. A Form ADV-Uniform Application for Investment Adviser Registration and Report by Exempt Reporting Advisers for Wavemaker Management LLC was filed on January 23, 2020. As of date, no LLC Agreement has been signed by the members of Wavemaker Management.

The unaudited financial statements of the Management entities are attached as Annex “G”. The said financial statements have not been audited by a certified public accountant.

As mentioned, Xurpas will acquire 100% of Wavemaker Group Inc. Payment shall be by way of cash, and payable on or before March 31, 2021 upon completion of all Closing Deliverables as provided in the Stock Purchase Agreement.

Stockholders' Approval

Wavemaker Group Inc. is a fund management entity that primarily invests in companies that focuses on high technology industries. Although Xurpas will purchase interests in the management entities that invests in technology companies, Xurpas will nonetheless secure stockholders' approval on the said investment. Considering the foregoing, the Company, at its next Special Stockholders' meeting, will secure approval of 2/3 of the outstanding capital stock in accordance with Section 41 of the Revised Corporation Code. Any dissenting stockholder may also exercise his/her appraisal right. Note that approval regarding the purchase of Wavemaker Group Inc. is not included in the annual meeting to be held on November 27, 2020.

Xurpas has been directly investing in technology companies to expand its access to technology portfolios which it can utilize to further its business. With the purchase of Wavemaker Group Inc., Xurpas will still be indirectly investing in these technology companies through the fund management entities.

In the event that the Company is required to amend its primary purpose to reflect the foregoing, the Company shall comply with such mandate. It must be emphasized that as of date, the Company's main business remains the same, in accordance with its articles of incorporation, even with the business expansion to include Wavemaker's business.

Regulatory Approval

1. The Exchange has considered the applicability of the Backdoor Listing Rules on the transaction. The rules on backdoor listing will be observed when the Company submits its application for the listing of the Subscription Shares with the Exchange.
2. The Company is currently in discussions with the Commission if there are certain requirements to be complied with in relation to the transaction.

Trading Price

	High	Low	Open	Close
September 18, 2020	0.94	0.99	0.93	0.98
September 21, 2020	Trading Suspension			

The Exchange suspended the Company's trading of shares until additional information can be provided by the Company. On October 16, 2020, the Exchange circulated a notice to the public declaring the

applicability of the backdoor listing rules taking into account the following transactions (1) the issuance of 47.68% Xurpas shares to Wavemaker Subscribers; and (2) Xurpas' acquisition of Wavemaker Group, Inc. Considering the foregoing, the Exchange has required the Company to submit certain documents, including securing validation of certain items from the Commission. The lifting of the trading suspension is conditioned on the Company's submission of certain documents, including confirmation from the Commission on certain matters. As of date, the Company is still in discussions with the Commission on this matter.

As of November 2, 2020, the Company's shares are still suspended from trading. The Company is exerting efforts to comply with all of the foregoing conditions of the Exchange for the lifting of the trading suspension imposed upon Xurpas' Shares.

Item 13. Acquisition or Disposition of Property

There are no matters or actions to be taken up in the meeting with respect to acquisition or disposition of any property requiring stockholders' approval.

Item 14. Restatement of Accounts

There are no matters or actions to be taken up in the meeting with respect to the restatement of any asset, capital or surplus account of the Corporation.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The following matters will be considered and acted upon at the meeting:

- a. Approval of the Minutes of the Previous Stockholders' Meeting held on May 7, 2020.

The Minutes of the 2020 Special Stockholders Meeting held last May 7, 2020 is attached as Annex "A" herein and is available in the Corporation's website.

- b. Approval of 2019 Audited Financial Statements

The 2019 Consolidated Audited Financial Statements is attached as Annex "H".

- c. Ratification of acts of the Directors and Management

The Schedule of Acts of Directors / Management for Ratification is attached as Annex "K".

There are no other items to be submitted for approval or consideration.

Item 16. Other Matters

1. The minutes of the special stockholders' meeting held on May 7, 2020 will be presented to the stockholders for approval. See attached Annex "A" for a copy of the minutes of the previous meeting.
2. The Corporation will present its Audited Financial Statements for the year ending December 31, 2019 and the Interim Report as of June 30, 2019 to inform the stockholders on the current business operations of the Corporation. The following shall likewise be included in the discussion:

- a. An assessment of the corporation's performance;
 - b. A discussion on the corporation's internal controls or risk management systems, and a statement of all external audit and non-audit fees;
 - c. An explanation of the dividend policy and the reasons for nonpayment thereof; and
 - d. Discussion on related party transactions.
3. Prior to election of directors, their profiles, which shall include, among others, their qualifications and relevant experience, length of service in the corporation, trainings and continuing education attended, and their board representations in other corporations shall be presented to the stockholders. The attendance report of the Board shall likewise be included in the discussion.

Item 17. Amendment of Charter, Bylaws or Other Documents

There are no matters or actions to be taken up in the meeting with respect to any amendment of the Articles of Incorporation or By-Laws.

Item 18. Other Proposed Action

These are the following proposed actions to be taken during the meeting on November 27, 2020:

1. Review and Approval of Minutes of the Previous Meeting held on May 7, 2020
2. Approval of 2019 Audited Financial Statements
3. Election of Directors and Independent Directors
4. Appointment of External Auditor
5. Ratification of previous acts of the Directors and Management

There are no other matters to be taken up during the meeting.

Item 19. Voting Procedures

- Vote Required
 - Majority vote of the outstanding capital stock present and represented at the meeting where a quorum exist shall be sufficient.
- Method of Voting

The Board has approved that the conduct of the Annual Stockholders' Meeting on November 27, 2020 shall be through remote communication or *in absentia* (*Virtual Meeting*). Consequently, the Board also approved that a stockholder shall be allowed to vote by remote communication or *in absentia*. The stockholder may also appoint the Chairman of the meeting as his proxy.

Stockholder may register, vote in absentia or submit his proxy via <http://2020asmreg.xurpas.com>. Deadline for registration, voting in absentia and proxy submission is on November 20, 2020, 5:00 PM. A stockholder voting electronically or in *absentia* shall be deemed present for purposes of quorum. Proxies may also be submitted via e-mail at corpsec@xurpas.com. Deadline for submission of Proxies is on November 20, 2020, 5:00 pm. Validation of proxies shall be done on November 23, 2020.

Item 20. Participation of Shareholders by Remote Communication

In light of the current conditions and in support of the efforts to contain the outbreak of Covid-19, the Corporation will dispense with the physical attendance of stockholders at the meeting and will only allow attendance via remote communication and voting in absentia.

- To register, vote *in absentia* and submit proxies for the stockholders' meeting, please visit <http://2020asmreg.xurpas.com>. Deadline for registration is on November 20, 2020 5:00 pm.
- The live webcast of the meeting shall be accessible through <https://zoom.us/j/97581721364> (Meeting ID: 97581721364). The stockholders who have registered through Xurpas' Registration Link shall receive the security code via e-mail on November 25, 2020. Only stockholders who have successfully registered on or before November 20, 2020 5:00 PM shall be allowed to attend the virtual stockholders' meeting on November 27, 2020.

Undertaking to Provide Annual Report

Upon written request of a stockholder, the Corporation undertakes to furnish said stockholder, without charge, a copy of its Annual Report or SEC Form 17-A. Such written request may be addressed to:

MR. ALEXANDER D. CORPUZ
President
Xurpas Inc.
7th Floor Cambridge Centre Building,
108 Tordesillas St., Salcedo Village,
Makati City 1227

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on November 3, 2020.



ATTY. MARK S. GORRICETA
*Corporate Secretary, Chief Legal Officer and
Chief Compliance Officer*

ANNEXES

ANNEX A	Minutes of Special Stockholders' Meeting
ANNEX B1 – B3	Certifications from Independent Directors
ANNEX C	Certification from Corporate Secretary
ANNEX D	Management Report (includes Management's Discussion and Analysis)
ANNEX E	Subscription Agreement including all amendments
ANNEX F	Stock Purchase Agreement
ANNEX G	Management Entities' Financials
ANNEX H	2019 Consolidated Audited Financial Statements
ANNEX I	Unaudited Consolidated Financial Statements as of March 31, 2020
ANNEX J	Unaudited Consolidated Financial Statements as of June 30, 2020
ANNEX K	Schedule of Acts of Directors / Management for Ratification



**MINUTES OF THE SPECIAL STOCKHOLDERS' MEETING OF
XURPAS INC.**

May 7, 2020 at 9:00 a.m.
via <http://ssmlivestream.xurpas.com>

The Special Stockholders' Meeting (the "**Meeting**") of Xurpas Inc. (the "**Company**") was held virtually via <http://ssmlivestream.xurpas.com> on May 7, 2020 at 9:00 a.m.

Stockholders Present:

Total No. of Shares Outstanding as of Record Date: 1,871,830,210
Total No. of Shares of Stockholders Present/Represented by Proxy: 1,206,050,852
Percentage of Shares Present & Represented by Proxy: 64.43%

Directors and Officers Present:

Mr. Nico Jose S. Nollado, *Chairman*
Mr. Alexander D. Corpuz, *President, Chief Finance Officer and Chief Information Officer*
Mr. Fernando Jude F. Garcia, *Treasurer and Chief Technology Officer*
Mr. Wilfredo O. Racaza, *Director*
Atty. Mercedita S. Nollado, *Director*
Mr. Jonathan Gerard A. Gurango, *Director*

Atty. Mark S. Gorriceta *Corporate Secretary, Chief Legal Officer and Chief Compliance Officer.*

Also Present:

Ms. Imelda C. Tiongson, *Nominee for Independent Director*
Mr. Bartolome Silayan, Jr., *Nominee for Independent Director*

1. CALL TO ORDER

Mr. Alexander D. Corpuz ("**Mr. Corpuz**"), the President of **Xurpas Inc.** (the "**Company**"), called the Meeting to order. He welcomed everyone to the 2020 Special Stockholders' Meeting of the Company.

He informed the stockholders that the Meeting shall be recorded.

Atty. Mark S. Gorriceta ("**Atty. Gorriceta**"), the Corporate Secretary, recorded the minutes of the Meeting.

For Approval of Xurpas Inc.'s Stockholders

2. NOTICE OF MEETING AND CERTIFICATION OF QUORUM

Atty. Gorriceta certified that the notice of the time, date, mode of conduct and purpose of the Meeting was sent through a disclosure via the PSE Edge Portal and was made available on the Company's website on April 3, 2020.

He likewise certified that stockholders owning One Billion Two Hundred Six Million Fifty Thousand Eight Hundred Fifty Two (1,206,050,852) or Sixty Four and 43/100 percent (64.43%) of the One Billion Eight Hundred Seventy One Million Eight Hundred Thirty Thousand Two Hundred Ten (1,871,830,210) shares as of December 13, 2019 are present via remote communication or through proxy. Therefore, there is a quorum for the Meeting.

3. PROCEDURES FOR DISCUSSION AND VOTING

Mr. Corpuz requested Atty. Gorriceta to explain the rules of conduct and voting procedures to facilitate the orderly flow of the Meeting.

Atty. Gorriceta explained that stockholders can email their questions and comments at corpsec@xurpas.com. Questions and comments will then be read aloud and addressed during the Question and Answer Period, which shall take place after all matters for approval have been discussed.

Atty. Gorriceta also mentioned that the Company will only read questions and comments that are relevant to the Agenda for the said Meeting. Management undertakes to reply by email to questions and comments not taken up during the Meeting.

Atty. Gorriceta stated that each stockholder was given an opportunity to cast their votes by submitting their ballots via the online registration link circulated by the Company, and that stockholders may likewise participate in the voting by submitting a Proxy.

He said that in accordance with the filed Definitive Information Statement of the Company, the deadline for the submission of the ballots and/or proxies was last April 27, 2020. Consequently, the Company tabulated all votes last April 30, 2020. Atty. Gorriceta also stated that it is assumed that all participants of the Meeting have already submitted their votes or proxies when they registered online.

Atty. Gorriceta went on to explain that each outstanding share of stock entitles the registered stockholder to one vote. For the election of directors, stockholders are allowed to cumulate their votes and the candidates receiving the highest votes will be declared elected.

For the matter of the approval of the Purchase of One Hundred percent (100%) interest in Wavemaker US Fund Management Holdings, LLC, Atty. Gorriceta said that the affirmative vote of at least two-thirds (2/3) or Sixty Seven percent (67%) of the issued and outstanding capital stock entitled to vote and represented during the Meeting will need to approve such resolution. Considering that the attendees of the Meeting is less than Sixty Seven percent (67%), Atty. Gorriceta announced that the voting on this item will no longer proceed. Nonetheless, Mr. Nico Jose S. Nollado ("**Mr. Nollado**"), Chairman of the board of directors (the "**Board**"), will discuss the proposed transaction.

For all other matters to be taken up, Atty. Gorriceta informed the stockholders that the affirmative vote of at least a majority of the issued and outstanding capital stock entitled to vote and represented during this Meeting will be needed to approve each resolution.

For Approval of Xurpas Inc.'s Stockholders

Atty. Gorriceta mentioned that the voting process was also explained in the Company's By-Laws and the Definitive Information Statement circulated via PSE Edge Portal and the Company's website.

4. APPROVAL OF THE MINUTES OF THE PREVIOUS MEETING

Mr. Corpuz then proceeded with the first item on the agenda, which is the approval of the minutes of the Annual Stockholders' Meeting held on November 8, 2019.

Atty. Gorriceta stated that copies of the minutes of the Annual Stockholders' Meeting held last November 8, 2019 have been uploaded on the Company's website and was included in the Definitive Information Statement disclosed via the PSE Edge Portal.

Atty. Gorriceta then said that stockholders holding at least Sixty-Three percent (63%) of the outstanding shares of the Company have approved the minutes and adopted the following resolution:

“RESOLVED, that the stockholders of Xurpas Inc. approve the minutes of the Annual Stockholders' Meeting held on November 8, 2019.”

Voting Results

	No. of Common Shares	% of Shares of Shareholders Present
For	1,191,725,810	98.81%
Against	323,423	0.03%
Abstain	13,998,919	1.16%

5. DISCUSSION ON THE PURCHASE OF 100% INTEREST IN WAVEMAKER US FUND MANAGEMENT HOLDINGS, LLC.

Mr. Corpuz then informed the stockholders that the next item on the agenda is a discussion on the purchase of One Hundred Percent (100%) interest in Wavemaker US Fund Management Holdings, LLC. He then called on Mr. Nollado to discuss this item.

Mr. Nollado emphasized that the Company continues to implement significant reorganization over the past year, focusing on the recurrent and sustainable revenue for the company. He also mentioned that over the past several years, a lot of companies have taken a digital transformation initiative, and prior to 2020, a lot of conglomerates have announced their plans to transform digitally. Mr. Nollado said that the Coronavirus 2019 (Covid-19) pandemic forced companies, including conglomerates, to accelerate their digital transformation.

He further discussed that the planned digital transformation of these entities is an opportunity for the Company to offer its services and assist them in their digital transformation through its technological capabilities.

Mr. Nollado proceeded to discuss the Company's planned acquisition of a Fund Manager Firm based in the North America called Wavemaker. He said that Wavemaker is based in California and has been around since 2003. Wavemaker has made over two hundred thirty (230)

For Approval of Xurpas Inc.'s Stockholders

investments globally, and has about \$210 Million assets under management, twenty-five (25) full-time staff across three (3) funds and one (1) sidecar fund. Wavemaker has a track record, experience and success in technology investments. Mr. Nollo do also mentioned that two (2) of the three (3) general partners of Wavemaker are Filipino, and the third one is an American. Mr. Eric Manlunas and Mr. Paul Santos are both former entrepreneurs who decided to move on to the field of technology management and investment. Meanwhile, Mr. James Jordan is a seasoned technology investor.

According to Mr. Nollo do, Wavemaker has been very successful over the past years. Independent reports and reviews have shown that they are consistently in the top quarter of US Venture Capital Firms when it comes to the success and performance of their portfolio.

Mr. Nollo do added that a number of Wavemaker's startups have experienced substantial growth due to Covid-19. Wink, for instance, who offers wine subscriptions, has seen more than nine (9) times acceleration in their sales, and StackCommerce, who works with large e-commerce firms, have also seen a big jump in their sales. Kitchen United, according to Mr. Nollo do, is also one of Wavemaker's star investees, had the opportunity to grow due to the increase in take-out orders in the US.

Mr. Nollo do emphasized that the Company entered into this deal because they saw that over the last two (2) decades, a lot of technology companies take approximately three (3) to six (6) years before going public, and companies like Google and Amazon have experienced growth in that short amount of time. Consequently, people who invested early in those companies have experienced substantial returns from their investments. The challenge, however, is companies in Southeast Asia do not have access to deals that will enable them to participate in the growth of fast-growing technology businesses.

He also shared that the Company will benefit from its investment in Wavemaker through (1) management fees, regardless of the performance of the startups that Wavemaker invests in; and (2) Carry, which is akin to a profit share from the performance of the assets that the management company has invested into.

To summarize, Mr. Nollo do said that Wavemaker is a venture capital firm with over two hundred thirty (230) technology investments globally and over \$210 million in assets under management. It has a proven track record that has outperformed its peer group over various economic cycles and is a prominent member of the Draper Venture Network, giving it access to global technology opportunities not readily available to Philippine investors. It also has a number of blue chip, institutional and family investors that add credibility to the reputation of the firm.

Mr. Nollo do also enumerated the benefits of the deal to investors in Southeast Asia, which are:

- a. Opens up the private tech market to investors;
- b. Gives investors access to global venture capital opportunities;
- c. Allow retail investors to participate in the value creation brought by the global digital revolution;
- d. Provides access to proprietary deal flow, top-tier investment opportunities and an expanded capital base; and
- e. Gives the Corporation a steady stream of management and performance fees.

Moving forward, Mr. Nollo do states that the Company is expected to generate revenues attributed to its core business, the enterprise business, which will allow customers to proceed with its

For Approval of Xurpas Inc.'s Stockholders

digital transformation initiatives, and at the same time generate consistent revenue from the management fees.

Atty. Gorriceta gave a summary of the transaction involving the purchase of Wavemaker US. He stated that the Board approved on November 6, 2019 the purchase of One Hundred percent (100%) interest in Wavemaker US Fund Management Holdings, LLC which consolidates at least majority interest in four (4) existing fund management entities: Siemer Ventures LLC, Wavemaker Partners LLC, Wavemaker Management LLC and Wavemaker Global Select, LLC. He added that the purchase price for the acquisition is at approximately One Hundred Seventy Million Philippine Pesos (Php170,000,000.00).

Atty. Gorriceta likewise informed the stockholders that the sellers, Eric Manlunas, Paul Santos, and James Jordan, will also be subscribing to the Company's new common shares equivalent to Forty Seven and 68/100 percent (47.68%) shareholdings. The issuance of the said shares will be discussed in the next item of the agenda.

Considering, however that the Company does not have at least Sixty Seven percent (67%) stockholders present or represented in the Meeting, Atty. Gorriceta announced that this matter will not be considered for voting. Subject to further evaluation of the Board and the Executive Committee, this may be included as an Agenda in the 2020 Annual Stockholders' Meeting.

6. APPROVAL ON THE ISSUANCE OF UP TO 1,706,072,261 NEW COMMON SHARES ("SUBSCRIPTION SHARES") FROM THE UNISSUED AUTHORIZED CAPITAL STOCK AND LISTING OF THE SUBSCRIPTION SHARES WITH THE PHILIPPINE STOCK EXCHANGE

Mr. Corpuz announced that the next item on the agenda is the approval on the issuance of up to One Billion Seven Hundred Six Million Seventy Two Thousand Two Hundred Sixty One (1,706,072,261) new common shares ("**Subscription Shares**") from the unissued authorized capital stock of the Company and the listing of the Subscription Shares with the Philippine Stock Exchange ("**PSE**").

Atty. Gorriceta then explained that on November 6, 2019, the Board approved the issuance of One Billion Seven Hundred Six Million Seventy Two Thousand Two Hundred Sixty One (1,706,072,261) Subscription Shares at a price of Ten Centavos (Php0.10) per share from the available authorized capital stock to Eric Manlunas, Paul Santos, and James Jordan (the "**Subscribers**"). The Subscription Shares will be issued at par value. Upon issuance, the Subscribers shall own shares equivalent to Forty-Seven and 68/100 percent (47.68%) of the total outstanding shares of the Company.

Atty. Gorriceta informed the stockholders that the Company will issue new common shares to the Subscribers, from the unissued authorized capital stock. Atty. Gorriceta confirmed that there are no special rights attached to the shares to be issued to the Subscribers. Similar to all other holders of common shares, each holder of common share shall be entitled to such dividends as may be declared by the Board and on the basis of the outstanding stock held by them. Each common share also entitles the holders to one vote.

The proceeds from the issuance of the Subscription Shares will be used by the Company to purchase One Hundred Percent (100%) interest in Wavemaker US Fund Management Holdings, LLC.

For Approval of Xurpas Inc.'s Stockholders

Atty. Gorriceta added that the Subscribers have agreed to waive their dividend rights in the event that there is any income or return in favor of the Company for a period of twelve (12) months from execution of the Definitive Agreements. This will ensure that the Subscribers do not immediately benefit from any of the existing business of the Company that may cause any disadvantage to the current / public shareholders. Additionally, the Company has a commitment to the Subscribers to list the Subscription Shares with the Exchange within one (1) year from execution of the Definitive Agreements. Mr. Nolledo and Mr. Fernando Jude F. Garcia have committed to transfer to the Subscribers a certain number of the listed shares registered in their name to the Subscribers in the event that the new shares will not be listed with the Exchange within the one (1) year period.

Atty. Gorriceta then said that stockholders holding at least Sixty Three percent (63%) of the total outstanding shares of the Company approved and adopted the following resolution:

“RESOLVED, that the stockholders of Xurpas Inc. approve the issuance of up to One Billion Seven Hundred Six Million Seventy Two Thousand Two Hundred Sixty One (1,706,072,261) new common shares (**“Subscription Shares”**) from the unissued authorized capital stock and listing of the Subscription Shares with the Philippine Stock Exchange.”

Voting Results

	No. of Common Shares	% of Shares of Shareholders Present
For	1,191,758,169	98.81%
Against	4,478,781	0.37%
Abstain	9,813,902	0.81%

7. ELECTION OF INDEPENDENT DIRECTORS

Mr. Corpuz stated that the next item on the agenda is the election of the independent directors of the Board for the ensuing year. He then called Atty. Gorriceta to explain the nomination process.

Atty. Gorriceta informed the stockholders that the Company's Nomination Committee pre-screened and accepted the nominations for the following directors: (a) Mr. Bartolome S. Silayan Jr.; and (b) Ms. Imelda C. Tiongson. These nominees have been nominated to be independent directors of the Company.

Atty. Gorriceta also stated that all nominees possessed all the qualifications and none of the disqualifications under the Company's By-Laws and Manual on Corporate Governance and are eligible to be nominated and elected as directors of the Company. He added that the qualifications of the said independent directors are provided in the Information Statement which was disclosed through the PSE Edge portal and posted on the Company's website.

According to Atty. Gorriceta, directors receive a standard per diem of Twenty Thousand Philippines Pesos (Php20,000.00) for every Meeting attended while the Chairman is entitled to a per diem of Twenty Five Thousand Philippines Pesos (Php25,000.00) for every Meeting. Non-executive directors have no compensation aside from their per diem, while directors, who hold executive positions receive compensation in addition to their per diem.

For Approval of Xurpas Inc.'s Stockholders

Atty. Gorriceta then announced that based on the tabulation of votes, each of the two nominees has garnered at least sixty three percent (63%) votes from the total issued and outstanding shares of the Company. Consequently, the stockholders have approved and adopted the following resolution:

“RESOLVED, that the stockholders of Xurpas Inc. elect the following as *independent directors* of the Corporation to serve as such beginning today until their successors are elected and qualified: (1) Bartolome Silayan, Jr.; and (2) Imelda C. Tiongson.

Voting Results

Mr. Bartolome S. Silayan, Jr.

	No. of Common Shares	% of Shares of Shareholders Present
For	1,191,725,810	98.81%
Against	323,423	0.03%
Abstain	13,998,919	1.16%

Ms. Imelda C. Tiongson

	No. of Common Shares	% of Shares of Shareholders Present
For	1,192,176,610	98.85%
Against	281,023	0.02%
Abstain	13,593,219	1.13%

8. AMENDMENT OF THE BY-LAWS TO ALLOW ELECTRONIC DISTRIBUTION OF STOCKHOLDERS' MEETING MATERIALS, PARTICIPATION THROUGH REMOTE PARTICIPATION OR *IN ABSENTIA* AND VOTING *IN ABSENTIA*

Mr. Corpuz then stated that the next item on the agenda is the amendment of the By-Laws of the Company.

He said that the Covid-19 pandemic has greatly affected everyone, and that pursuant to the Revised Corporation Code of the Philippines, the Company is securing the approval of its stockholders to allow the following:

- a. Notice to stockholders be sent through electronic mail and such other alternative modes as may be allowed by the SEC; and
- b. Participation through remote communication or in absentia; and
- c. Voting through remote communication or in absentia.

Atty. Gorriceta then announced that stockholders holding at least sixty three percent (63%) of the total outstanding shares of the Company approved the amendment of the By-Laws. Therefore, the following resolution has been agreed upon and adopted:

For Approval of Xurpas Inc.'s Stockholders

“RESOLVED, that the stockholders of Xurpas Inc. approve the amendment of its By-Laws to reflect the following matters:

- Allow electronic distribution of stockholders' Meeting materials;
- Participation through remote participation or *in absentia*; and
- Voting *in absentia*.

RESOLVED FURTHER, that the stockholders of Xurpas Inc. approve the amendment of Article II, Sections 4, 5 and 7 of the By-Laws to reflect the foregoing; and

RESOLVED FINALLY, that the stockholders of Xurpas Inc. authorize the Executive Committee to do all things necessary to effect the foregoing, including the processing of the amendment of the By-Laws with the Securities and Exchange Commission.”

Voting Results

	No. of Common Shares	% of Shares of Shareholders Present
For	1,190,662,149	98.72%
Against	78,200	0.01%
Abstain	15,310,503	1.27%

9. QUESTION AND ANSWER

Mr. Corpuz then announced that the Board will proceed to answer the questions raised by the stockholders. Atty. Gorriceta shall read the questions sent by stockholders through electronic mail (e-mail).

1. What are the incoming projects of the Company in the next three (3) to five (5) years? How do we see the company in the short term and long term?

Mr. Corpuz replied that the plans for the Company have two key components, namely: (1) to focus on enterprise solutions to enable the Company to have a recurring, sustainable revenue; and (2) Wavemaker's portfolio of technology startups will likely provide significant upside returns for the Company in the years to come.

Mr. Corpuz went on to state that when it comes to enterprise solutions, the pressure is much greater for companies to fast track their digital transformation because of Covid-19. The Company is in a great position to help companies towards this initiative. He also mentioned that Wavemaker's investments are also engaged in the enterprise business which the Company may utilize.

2. Can you provide a summary of the transactions involving Wavemaker?

Atty Gorriceta explained that there are two (2) transactions involving Wavemaker.

First, The General Partners of Wavemaker Partners US (Eric Manlunas, Paul Santos and Buck Jordan) will be subscribing to approximately Forty Eight percent (48%) of the total outstanding

For Approval of Xurpas Inc.'s Stockholders

shares in the Company at One Hundred Seventy Million Philippine Pesos (Php170,000,000.00) in cash. All new shares to be issued to the General Partners will be from the available authorized capital stock. (“**Subscription Tranche**”).

Second, the Company shall purchase One Hundred Percent (100%) of Wavemaker Partners US at approximately One Hundred Seventy Million Philippine Pesos (Php170,000,000.00) in cash (“**Acquisition Tranche**”).

Atty. Gorriceta likewise said that since the stockholders were only able to approve the issuance and listing of the Subscription Tranche, the Company cannot proceed with the Acquisition Tranche until the required number of votes from the stockholders is secured. The Board will evaluate further the transaction relating to the purchase of Wavemaker US Fund Management Holdings, LLC.

3. What is Xurpas’ and Wavemaker’s rationale for the Transaction? How will the purchase of Wavemaker US Fund Management Holdings, LLC. benefit Xurpas and the minority shareholders?

Mr. Corpuz responded that the Company considers the expertise of the general partners of Wavemaker to be beneficial to its current enterprise business. The Board also believes that the transaction will help improve the Company’s financial stability and provide business opportunities in the long term. On the other hand, the transaction will give Wavemaker Partners a unique competitive advantage given the Company’s status as a public technology company. Mr. Corpuz also relayed that in the next five (5) to seven (7) years, Wavemaker plans to further grow its assets, and they see that this partnership will help them leverage on the Company’s access to public markets. According to Mr. Corpuz, this transaction will enable the Company to have access to Wavemaker’s investments and potentially increase its own enterprise business portfolio.

Mr. Corpuz likewise mentioned that all shareholders—even the minority shareholders—will economically benefit from this transaction because when Wavemaker exits from its investments, consequently, the shareholders will benefit. Additionally, there is a recurring management fee that the management firm will get from the assets that it is managing.

4. What are the technology trends that are relevant while we are battling Covid-19, and the technology trends after Covid-19?

Mr. Nollado said that by the end of the quarantine period, there will be a lot of shifts as a result of the new habits that were created during the said period. For instance, a lot of corporations will have a substantial portion of its workforce continue with the work from home operational routine. This, according to Mr. Nollado, is a trend that we are seeing globally. Videoconferencing tools like Zoom has increased its usage by Two Thousand percent (2,000%) in the span of ninety (90) days. Slack has also seen a generous growth in its usage and subscriptions. During this pandemic, these video conferencing tools have become the new mode by which people socialize. He also added that applications like Trello could be used by companies to track the progress of their teams’ projects.

Mr. Nollado also mentioned that food retail will be substantially affected during the aftermath of Covid-19, especially when social distancing gets implemented and a limited number of customers will be allowed to dine in at a given restaurant. He expects to see a lot of shifts towards e-commerce. Further, stores will have to figure out how payments can be done electronically.

For Approval of Xurpas Inc.'s Stockholders

Further, Mr. Nollo do stated that companies in the entertainment and content field will have to shift from less traditional media to online media. For instance, the mobile application, TikTok, has generated Seven Million (7,000,000) new downloads in the Philippines during the quarantine period.

To summarize, Mr. Nollo do explained that there will be a shift across multiple centers, which will in turn yield to more opportunities for the Company.

5. Are there other public companies that have invested in entities similar to the business of Wavemaker?

Mr. Nollo do stated that there are not too many public companies that have both an operating side and a vast portfolio. He then cited SoftBank and Naspers as two public companies that are of a similar nature. He clarified, however, that he has not seen a public company similar to the business of Wavemaker in Southeast Asia.

10. ADJOURNMENT

Mr. Corpuz announced that the Annual Stockholders' Meeting will be held during the 3rd Quarter of 2020. He mentioned that the stockholders will be informed via the PSE Edge Portal and the Company website once a date for the said Meeting has been finalized by the Board.


There being no other business to discuss, the Meeting was adjourned.

Prepared by:



ATTY. MARK S. GORRICETA
Corporate Secretary

Attested by:



ALEXANDER D. CORPUZ
Chairman of the Meeting

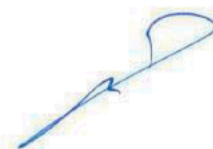
CERTIFICATION

I, **IMELDA C. TIONGSON**, Filipino, of legal age and resident 53 Pres. Magsaysay Street South Admiral Paranaque after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Xurpas Inc.** (the “Corporation”);
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE (indicate year)
OPAL PORTFOLIO INVESTMENTS (SPV-AMC) INC.	President and CEO	12 Years 2007
Institute of Corporate Directors	Trustee	4 years 2016
Management Association of the Philippines	Vice Chairman- Governance	1 year 2019
Fintech Philippines Association	Trustee	1 year 2019
Pru Life U.K.	Independent Director	(New) 1 Month

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any of the directors/officers/substantial shareholders of the Corporation, its subsidiaries, and affiliates nor a relative in any other way than the relationship provided under Rule 38 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not an officer or director of any government agencies or Government-Owned and Controlled Corporations.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Manual on Corporate Governance for Publicly Listed Companies and other SEC issuances.



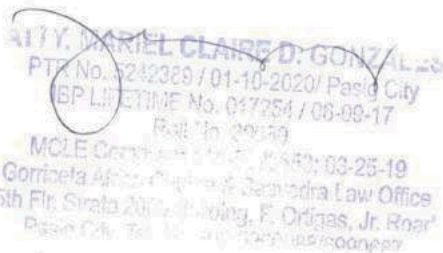
8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Executed on SEP 25 2020.


IMELDA C. TIONGSON
Affiant

SUBSCRIBED AND SWORN to before me this SEP 25 2020 at **PASIG CITY**, affiant personally appeared before me and exhibited to me her SSS ID 33-1959400-0 expiring on No expiry.

Doc. No. 400;
Page No. 81;
Book No. 3;
Series of 2020.


ATTY. MARIEL CLAIRE D. GONZALES
PTR No. 5242389 / 01-10-2020 / Pasig City
BP LITIME No. 017254 / 06-08-17
Reg. No. 20019
MCLE Certificate No. 12452 / 03-25-19
Corriceta Alcantara & Savendra Law Office
5th Flr. Strata 2001, Building, F. Ortigas, Jr. Road
Pasig City, Tel. No. 888-8888

CERTIFICATION

I, **BARTOLOME SILAYAN, JR.**, Filipino, of legal age and a resident of 16 San Martin Street, Magallanes Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Xurpas Inc.** (the “Corporation”);
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE (indicate year)
Phoenix One Knowledge Solutions Inc.	President	2005 - present
Cafisglobal Inc.	President	2013 - present
Sugarbee Inc.	Treasurer	2010 - present
Panalo Express Ventures	Director	2019 – present
Tveez Inc.	Director	2015 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any of the directors/officers/substantial shareholders of the Corporation, its subsidiaries, and affiliates nor a relative in any other way than the relationship provided under Rule 38 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not an officer or director of any government agencies or Government-Owned and Controlled Corporations.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Manual on Corporate Governance for Publicly Listed Companies and other SEC issuances.
8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Executed on

9/24/2020


BARTOLOME SILAYAN, JR
Affiant

SUBSCRIBED AND SWORN to before me this SEP 25 2020 at
PASIG CITY, affiant personally appeared before me and exhibited to me his
Driver's License No. N-06-84-031099 expiring on November 1, 2022.

Doc. No. 405;

Page No. 82;

Book No. 3;

Series of 2020.


ATTY. MARIEL CLAIRE D. GONZALES
PTR No. 5242389 / 01-10-2020 / Pasig City
IBP LIFETIME No. 017254 / 06-09-17
Roll No. 69080
MCLE Compliance VI-0020653; 03-25-19
Gorrice Africa Cauton & Saavedra Law Office
5th Flr. Strata 2000 Building, F. Ortigas, Jr. Road
Pasig City, Tel. No. (02)6960988/6990687
Appointment No. 147 (2019/2020)

CERTIFICATION

I, **JONATHAN GERARD A. GURANGO**, Filipino, of legal age and a resident of Orchard Road, 21 Olympic Heights T2, Eastwood, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Xurpas Inc.** (the “**Corporation**”) and have been its independent director since December 2014.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Gurango Software Corporation	Director	2003 – Present
Kaion Technologies, Inc.	Director	2017 – Present
APPPS Partners, Inc.	Director	2017 – Present
CodersGuild.net, Inc.	Director	2018 – Present
Servio Technologies, Inc.	Director	2018 – Present


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any of the directors/officers/substantial shareholders of the Corporation, its subsidiaries, and affiliates nor a relative in any other way than the relationship provided under Rule 38 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not an officer or director of any government agencies or Government-Owned and Controlled Corporations.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Manual on Corporate Governance for Publicly Listed Companies and other SEC issuances.
8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Executed on SEP 25 2020 day of PASIG CITY, at


JONATHAN GERARD A. GURANGO
Affiant

PASIG CITY SUBSCRIBED AND SWORN to before me this SEP 25 2020 at
Pasaporte P-5529309A affiant personally appeared before me and exhibited to me his
expiring on 05 Jan 2028

Doc. No. 406;
Page No. 83;
Book No. 3;
Series of 2020.


ATTY. MARIEL CLAIRE D. GONZALES
PTR No. 6242389 / 01-10-2020 / Pasig City
IAP LIFETIME No. 017254 / 06-09-17
Roll No. 29180
MCLE Compliance 1/4-0020953; 03-25-19
Gorricea Africa-Cesuran & Saavedra Law Office
5th Flr. Strata 2050 Building, F. Ortigas, Jr. Road
Pasig City, Tel. No. (02) 69860986-698687
Appointed by the Department of Justice (DOJ)

CERTIFICATION

I, **MARK S. GORRICETA**, of legal age, Filipino and with office address at 15F and 4F Strata 2000 Building, F. Ortigas Jr. Road, Ortigas Center, Pasig City, Philippines, after having been duly sworn to in accordance with law, hereby depose and say that:

1. I am the Corporate Secretary of **Xurpas Inc.** (the "**Corporation**"), a corporation duly organized and existing under the laws of the Republic of the Philippines with office address at 7F Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City 1227;
2. In connection with the Annual Stockholders' Meeting of the Corporation scheduled on November 13, 2020, 9:00 a.m. via remote communication, I hereby certify that none of the Corporation's directors or officers is connected with any government agencies or instrumentalities; and
3. I am executing this Certification in compliance with the requirements of the Securities and Exchange Commission.

Executed on **SEP 25 2020** at Pasig City.

ATTY. MARK S. GORRICETA
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

SUBSCRIBED AND SWORN to before me this **SEP 25 2020** day of **2020**, affiant exhibiting to me his Passport No. P4531123B issued at the DFA NCR East, valid until January 23, 2030.

Doc No. **422**;
Page No. **62**;
Book No. **3**;
Series of 2020.

ATTY. MARIELOLAIRE D. GONZALES
PTR No. 5242389 / 01-10-2020/ Pasig City
IBP LIFETIME No. 017254 / 06-09-17
Roll No. 69080
MCLE Compliance VI-0020653; 03-25-19
Gorriceta Africa Cauton & Saavedra Law Office
5th Flr. Strata 2000 Building, F. Ortigas, Jr. Road
Pasig City, Tel. No. 89969988/8996987

XURPAS INC.
MANAGEMENT REPORT
For the 2020 Annual Stockholders' Meeting
To be held on November 27, 2020
Pursuant to SRC Rule 20 (4) (1)

1. Financial Statements

- Please refer to Annex “H” for the Annual Report of Xurpas Inc. and its subsidiaries (the “Group”);
- Please refer to Annex “I” for the Consolidated Audited Financial Statements of the Group for the period ended March 31, 2020; and
- Please refer to Annex “J” for the Consolidated Audited Financial Statements of the Group for the period ended June 30, 2020.

2. There were no disagreements with accountants on accounting and financial disclosures.

Sycip Gorres Velayo & Co. (“SGV & Co.”) has acted as the Group’s independent auditors since 2008. The Corporation has not had any material disagreement on accounting and financial disclosure with SGV & Co.

Representatives of SGV & Co. will be present during the Annual Stockholders’ Meeting in the event that there are questions that will be addressed to them.

3. Management’s Discussion and Analysis or Plan of Operation

The Corporation’s business units comprise of Mobile consumer products and services; Enterprise solutions; and Other services (HR technology services). After its initial public offering in December 2014, the Corporation made several investments in various technology companies, within and outside of the Philippines.

In 2018, the Corporation’s business was severely affected when its Telco partner implemented new and stricter opt-in guidelines for customers who sign up for VAS subscription. The Corporation’s revenue from its mobile consumer services significantly declined as a result of this. Moreover, the Corporation’s wholly owned subsidiary, Art of Click Pte. Ltd., was severely affected by the challenges faced by the digital advertising industry.

In 2019, the Corporation evaluated its business segments to maximize its resources and opportunities. As part of its restructuring program, the Corporation initiated the following measures:

- Sale of its 51% shareholdings in Yondu Inc. The sale will provide the Corporation additional liquidity, retire debt, and allow us to focus on high-value, emerging, innovative, and disruptive technologies and platforms impacting both enterprise and consumer commerce.
- Dissolve Xeleb Technologies Inc. and Xeleb Inc (collectively referred to as “Xeleb”). All residual businesses of Xeleb will be carried over to the parent company. This strategy will eliminate expenses incurred in maintaining a separate entity.

The Corporation has also implemented corporate restructuring programs to minimize on costs and expenses.

- On March 30, 2020, Xurpas suspended the business operations of its wholly owned subsidiary in Singapore, Art of Click Pte. Ltd (“Art of Click”).

Art of Click, a start-up firm established in 2011 and purchased by Xurpas in 2016, specializes in mobile marketing solutions for advertisers, publishers, app developers and other operators. Art of Click encountered financial difficulties in 2017 because (1) it lost several key clients; and (2) there was a decline in the ad network industry due to the growing dominance of companies such as Facebook and Google. Throughout this period, Xurpas has been supporting its subsidiary and has implemented drastic cost-cutting measures.

Xurpas decided to suspend Art of Click's business operations because of the anticipated further losses to be incurred due to business challenges brought on by the Corona Virus (Covid-19) pandemic.

- On March 30, 2020, 80% of CTX Technologies Inc. ("CTX") was sold to Mr. Fernando Jude F. Garcia.

CTX was incorporated in 2018 primarily for the proposed virtual currency exchange business of the Xurpas Group. With the decline of the virtual currency market in 2019 and the unclear regulations involving digital assets, Xurpas' Management has previously decided to place CTX's proposed business activities on hold. CTX has not provided any material business for Xurpas, and has no revenue contribution to the Group since its incorporation.

Total Equity / Book Value of CTX is at approximately One Million Pesos as of December 31, 2019. Mr. Garcia Purchased 80% of CTX at Php4 million.

On September 20, 2020, Xurpas sold the remaining 20% of CTX to Mr. Garcia at Php1.2 million.

In terms of growing the overall business of the Corporation, it aims to expand and sustain its overall business, as it continually implements reorganization to refocus the business on recurring and stable revenue stream. The Company is gearing to strengthen its enterprise business which provides services such as custom software development, cloud services, HR technology, solutions architecture and blockchain technology. It intends to seize the opportunity to support various companies in their digital transformation. For its residual mobile consumer business segment, the Company is also adopting the same concept of strengthening recurring and stable revenue. Another envisaged component to the recovery and growth is global tech management, wherein Xurpas gains access to high-value, emerging, innovative and disruptive technologies in the US through Wavemaker.

On November 6, 2019, the Corporation disclosed that it will purchase Wavemaker US Fund Management Holdings, LLC, which will consolidate the membership interests of Frederick Manlunas, Benjamin Paul Bustamante Santos and James Buckley Jordan in several US fund management entities. The said acquisition is conditioned on the conduct of due diligence, and execution of definitive agreements.

On September 20, 2020, the Board approved the purchase, with certain amendments, to wit:

- i) Xurpas will purchase 100% of Wavemaker Group Inc., instead of Wavemaker US Fund Management Holdings, LLC.;
- ii) Wavemaker Group Inc. has ownership interests in the following entities:
 - 56.50% of the membership interests of Siemer Ventures, LLC;
 - 63.67% of the membership interests of Wavemaker Partners, LLC;
 - 95.00% of the membership interests of WMP GP V, LLC;
 - 100% of the Manager Units of Wavemaker Global Select, LLC;
 - 95% of the membership interests of Wavemaker Management, LLC.

The entities identified above are engaged in the following activities:

1. Each acts as general partner of a limited partnership, and its parallel funds, in compliance with the limited partnership agreement of each such partnership;
2. deal with any cash or securities that the company may receive from time to time from the fund; and
3. invest in securities for its own account.

The fund management companies act as a general partner of a specific limited partnership and its parallel funds. The funds being managed are focused on companies with a clear path to recurring revenues and predictable customer lifetime value in the following Technology sectors: Enterprise Software, Frontier Tech, and Consumer. Provided below is a description of each of the fund being managed by the General Partners:

Siemer Ventures, LLC (“Siemer GP”)

Siemer GP was formed on July 21, 2011. It acts as the General Partner of Siemer Ventures II, LP (“**Siemer LP**”) with total fund size of \$20 million.

Siemer LP has invested in 90 companies across 24 technology categories as of year-end 2018. Many of the investments are in the AdTech, Digital Media, E-commerce, and SaaS/Enterprise categories.

Notable investments from Siemer LP include Phunware, an enterprise mobile software company which is now trading on the Nasdaq, and Pie, an enterprise messaging software and is the first acquisition Google has made in SEA.

The Siemer Limited Partnership Agreement (“**LPA**”) specifies that in each one year calendar period, after repayment to all of the partners of their allocated losses, 20% of the remaining profits shall be paid to Siemer GP as the general partner. In the event that investment exits resulting in proceeds are not sufficient to return the entire capital contributions made by the limited partners, then the Siemer GP is required to return back any distributed proceeds necessary such that each capital contribution by the limited partners has been repaid in full. Accordingly, the Siemer GP has operated such that the Siemer GP will not receive any carried interest until all capital contributions by limited partners have been repaid in full. The Company has indicated that no carried interest has been paid by Siemer LP to Siemer GP, and that no written agreement evidences this historical arrangement.

The Siemer LPA likewise specifies the Siemer LP’s purpose is to realize long-term capital appreciation for its limited partners primarily by making venture capital investments in the securities of domestic and foreign private companies primarily engaged in high technology industries.

Wavemaker Partners LLC (“Wavemaker Partners”)

Wavemaker Partners was formed on May 23, 2014 and acts as the General Partner of Wavemaker Partners III LP (“**Partners III LP**”) with total fund size of \$40 Million.

Partners III LP has invested in 84 technology companies across 25 business segments as of year-end 2018. Many of the investments are in Digital Media, E-commerce and Marketing & Sales Software categories.

Notable investments from Partners III LP include Linqia, an influencer marketing software, and Clutter, an online self-storage company funded by Softbank.

The Partners III LPA specifies the Partners III LP's purpose is to realize long-term capital appreciation for its limited partners primarily by making venture capital investments in the securities of domestic and foreign private companies primarily engaged in high technology industries.

The Partners III LPA likewise specifies that in each one year calendar period, after repayment to all of the partners of their allocated losses, 20% of the amounts entitled to be received by each limited partner, with an exception for limited partners that have invested greater than \$5,000,000, shall be allocated to Wavemaker Partners as the general partner. In the event that investment exits resulting in proceeds are not sufficient to return the entire capital contributions made by the limited partners, then Wavemaker Partners is required to return back any distributed proceeds necessary such that each capital contribution by the limited partners has been repaid in full. Accordingly, Wavemaker Partners has operated such that Wavemaker Partners will not receive any carried interest until all capital contributions by limited partners have been repaid in full.

Wavemaker Partners V GP, LLC ("Partners V GP")

Partners V GP was formed on January 19, 2018 and acts as the General Partner of Wavemaker Partners V, LP ("**Partners V LP**") with a target of \$60 Million for its total fund size. As of date, it has already received LP commitments in the amount of \$52,545,000.00.

Partners V LP is focused on seed and series A technology investments in underserved markets and has early-investments in 21 ventures across 12 sectors as of year- end 2018.

Notable investments from Partners V LP include Wheels, a micro mobility transportation provider and Intrinio, a financial data marketplace.

The Partners V LPA specifies the Partners V LP's purpose is to make venture capital investments, principally by investing in and holding equity and equity-oriented securities of privately held companies in technology-related fields. It may also invest in one or more of the Wavemaker funds, including the Digital Assets Fund, the Health Fund and the Midwest Fund.

The Partners V LPA likewise specifies that in each one year calendar period, after repayment to all of the partners of their allocated losses, 20% of the profits shall be allocated to the general partner as the target percentage, subject to the Partners V LPA. In the event that investment exits resulting in proceeds are not sufficient to return the entire capital contributions made by the limited partners, then Partners V GP is required to return back any distributed proceeds necessary such that each capital contribution by the limited partners has been repaid in full.

Wavemaker Global Select, LLC ("Wavemaker Select")

Wavemaker Select was formed on January 19, 2018 and acts as the General Partner of Wavemaker Global Select SPV, the entity manages various technology investments spread across different vehicles in the US and SEA. Capital commitment as of date is at \$12.5 million.

Notable investments from Wavemaker Select include Relativity Space, a 3-D aerospace manufacturing company, PopID, a facial recognition software, and Marcy Venture Partners, an early-stage fund formed by Roc Nation, Jay-Z's talent management agency.

Wavemaker Select has no operating agreement, however, the sellers has committed to execute an agreement which shall reflect the 20% carried interest, similar to the other funds. This agreement shall likewise form part of the Closing Deliverables for the transaction.

Wavemaker Management, LLC ("Wavemaker Management")

Wavemaker Management was formed on January 19, 2018 by filing a Certificate of Formation with the Secretary of State of Delaware. Wavemaker Management is qualified to do business in the State of California. Wavemaker Management holds a current City of Santa Monica Business License #235072. A Form ADV-Uniform Application for Investment Adviser Registration and Report by Exempt Reporting Advisers for Wavemaker Management LLC was filed on January 23, 2020. As of date, no LLC Agreement has been signed by the members of Wavemaker Management.

- iii) The purchase price of Php170,700,101.90. shall be paid by way of cash. The deadline to complete all Closing Conditions will be on or before December 31, 2020. *See Stock Purchase Agreement attached as Annex "F"*. The unaudited financials of the Management Entities is also attached as *Annex "G"*.

The purchase of Wavemaker Group Inc. will be subject to stockholders' approval.

On September 20, 2020, Xurpas' Board also approved the issuance of 1.7 billion new common shares equivalent to 47.68% of the outstanding shares of the Company to Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckly Jordan, Wavemaker Partners V LP and Wavemaker US Fund Management Holdings, LLC. *See Subscription Agreement attached as Annex "E"*. The shares have not been issued as of date. Full payment shall be on or before December 31, 2020.

First Half of 2020 compared with First Half of 2019

For the first half of 2020, the Group recorded total revenues of ₱66.67 million, a 90% decrease compared to the first half of 2019 which posted a revenue of ₱640.15 million. The decrease was brought about by the exclusion of revenues generated from Yondu, as it was sold back to Globe on September 2019.

The COVID-19 outbreak that the world is currently experiencing not only affected the health of people but also had severe effects to the economy and various businesses. The pandemic affected the Group as evidenced by the slowdown in operations of the enterprise segment and other services. Aggregate revenue went down by 58%, from ₱47.00 million during the three-month period ended March 31, 2020 to ₱19.67 million during the three-month period ended June 30, 2020. For the enterprise segment, the revenues during the three-month period decreased by 51%, due to a number of potential customers delaying or altogether cancelling their projects. Other services represented by Storm (with revenues decreasing by 74%), also reported that their major clients' operations were severely affected, thereby reducing the use of the Storm's platform/services by their employees.

Though there are delays and cancellations in some projects under the enterprise segment, the Group remains positive and likewise sees a business opportunity amidst the pandemic. The Company intends to seize the opportunity to support various companies that want to jumpstart their digital transformation. Xurpas will continue to create and provide custom tools and solutions for these transformations using its technology capabilities and experience. The Group is also exploring potential projects both from the private and public sectors to expand clientele base. Storm continues to look for other revenue sources, in partnership with other HR technology firms, for on-selling to its client employee base.

Financial Summary

Key Financial Data In PhP Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase (Decrease)
	Amount	Percentag	Amount	Percentag		
Revenues						
Mobile consumer services	2.99	4%	19.07	3%	(16.08)	-84%
Enterprise services	37.36	56%	569.09	89%	(531.73)	-93%
Other services	26.32	40%	51.98	8%	(25.66)	-49%
Total Revenues	66.67	100%	640.15	100%	(573.48)	-90%
Cost of Services	61.08	92%	462.59	72%	(401.51)	-87%
Cost of Goods Sold	20.17	30%	40.08	6%	(19.91)	-50%
Gross Profit (Loss)	(14.58)	-22%	137.47	21%	(152.05)	-111%
General and Administrative Expenses	39.38	59%	214.47	34%	(175.09)	-82%
Equity in Net Losses (Earnings) of Associates	(4.65)	-7%	7.53	1%	(12.18)	-162%
Other Charges - net	1.11	2%	20.27	3%	(19.16)	-95%
Loss Before Income Tax	(50.43)	-76%	(104.80)	-16%	54.38	-52%
Provision for (Benefit from) Income Tax	(1.86)	-3%	10.55	2%	(12.41)	-118%
Net Loss	(48.57)	-73%	(115.36)	-18%	66.79	-58%
Other Comprehensive Income	14.98	22%	7.29	1%	7.69	106%
Total Comprehensive Loss	(33.59)	-50%	(108.07)	-17%	74.49	-69%

	30-Jun-20 Amount	31-Dec-19 Amount	Amount Change	% Increase (Decrease)
Total Assets	661.14	713.94	(52.81)	-7%
Total Liabilities	668.83	688.05	(19.22)	-3%
Total Equity	(7.69)	25.89	(33.59)	-130%

Group revenues were still mainly driven by enterprise services, comprising 56% of the total revenue, compared to 89% in the 1H2019.

The blended cost of services decreased by 87% from ₱462.59 million for the six-month period ended June 30, 2019 to ₱61.08 million for the comparable period in 2020. Cost of goods sold attributable to other services was ₱20.17 million for the six-month period ended June 30, 2020 compared to ₱40.08 million in the same period in 2018, a decrease of 50% or ₱19.19 million.

The Group incurred gross loss for the period ended June 30, 2020 amounting to ₱14.58 million which corresponds to 22% gross loss margin. In comparison, for the same period last year, the Group earned gross profit amounting to ₱137.47 million and a margin of 21%.

General and administrative expenses decreased by 82%, from ₱214.47 million for the first half of 2019 to ₱39.38 million for the same period in 2020.

Overall, the decrease in the cost of services and general and administrative expenses was mainly due to the cost reduction initiatives undertaken by the Group. The deconsolidation of Yondu's expenses also contributed to the decrease given that most of the expenses were incurred by the company.

The Group also shares in the recorded net earnings of the associate companies it has invested in, which amounted to ₱4.65 million for the six-month period ended June 30, 2020; a 162% improvement from the ₱7.53 million share in net loss of the associate companies for the first half of 2019.

Loss before income tax improved by 52% from ₱104.80 million for the first half of 2019 to ₱50.43 million for the same period in 2020.

Benefit from income taxes during the first half of 2020 amounted to ₱1.86 million, while provision for income tax of ₱10.55 million was recognized in the same period in 2019. Overall, the net loss for the Group decreased from ₱115.36 million for the first half of 2019 to ₱48.57 million over the same period in 2020; a decrease of 58%.

Revenues and net loss contributed by foreign operations for the six-month period ended June 30, 2020 amounted to ₱0.44 million and ₱10.02 million, respectively, which corresponds to 1% and 21% of the consolidated revenues and net loss, respectively, for the said period.

Consolidated total assets as of June 30, 2020 amounted to ₱661.14 million, a decrease of 7% from ₱713.94 million as of December 31, 2019. Consolidated total liabilities decreased by 3% from ₱688.05 million as of December 31, 2019 to ₱668.83 million on June 30, 2020, mainly due to the decrease in accounts and other payables.

The Group recorded capital deficiency as of June 30, 2020 amounting to ₱7.69 million. Note that in 2019, the Group recognized significant impairment losses of its goodwill and investment in associates as well as loss from sale of Yondu which contributed largely to the 2019 net loss. As of December 30, 2019, the Group was left with only ₱25.89 million total equity. Incurring total comprehensive loss amounting to ₱33.59 million led the Group to a capital deficiency position as of June 30, 2020. The impending entry of Wavemaker Group Inc. into the Group, in addition to the continuous efforts to further increase its existing businesses, is expected to reverse the capital deficiency.

Segment Financial Performance

For the 6-month period ended June 30, 2020 In PhP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	15.62	37.36	4.60	(12.64)	44.95
Revenue from sale of goods	-	-	21.72	-	21.72
Total Service Revenues	15.62	37.36	26.32	(12.64)	66.67
Operating expenses	47.57	31.20	38.83	3.04	120.63
Equity in net earnings of associates	-	-	-	(4.65)	(4.65)
Other charges (income) - net	7.53	0.10	0.68	(7.19)	1.11
Total Expenses	55.10	31.30	39.50	(8.80)	117.10
Operating Income (Loss)	(39.47)	6.06	(13.18)	(3.83)	(50.43)
Benefit from (provision for) income tax	(0.11)	(0.00)	(0.00)	1.97	1.86
Net Income (Loss)	(39.59)	6.06	(13.19)	(1.86)	(48.57)

For the six-month period ended June 30, 2020, mobile consumer services' revenues, operating loss and net loss prior to eliminations were ₱15.62 million, ₱39.47 million and ₱39.59 million, respectively. (Note that after intersegment adjustments, revenue for Mobile Consumer services is ₱2.99 million and net loss is ₱45.09.) Enterprise services had a net income of ₱6.06 million from revenues of ₱37.36 million. The other services segment had revenues of ₱26.32 million, ending up with an operating loss of ₱13.18 million.

Profitability

For the six-month period ended June 30, 2020 compared with the six-month period ended June 30, 2019

Revenues

The consolidated revenues of the Group for the six-month period ended June 30, 2020 amounted to ₱66.67 million, a decrease of 90% from ₱640.15 million the same period of the previous year.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	<ul style="list-style-type: none"> • Xurpas Parent Company • Art of Click
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	<ul style="list-style-type: none"> • Seer • Xurpas Enterprise • Xurpas Parent Company
Other services	Revenues derived from services related to the proprietary platform called "Flex Benefits System" and "Ace" (formerly "Kudos") which allows employees to convert their employee benefits to other benefits which includes sale of goods	<ul style="list-style-type: none"> • Storm Technologies

In Php Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	37.36	56%	569.09	89%	(531.73)	-93%
Mobile consumer services	2.99	4%	19.07	3%	(16.08)	-84%
Other services	26.32	40%	51.98	8%	(25.66)	-49%
<i>Total Revenues</i>	66.67	100%	640.15	100%	(573.48)	-90%

Revenues from enterprise services (which accounts for 56% of total revenues) decreased by 93% as of June 30, 2020, to ₱37.36 million from ₱569.09 million on June 30, 2019. On the other hand, revenues from the mobile consumer services segment for the six-month period ended June 30, 2020 amounted to ₱2.99 million, a decrease of 84% from the previous year's same period level of ₱19.07 million. This segment accounts for 4% of the total revenues. Other services booked revenues of ₱26.32 million in the first half of 2020, lower by 49% from the previous level at ₱51.98 million over the same period last year.

Expenses

In PhP Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	61.08	51%	462.59	64%	(401.51)	-87%
Cost of Goods Sold	20.17	17%	40.08	6%	(19.91)	-50%
General and Administrative Expenses	39.38	32%	214.47	30%	(175.09)	-82%
<i>Total Expenses</i>	120.63	100%	717.15	100%	(596.52)	-83%

The Group's consolidated expenses during the six-month period ended June 30, 2020 amounted to ₱120.63 million, an 83% decrease from the same period of the previous year at ₱717.15 million. For the first half of 2020, cost of services accounted for the bulk of expenses, totaling ₱61.08 million or 51% of the Group's consolidated expenses. For the same period in 2019, cost of services amounted to ₱462.59 million, which comprised 64% of overall expenses.

Cost of Services

In PhP Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	39.19	64%	349.40	76%	(310.21)	-89%
Depreciation and amortization	10.82	18%	18.33	4%	(7.51)	-41%
Outsourced services	4.83	8%	15.76	3%	(10.93)	-69%
Others	6.25	10%	79.11	17%	(72.86)	-92%
<i>Total Expenses</i>	61.08	100%	462.59	100%	(401.51)	-87%

Cost of services totaling ₱61.08 million as of June 30, 2020, was mainly driven by expenses relating to salaries, wages, and employee benefits (64%), followed by Depreciation and Amortization (18%), Outsourced Services (8%) and Other expenses (10%).

Cost of Goods Sold

For six-month period ended June 30, 2020, cost of goods sold took up 17% of the Group's consolidated expenses, amounting to ₱20.17 million. This figure was a decrease of 50% from its level at ₱40.08 million on June 30, 2019. The decrease in cost of goods sold was directly attributable to the decrease in revenues of Storm Technologies.

General and Administrative Expenses

In PhP Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	19.23	49%	111.77	52%	(92.54)	-83%
Professional fees	7.81	20%	10.17	5%	(2.36)	-23%
Depreciation and amortization	4.29	11%	27.44	13%	(23.14)	-84%
Others	8.05	20%	65.10	30%	(57.05)	-88%
<i>Total Expenses</i>	39.38	100%	214.47	100%	(175.09)	-82%

General and administrative expenses relating to the Group's operations, for the first half of 2020 amounted to ₱39.38 million, lower by 82% compared to previous year's same period level of ₱214.47 million. Salaries, wages, and employee benefits was ₱19.23 million or 49% of the total general and administrative expenses (GAEX). The same expenses amounted to ₱111.77 million for the same period

in 2019. As of June 30, 2020, Professional Fees and Others (Taxes and Licenses, Rent and Utilities among others) both incurred 20% of total GAEX.

Equity in Net Loss of Associates

For the first half of 2020, the Group registered equity in net earnings of its associate companies amounting to ₱4.64 million vis-à-vis the equity in net loss of its associate companies incurred for the comparable period in 2020 amounting to ₱7.53 million. Equity in net earnings of Ninelives, Altitude SG and MicroBenefits for the first half of 2020 amounted to ₱1.85 million, ₱1.17 million and ₱1.62 million, respectively.

Other Charges – net

For the first half of 2020, the Group recognized other net charges amounting to ₱1.11 million. This account mainly pertains to interest expense, foreign exchange gains and losses and bank charges.

Loss before Income Tax

The Group's loss before taxes for the six-month period ended June 30, 2020 was ₱50.43 million. The net loss before taxes for the Group improved by 52% or ₱54.38 million from the same period ended June 30, 2019, which posted a figure of ₱104.80 million.

Provision for (Benefit from) Income Tax

For the first half of 2020, the Group reported a Benefit from Income tax amounting to ₱1.86 million as compared to last year wherein the Group recognized provision for Income tax amounting to ₱10.55 million despite incurring a loss.

Net Loss

The Group posted a consolidated net loss of ₱48.57 million for the six-month period ended June 30, 2020, a decrease of 58% from the previous year's same period at ₱115.36 million.

Total Comprehensive Income (Loss)

As of June 30, 2020, the Group's total comprehensive loss amounted to ₱33.59 million, a decrease of 69% compared to total comprehensive loss of ₱108.07 million as at June 30, 2019.

Financial Position

As of June 30, 2020 compared to December 31, 2019

Assets

Cash and Cash Equivalents

The Group's consolidated cash and cash equivalents amounted to ₱99.15 million as at June 30, 2020, a net decrease of 36% or ₱54.78 million from consolidated cash of ₱153.93 million as at December 31, 2019.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱52.55 million and ₱37.18 million as at June 30, 2020 and December 31, 2019, respectively, representing an increase of ₱15.37

million. The increase was generally the result of higher trade receivables (from ₱273.39 million as of December 31, 2019 to ₱274.58 million on June 30, 2020) coupled with lower allowance for impairment loss from ₱263.09 million in 2019 to ₱249.86 million in 2020.

Contract Asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

The Group's consolidated contract asset totaled ₱9.49 million as of June 30, 2020, an increase of ₱1.20 million or 15% from its previous level on December 31, 2019 at ₱8.29 million.

Other Current Assets

The Group's consolidated other current assets totaled ₱37.78 million as of June 30, 2020, a decrease of ₱5.60 million or 13% from its previous level on December 31, 2019 at ₱4.20 million. Creditable withholding taxes, input VAT and prepaid expenses comprised majority of other current assets.

Financial assets at FVOCI

This account pertains to quoted and unquoted equity investments in Club Punta Fuego and Zowdow Inc. As at June 30, 2020, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position remained unchanged from its previous level on December 31, 2019 which amounted to ₱0.44 million and ₱44.25 million, respectively.

Investment in Associates

As of June 30, 2020, the Group's consolidated investment in associates amounted to ₱324.79 million, a 2% increase from its figure of ₱319.94 million on December 31, 2019. The breakdown of the carrying amounts of these investments are: Altitude Games Pte. Ltd. (₱25.78 million), PT Sembilan Digital Investama (₱15.64 million), CTX (₱0.20 million) and Micro Benefits Limited (₱283.17 million).

Property and Equipment

The Group's consolidated property and equipment was ₱5.29 million on June 30, 2020 vis-à-vis ₱8.76 million on December 31, 2019, or a decrease of 40%. The Group acquired property and equipment amounting to ₱0.56 million and ₱75.39 million during the six-month period ended June 30, 2020 and June 30, 2019, respectively. Depreciation expense amounted to ₱2.78 million and ₱13.94 million for the six-month periods ended June 30, 2020 and 2019, respectively.

Property and equipment consisted of leasehold improvements, leased assets, office equipment, computer and information technology equipment, furniture and fixtures and right-of-use assets.

Right-of-use Assets

This account represents the right to use office spaces and computer equipment covered by non-cancellable lease agreements with terms ranging from 1.5 to 3 years. As of June 30, 2020, the Group recorded right-of-use assets with carrying amount of ₱3.39 million. Depreciation expense from right-of-use assets amounted to ₱1.58 million.

Intangible Assets

As of June 30, 2020, intangible assets amounted to ₱90.17 million, an 11% decrease from December 31, 2019 balance of ₱101.13 million. The components are goodwill, customer relationship, developed software and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As of June 30, 2020, goodwill was at ₱48.22 million.
- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of June 30, 2020, developed software net book value was at ₱34.93 million. Amortization of developed software for the six-month period ended June 30, 2020 amounted to ₱10.33 million.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of June 30, 2020, leasehold rights net book value was at ₱1.22 million. Amortization of leasehold rights for the six-month period ended June 30, 2020 amounted to ₱0.43 million.
- Cryptocurrencies pertain to units of Bitcoin and Ethereum held by the Group as at June 30, 2020 valued at ₱5.80 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱38.09 million as of June 30, 2020. This figure was 7% higher than the value posted as of December 31, 2019 at ₱35.46 million. These are primarily rental, other deposits and other noncurrent assets.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱445.94 million as at June 30, 2020 saw an 8% (₱32.31 million) decrease from its December 31, 2019 figure of ₱478.25 million. The decrease was due to lower nontrade payables, accrued expenses, taxes payables and other payables.

The Group's accounts and other payables consisted mainly of trade payables (₱116.42 million), payable to related parties (₱102.72 million), and nontrade payables (₱51.97 million).

Loans Payable

The Group recorded ₱45.83 million in current loans on June 30, 2020 and ₱52.13 million on December 31, 2019. This was mainly attributable to the loans of the Group which are interest-bearing and short-term with different local banks and non-banks. Interest rates of said loans ranges from 4.00% to 7.60% in 2019 and 4.00% to 5.8125% in 2020.

Contract liability

Contract liabilities are obligations to transfer goods and services to customers from whom the Group has received consideration. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due. Contract liabilities are recognized as revenue when the Group performs under the contract.

The Group's consolidated contract liability as at June 30, 2020 amounted to ₱93.64 million, an increase of 38% from the December 31, 2019 figure of ₱68.05 million.

Income Tax Payable

No income tax payable was recorded as at June 30, 2020 as compared to the December 31, 2019 figure of ₱3,184.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered into by the Parent Company on April 29, 2019 with its founders amounting to ₱150.00 million, subject to 5.50% interest rate per annum payable in three (3) years from date of agreement.

Lease liabilities

Lease liabilities pertain to long-term office lease and lease for the use of Seer's IT equipment. As of June 30, 2020 and December 31, 2019, lease liabilities totaled ₱2.69 million and ₱3.81 million, respectively, a slight decrease of ₱1.12 million mainly due to rent payments. Current and non-current portions as of June 30, 2020 amounted to ₱2.55 million and ₱0.13 million, respectively.

Deferred Tax Liability - net

As of June 30, 2020, the deferred tax liability (net) was ₱5.43 million, a decrease of 22% or ₱1.52 million from ₱6.95 million as of December 31, 2019. This was primarily the deferred tax liability on fair value adjustment on intangible assets.

Pension Liability

The accrued pension of the Group was at ₱24.82 million on June 30, 2020, which was unchanged from its levels on December 31, 2019.

Capital Deficiency

Total Capital Deficiency

The Group recorded capital deficiency as of June 30, 2020 amounting to ₱7.69 million. Note that in 2019, the Group recognized significant impairment losses of its goodwill and investment in associates as well as loss from sale of Yondu which contributed largely to the 2019 net loss. As of December 30, 2019, the Group was left with only ₱25.89 million total equity. Incurring total comprehensive loss amounting to ₱33.59 million led the Group to a capital deficiency position as of June 30, 2020.

The impending entry of Wavemaker US Fund Management Holdings, LLC, into the Group, in addition to the continuous efforts to further increase existing businesses, is expected to reverse the capital deficiency.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has some bank debt through the Parent Company and Seer Technologies Inc. which are short term in nature. The Group is not in breach or default on any loan or other form of indebtedness.

Cash Flows

In PhP Millions	For the 6 months ended June 30	
	2020	2019
	Amount	Amount
Net cash provided by (used in) Operating Activities	(57.18)	(25.59)
Net cash provided by (used in) Investing Activities	(3.27)	(11.81)
Net cash provided by (used in) Financing Activities	(6.30)	131.18
Effect of foreign currency exchange changes in cash	11.96	6.63
Net increase (decrease) in cash	(54.78)	100.41
Cash at beginning of period	153.93	177.40
Cash at end of period	99.15	277.81

Cash Flows Used in Operating Activities

For the first half of 2020, operating loss of ₱35.73 million was coupled with the corresponding increase in account receivables and account payables resulted to ₱57.43 million net cash used in operations. Together with interest received and income taxes paid, this resulted in a net cash used in operating activities of ₱57.18 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows used in investing activities for the first half of 2020 was ₱3.27 million compared to ₱11.81 million used in the same period of 2019. The net cash used in investing activities was mainly attributable to the acquisitions of property and equipment and changes in other noncurrent assets.

Cash Flows Used in Financing Activities

The Group's consolidated net cash flow used in financing activities for the six-month period ended June 30, 2020 was ₱6.30 million vis-à-vis ₱131.18 million provided for the six-month period ended June 30, 2019. The cash flow provided by financing activities were mainly due to payment of loans.

Capital Expenditure

The Group's capital expenditures for the six-month period ended June 30, 2020 and the year ended December 31, 2019 amounted to ₱0.56 million and ₱84.87 million, respectively.

Key Financial Data In PhP Millions	June 30, 2020 Additions	December 31, 2019 Additions
Right-of-use Assets	-	73.49
IT Equipment	0.50	10.22
Leasehold Improvements	-	1.14
Office Equipment	0.06	0.02
Furniture and Fixtures	-	-
Leased Asset	-	-
	0.56	84.87

Additions of right-of-use assets resulted from adoption of PFRS 16.

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the 6 months period ended June 30		For the year ended December 31, 2019
	2020	2019	
Liquidity Ratios			
Current Ratio	34%	73%	41%
Quick Ratio	27%	67%	33%
Asset-to-Equity Ratio	694%	197%	575%
Profitability Ratios			
Net Loss Margin	-66%	-18%	-271%
Gross Margin	-22%	21%	15%
Operating Margin	-46%	-6%	-256%
Return on Total Assets	-6%	-2%	-93%
Return on Equity	-40%	-29%	-186%
Debt Ratios			
Debt-to-Equity Ratio	7.02x	0.68x	5.55x
Interest Coverage Ratio	-9.48x	-4.61x	-64.75x

Liquidity Ratios

Current Ratio and Quick Ratio for the six-month period ended June 30, 2020 were 34% and 27%, respectively, a decrease from their respective 41% and 33% figures during the full year of 2019. The decrease in both ratios was primarily from the significant decrease in current assets particularly, cash and other current assets.

Asset-to-Equity Ratio

The increase in the asset-to-equity ratio from 575% on December 31, 2019 to 694% on June 30, 2020 resulted from the decrease in equity due to net loss incurred during the period.

Profitability Ratios

Profitability margins improved from December 31, 2019, due to the continuous cost-cutting initiatives of the Group. The result was an increase in Net Loss Margin (-66%), Operating Margin (-46%), Return on Total Assets (-6%) and Return on Total Equity (-41%). On the other hand, Gross Margin went down to -22% due to lower revenues earned.

Debt Ratios

Debt to Equity on June 30, 2020 was at 7.02x compared to 5.55x as of December 31, 2019. The increase in the gearing ratio was attributed to the decrease of total equity value as of June 30, 2020 compared to the previous year. Interest coverage ratio in June 30, 2020 was at -9.48x compared to -64.75x on December 31, 2019.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios

Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
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Quick ratio	$\frac{\text{Current assets} - \text{Other current assets}}{\text{Current liabilities}}$
-------------	--

Asset-to-equity Ratio

	$\frac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$
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Profitability Ratios

Net income ratio	$\frac{\text{Net income attributable to Parent Company}}{\text{Service income} + \text{Sale of goods}}$
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Gross margin	$\frac{(\text{Service income} + \text{Sale of goods}) - (\text{Cost of services} + \text{Cost of goods sold})}{\text{Service income} + \text{Sale of goods}}$
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Operating margin	$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income} + \text{Sale of goods}}$
------------------	--

Return on total assets	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$
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Return on total equity	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$
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Debt Ratios

Debt-to-equity ratio	$\frac{\text{Total Liabilities}}{\text{Total equity attributable to Parent Company}}$
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Interest coverage ratio	$\frac{\text{Earnings before interest and tax}}{\text{Interest expense}}$
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Other Disclosures:

- i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.
- ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.
- iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
- iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.
- v. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations. The Group's financial challenges in 2019 are being addressed through the following: continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.
- vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.
- vii. Seasonality. The effects of seasonality or cyclicity on the operations of the Group's business are confined to its mobile consumer and other services segment.

First Quarter of 2020 compared with First Quarter of 2019

Key Financial Data In PHP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	0.96	2%	7.74	3%	(6.78)	-88%
Enterprise services	25.15	54%	259.38	86%	(234.24)	-90%
Other services	20.90	44%	32.39	11%	(11.49)	-35%
Total Revenues	47.00	100%	299.51	100%	(252.51)	-84%
Cost of Services	29.63	63%	221.55	74%	(191.93)	-87%
Cost of Goods Sold	16.78	36%	29.19	10%	(12.41)	-43%
Gross Profit	0.59	1%	48.77	16%	(48.18)	-99%
General and Administrative Expenses	20.73	44%	107.69	36%	(86.96)	-81%
Equity in Net Loss of Associates	2.67	6%	5.40	2%	(2.73)	-51%
Other charges - net	(1.15)	-2%	9.44	3%	(10.59)	-112%
Loss Before Income Tax	(21.66)	-46%	(73.75)	-25%	52.09	-71%
Provision for (Benefit from) Income Tax	(0.88)	-2%	2.82	1%	(3.71)	-131%
Net Loss	(20.78)	-44%	(76.58)	-26%	55.80	-73%
Other Comprehensive Income	14.16	0%	2.33	1%	11.84	509%
Total Comprehensive Loss	(6.62)	-14%	(74.25)	-25%	67.63	-91%

	March 31, 2020 Amount	December 31, 2019 Amount	Amount Change	% Increase (Decrease)
Total Assets	690.81	713.94	(23.13)	-3%
Total Liabilities	671.53	688.05	(16.52)	-2%
Total Equity	19.28	25.89	(6.62)	-26%

Financial Summary

For the first quarter of 2020, the Group's total revenue was ₱47.0 million, a decrease of 84% compared to the first quarter of 2019 which was ₱299.51 million. In terms of bottom line, as compared to 2019 first quarter, the net loss of the Group decreased by 73% for the first 3 months of 2020 (from ₱76.58 million to ₱20.78 million). The drop in the topline and net loss was mainly due to the sale of Yondu back to Globe Telecoms Inc. In 2019, 80% of the Group's revenue came from Yondu, hence the decline in total revenue. Though Yondu generated profit, it is also the major company that incurred majority of the expenses.

The blended cost of services as of March 31, 2020 went down by 87% from ₱221.55 million to ₱29.63 million as compared to the three-month period ended March 31, 2019. Cost of goods sold attributable to other services was ₱16.78 million for Q1 of 2020 compared to ₱29.19 million figure for the first quarter of 2019.

Gross profit margins on total revenues, for the period ended March 31, 2020 was at 1%, a decrease from the same period last year of 16%. Gross profit decreased by 99% from ₱48.77 million for the first quarter of 2019 to ₱0.59 million for the same period in 2020.

General and administrative expenses decreased by 81%, from ₱107.69 million for the first quarter of 2019 to ₱20.73 million for the same period in 2020. Overall, the decrease in cost of services and GAEX was the result of the separation of Yondu's expenses from the Group. Aside from that, the Group has undertaken several cost reduction initiatives to lower expenses.

The Company also shares in the recorded net loss of the associate companies it has invested in, which amounted to ₱2.67 million for the three-month period ended March 31, 2020 (a 51% decrease from first quarter of 2019). Lower net loss of associate companies accompanied by reported tax benefit resulted to a decline in net loss for first quarter of 2020 compared to that same period in 2019 (from ₱5.40 million to ₱2.67 million).

Revenues and net loss contributed by foreign operations for the three-month period ended March 31, 2020 amounted to ₱0.43 million and ₱10.68 million, respectively, which corresponds to 1% and 51% of the consolidated revenues and net loss, respectively, for the said period.

In terms of growing the overall business of the Corporation, it aims to expand and sustain its overall business, as it continually implements reorganization to refocus the business on recurring and stable revenue stream. The Company is gearing to strengthen its enterprise business which provides services such as custom software development, cloud services, HR technology, solutions architecture and blockchain technology. It intends to seize the opportunity to support various companies in their digital transformation. For its residual mobile consumer business segment, the Company is also adopting the same concept of strengthening recurring and stable revenue. Another envisaged component to the recovery and growth is global tech management, wherein Xurpas gains access to high-value, emerging, innovative and disruptive technologies in the US.

Consolidated total assets slightly dropped by 3% from ₱713.94 million for the period ended December 31, 2019 to ₱690.81 million of the first 3 months of 2020. 67% of total assets in the first quarter of 2020 were composed of noncurrent assets particularly, investment in associates. The remaining 33% came from current assets namely, cash, accounts receivable, contract assets and other current assets.

Consolidated total liabilities also went down by 2% from ₱688.05 million as of December 31, 2019 to ₱671.53 million in March 31, 2020 due to lower trade payables. Lastly, consolidated total equity reduced to ₱19.28 million for March 31, 2020 from December 31, 2019 equity of ₱25.89 million as a result of the net loss incurred during the period.

Segment Financial Performance

For the 3-month period ended March 31, 2020 In PhP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	9.94	25.15	2.17	(8.99)	28.28
Revenue from sale of goods	-	-	18.72	-	18.72
Total Service Revenues	9.94	25.15	20.90	(8.99)	47.00
Operating expenses	23.14	14.08	26.63	3.29	67.14
Equity in net loss of associates	-	-	-	2.67	2.67
Other charges (income) - net	5.66	0.09	0.29	(7.19)	(1.15)
Total Expenses	28.80	14.18	26.92	(1.23)	68.66
Operating Loss	(18.85)	10.97	(6.02)	(7.76)	(21.66)
Provision from income tax	(0.10)	(0.00)	(0.00)	0.99	0.88
Net Loss	(18.96)	10.97	(6.02)	(6.77)	(20.78)

Xurpas Group operates under Mobile Consumer Services, Enterprise Services and Other Services segments. Prior to eliminations, for the three-month period ended March 31, 2020, the Group's enterprise business generated the highest revenue which is ₱25.15 million followed by other services which posted a revenue of ₱20.90 million and mobile consumer business with ₱9.94 million. (Note that after intersegment adjustments, revenue for Mobile Consumer services is ₱0.96 million and net loss is ₱25.73.) Out of the three business sources, only the enterprise business posted a net income of ₱10.97 million.

Profitability

For the three-month period ended March 31, 2020 compared with the three-month period ended March 31, 2019.

Revenues

The consolidated revenues of the Group for the three-month period ended March 31, 2020 amounted to ₱47.00 million, a decrease of 84% from ₱299.51 million the same period of the previous year.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	<ul style="list-style-type: none"> • Xurpas Parent Company • Art of Click
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	<ul style="list-style-type: none"> • Seer • Xurpas Enterprise • Xurpas Parent Company
Other services	Revenues derived from services related to the proprietary platform called “Flex Benefits System” and “Ace” (formerly “Kudos”) which allows employees to convert their employee benefits to other benefits which includes sale of goods	<ul style="list-style-type: none"> • Storm Technologies

In PhP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	25.15	54%	259.38	86%	(234.23)	-90%
Mobile consumer services	0.96	2%	7.74	3%	(6.79)	-88%
Other services	20.90	44%	32.39	11%	(11.49)	-35%
<i>Total Revenues</i>	47.00	100%	299.51	100%	(252.51)	-84%

Similar to the first quarter of 2019, the enterprise services contributed the most to the Group’s revenue for the first 3 months of 2020 with 54% revenue contribution. Other services and mobile consumer services likewise posted revenue contribution of 44% and 2% respectively.

Revenue from enterprise services went down by 90% from ₱259.38 million in March 2019 to ₱25.15 million on March 31, 2020 with the absence of Yondu revenue as a result of its sale back to Globe Telecoms Inc. Lower revenue of ₱20.90 million for other services was posted for the first quarter of 2020 vis-à-vis ₱32.39 million for the same period in 2019. Lastly, the mobile consumer services further declined from ₱7.74 million of the first three-months of 2019 to ₱0.96 million as of March 31, 2020 as there has been no recovery on the value-added services (VAS) business with Globe and the digital advertising business.

Expenses

In PHP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	29.63	44%	221.55	62%	(191.93)	-87%
Cost of Goods Sold	16.78	25%	29.19	8%	(12.42)	-43%
General and Administrative Expenses	20.73	31%	107.69	30%	(86.96)	-81%
Total Expenses	67.14	100%	358.43	100%	(291.29)	-81%

The Group's consolidated expenses during the three-month period ended March 31, 2020 amounted to ₱67.14 million, an 81% decrease from the same period of the previous year at ₱358.43 million. For the first three months of 2020, cost of services accounted for the bulk of expenses, totaling ₱29.63 million or 44% of the Group's consolidated expenses. For the same period in 2019, cost of services amounted to ₱221.55 million, which comprised 62% of overall expenses. Decline in overall expenses was due to the elimination of Yondu's expenses as a result of its sale to GTI.

Cost of Services

In PHP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	19.02	64%	170.91	77%	(151.89)	-89%
Depreciation	5.97	20%	9.30	4%	(3.33)	-36%
Outsourced services	1.98	7%	3.82	2%	(1.83)	-48%
Webhosting	0.60	2%	13.48	6%	(12.87)	-96%
Others	2.05	7%	24.05	11%	(22.00)	-91%
Total Expenses	29.63	100%	221.55	100%	(191.93)	-87%

Due to the deconsolidation of Yondu in 2019, the Group saw a drastic decline in cost of services amounting to ₱191.93 million or 87%. In particular, salaries, wages and employee benefits decreased significantly, from ₱170.91 million in 2019 to ₱19.02 million in 2020.

Cost of Goods Sold

For three-month period ended March 31, 2020, cost of goods sold took up 25% of the Group's consolidated expenses, amounting to ₱16.78 million. This figure was a decrease of 43% from its level at ₱29.19 million in March 31, 2019. The decline in cost of goods sold was directly attributable to the decrease in revenues of Storm Technologies.

General and Administrative Expenses

In PHP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	8.65	42%	57.51	53%	(48.85)	-85%
Professional fees	3.86	19%	3.27	3%	0.58	18%
Depreciation	2.63	13%	13.72	13%	(11.09)	-81%
Others	5.60	26%	33.19	31%	(27.59)	-83%
Total Expenses	20.73	100%	107.69	100%	(86.96)	-81%

General and administrative expenses relating to the Group's operations, for the first three months of 2020 amounted to ₱20.73 million, lower by 81% compared to previous year's same period level of ₱107.69 million.

In comparison to the first quarter of 2019, salaries, wages and employee benefits contributed ₱57.51 million or 53% of total expenses. This was an 85% decline or ₱48.85 million. Professional fees registered a slight increase of ₱0.58 million.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the three-month period ended March 31, 2020, amounted to ₱2.67 million, 51% lower than the ₱5.40 million net loss for the comparable period. The decrease in equity in net loss of associates was partially due to the net loss from Altitude SG and 9Lives.

Other Charges – net

For the first three months of 2020, the Group recognized other income amounting to ₱1.15 million. This account mainly consists of gain on sale of subsidiary (CTX), interest income and other income totaling to ₱3.86 million, partially offset by interest expense, bank charges and foreign exchange losses with aggregate amount of ₱2.71 million.

Loss before Income Tax

The Group's net loss before taxes for the three-month period ended March 31, 2020 was ₱21.66 million. The net loss before taxes for the Group declined by 71% or ₱52.09 million from the same period ended March 31, 2019, which posted a figure of ₱73.75 million.

Provision for (Benefit from) Income Tax

Due to incurring losses, the Group recognized a provision for income tax benefit for the three-month period ended March 31, 2020 amounting to P0.88 million.

Net Loss

The Group posted a consolidated net loss of ₱20.78 million for the three-month period ended March 31, 2020, a decrease of 73% from the previous year's same period at ₱76.58 million.

Total Comprehensive Income (Loss)

As of March 31, 2020, the Group's total comprehensive loss amounted to ₱6.62 million, a 91% decline compared to total comprehensive income of ₱74.25 million as of March 31, 2019.

Financial Position

As of March 31, 2020 compared to December 31, 2019.

Assets

Cash and Cash Equivalents

The Group's consolidated cash and cash equivalents amounted to ₱128.69 million for the three-month period ended March 31, 2020, a net decrease of 16% or ₱25.23 million from consolidated cash of ₱153.93 million as of December 31, 2019.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱51.86 million and ₱37.18 million as of March 31, 2020 and December 31, 2019, respectively, representing an increase of ₱14.68 million. Most of it came from trade receivables, other receivables and receivables from associates.

Contract Asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer

pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

The Group's consolidated contract asset totaled ₱9.49 million of March 31, 2020, an increase of ₱1.20 million from its previous level on December 31, 2019 at ₱8.29 million.

Other Current Assets

As of March 31, 2020, the Group's consolidated other current assets totaled ₱39.32 million, a decrease of ₱4.88 million or 10% from its previous level on December 31, 2019 of ₱44.20 million. Prepaid expenses, Creditable withholding taxes and Input VAT comprised majority of other current assets.

Financial assets at FVOCI

This account pertains to quoted and unquoted equity investments in Club Punta Fuego and Zowdow Inc. As of March 31, 2020, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position remained unchanged from its previous level on December 31, 2019 which both amounted to ₱0.44 million.

Investment in Associates

As of March 31, 2020, the Group's consolidated investment in associates had a slight decrease from ₱319.94 million during December 31, 2019 to ₱317.47 million. The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱278.02 million), Altitude Games Pte Ltd. (₱25.17 million), SDI (₱14.07 million), and CTX (₱0.20 million).

Property and Equipment

The Group's consolidated property and equipment was ₱7.75 million on March 31, 2020 vis-à-vis ₱8.76 million as of December 31, 2019. Additions and depreciation during the first three months of 2020 amounted to ₱0.50 million and ₱1.50 million, respectively. Property and equipment consisted of leasehold improvements, office equipment, information technology equipment and furniture and fixtures.

Right-of-use Assets

This account represents the right to use office spaces and computer equipment covered by non-cancellable lease agreements with terms ranging from 1.5 to 3 years. As of March 31, 2020, the Group recorded right-of-use assets with carrying amount of ₱3.81 million. Depreciation expense from right-of-use assets amounted to ₱1.16 million.

Intangible Assets

As of March 31, 2020, intangible assets amounted to ₱94.99 million, a 7% decrease from December 31, 2019 balance of ₱101.13 million. The components are goodwill, customer relationship, developed software and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As of March 31, 2020, goodwill is at ₱48.22 million.
- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of March 31, 2020, net book value of developed software was ₱39.52 million. Amortization of developed software for the three-month period ended March 31, 2020 amounted to ₱5.72 million.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of March 31, 2020, leasehold rights net book value is at ₱1.43 million. Amortization of leasehold rights for the three-month period ended March 31, 2020 amounted to ₱0.21 million.
- Cryptocurrencies pertain to units of Bitcoin held by the Group as of March 31, 2020 valued at ₱5.82 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱36.97 million as of March 31, 2020. This figure is 4% lower than the ₱35.46 million figure posted as of December 31, 2019.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables was at ₱442.07 million as of March 31, 2020. It decreased by 8% or ₱36.18 million from the December 31, 2019 figure of ₱478.25 million. The payables consisted of other payables, trade payables, payables to related parties, nontrade payables, accrued expenses, deferred output VAT and taxes payables.

Loans Payable

The Group recorded ₱51.02 million in current loans on March 31, 2020 and ₱52.13 million as of December 31, 2019. This is mainly attributable to the loans of Storm and Seer which are interest-bearing and short-term.

Contract Liability

Contract liabilities are obligations to transfer goods and services to customers from whom the Group has received consideration. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due. Contract liabilities are recognized as revenue when the Group performs under the contract.

The Group's consolidated contract liability as of March 31, 2020 amounted to ₱94.04 million, an increase of 38% from the December 31, 2019 figure of ₱68.05 million.

Income Tax Payable

The Group's consolidated income tax payable as of March 31, 2020 and December 31, 2019 was ₱3,184.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered into by the Parent Company on April 29, 2019 with its founders amounting to ₱150.00 million, subject to 5.50% interest rate per annum payable in three (3) years from date of agreement.

Lease liabilities

Lease liabilities pertain to long-term office lease and lease for the use of Seer's IT equipment. As of March 31, 2020 and December 31, 2019, lease liabilities totaled ₱3.14 million and ₱3.81 million, respectively, a slight decrease of ₱0.67 million mainly due to rent payments. Current and non-current portions as of March 31, 2020 amounted to ₱2.71 million and ₱0.43 million, respectively.

Deferred Tax Liability - net

As of March 31, 2020, the deferred tax liability was ₱5.96 million, a decrease of 14% or ₱0.98 million from ₱6.95 million as of December 31, 2019. This is primarily the deferred tax liability on fair value adjustment on intangible assets.

Pension Liability

The accrued pension of the Group was at ₱24.82 million as of March 31, 2019, which was unchanged from its levels on December 31, 2019.

Equity

Total Equity

The Group's total equity as of March 31, 2020 was at ₱19.28 million, a 26% decrease from its December 31, 2019 level of ₱25.89 million. The net decrease in total equity was a result of the net loss incurred by the Group during the period. Deficit increased to ₱3,204.85 million in the first quarter of 2020 vis-à-vis ₱3,184.20 million in end 2019.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has some bank debt through the Parent Company and Seer Technologies Inc. which are short term in nature. The Group is not in breach or default on any loan or other form of indebtedness.

Cashflows

In PhP Millions	For the 3 months ended March 31	
	2020	2019
	Amount	Amount
Net cash provided by (used in) Operating Activities	(31.22)	20.25
Net cash provided by (used in) Investing Activities	(2.01)	(6.91)
Net cash provided by (used in) Financing Activities	(1.81)	67.46
Effect of foreign currency exchange changes in cash	9.81	3.86
Net increase (decrease) in cash	(25.23)	84.67
Cash at beginning of period	153.93	177.40
Cash at end of period	128.70	262.07

Cash Flows Used in Operating Activities

For the first three months of 2020, operating loss before changes in working capital of ₱8.31 million was coupled with the corresponding increase in account receivables and account payables which resulted to ₱30.52 million net cash generated from operations. Together with interest received and income taxes paid, this resulted in a net cash used in operating activities of ₱31.22 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows provided by investing activities for the first three months of 2020 was ₱2.01 million compared to ₱6.91 million used in the same period of 2019.

Cash Flows Used in Financing Activities

The cash flow used in financing activities for the first quarter of 2020 was ₱1.81 million which was a decrease of 103% in comparison to the cashflow in the same period in 2019. The cash flow used in financing activities were mainly from the payment of loans.

Capital Expenditure

The Group's capital expenditures for the nine-month period ended March 31, 2020 and the year ended December 31, 2019 amounted to nil and ₱4.50 million, respectively.

Key Financial Data In PhP Millions	March 31, 2019 Additions	December 31, 2019 Additions
Right-of-use Assets	-	3.51
IT Equipment	0.50	0.12
Leasehold Improvements	-	0.39
Office Equipment	-	0.29
Furniture and Fixtures	-	0.19
Leased Asset	-	-
	0.50	4.50

Additions of right-of-use assets resulted from adoption of PFRS 16.

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the 3 months period ended March 31		For the year ended December 31, 2019
	2020	2019	
Liquidity Ratios			
Current Ratio	39%	64%	41%
Quick Ratio	32%	58%	33%
Asset-to-Equity Ratio	585%	193%	575%
Profitability Ratios			
Net Income Margin	-43%	-24%	-271%
Gross Margin	1%	16%	15%
Operating Margin	-22%	-13%	-256%
Return on Total Assets	-3%	-1%	-93%
Return on Equity	-17%	-29%	-186%
Debt Ratios			
Debt-to-Equity Ratio	5.69x	0.64x	5.55x
Interest Coverage Ratio	-7.33x	-5.70x	-64.75x

Liquidity Ratios

Current Ratio and Quick Ratio for the three-month period ended March 31, 2020 were 39% and 32%, respectively, a decrease from their respective 41% and 33% figures during the full year 2019. The decrease in both ratios was primarily from the significant decrease in current liabilities and minimal increase of current assets of the Group for that period.

Asset-to-Equity Ratio

The decrease in the asset-to-equity ratio from 575% in December 31, 2019 to 585% on March 31, 2020 was the result of the decrease in equity due to net loss incurred during the period.

Profitability Ratios

Profitability margins decreased from March 31, 2019, due to the overall business downturn. The result was a decrease in Gross Profit Margin (1%), Net Loss Margin (-43%), Operating Margin (-22%), Return on Total Assets (-3%) and an increase on Return on Equity (-17%).

Debt Ratios

Debt to Equity in March 31, 2020 was at 5.69x compared to 5.55x as of December 31, 2019. The decrease in the gearing ratio was attributed to the lower total liabilities as of March 31, 2020 compared to the previous year. Interest coverage ratio in March 31, 2020 was at -7.33x compared to -64.75x in December 31, 2019.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios

1. Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
2. Quick ratio	$\frac{\text{Current assets} - \text{Other current assets}}{\text{Current liabilities}}$

Asset-to-equity Ratio

$\frac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$
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Profitability Ratios

1. Net income ratio	$\frac{\text{Net income attributable to Parent Company}}{\text{Service income} + \text{Sale of goods}}$
2. Gross margin	$\frac{(\text{Service income} + \text{Sale of goods}) - (\text{Cost of services} + \text{Cost of goods sold})}{\text{Service income} + \text{Sale of goods}}$
3. Operating margin	$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income} + \text{Sale of goods}}$
4. Return on total assets	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$
5. Return on total equity	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$

Debt Ratios

1. Debt-to-equity ratio	$\frac{\text{Total Liabilities}}{\text{Total equity attributable to Parent Company}}$
Interest coverage ratio	$\frac{\text{Earnings before interest and tax}}{\text{Interest expense}}$

Other Disclosures:

- i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.
- ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.
- iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
- iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.
- v. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations. The Group's financial challenges in 2019 are being addressed through the following: continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.
- vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.
- vii. Seasonality. The effects of seasonality or cyclicity on the operations of the Group's business are confined to its mobile consumer and other services segment.

Full year 2019 compared with 2018

Key Financial Data In PHP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	854.73	88%	875.61	70%	(20.88)	-2%
Mobile consumer services	19.92	2%	270.86	22%	(250.94)	-93%
Other services	97.31	10%	95.72	8%	1.59	2%
Total Revenues	971.96	100%	1,242.19	100%	(270.23)	-22%
Cost of Services	742.19	76%	1,062.87	86%	(320.68)	-30%
Cost of Goods Sold	83.28	9%	69.73	5%	13.55	19%
Gross Profit	146.48	15%	109.59	9%	36.89	34%
General and Administrative Expenses	2,204.42	227%	701.04	57%	1,503.38	214%
Equity in Net Loss of Associates	33.29	3%	52.99	4%	(19.70)	-37%
Other charges - net	517.98	53%	22.69	2%	495.30	2183%
Loss Before Income Tax	(2,609.21)	-268%	(667.13)	-54%	(1,942.07)	291%
Provision for (Benefit from) Income Tax	26.15	3%	144.51	11%	(118.35)	-82%
Net Loss	(2,635.36)	-271%	(811.64)	-65%	(1,823.72)	225%
Other Comprehensive Income	8.39	1%	8.27	0%	0.12	1%
Total Comprehensive Loss	(2,626.97)	-270%	(803.37)	-65%	(1,823.60)	227%

	December 31, 2019 Amount	December 31, 2018 Amount	Amount Change	% Increase (Decrease)
Total Assets	713.94	4,966.57	(4,252.62)	-86%
Total Liabilities	688.05	1,499.98	(811.93)	-54%
Total Equity	25.89	3,466.58	(3,440.69)	-99%

Financial Summary

From a consistent growth of revenues from 2014 to 2017, the Group's revenues started its drop in 2018, as it faced 2 major business challenges in its mobile consumer segment. The industry reshaping event of widespread ad fraud that adversely affected the whole digital advertising industry, including the legitimate players, persisted until that year. In addition, domestically, the technical and business policy changes implemented by Globe Telecom affected the Group's Value Added Services (VAS) business

In 2019, the Group reported total revenues of ₱971.96 million or 22% decrease from 2018 revenue of ₱1,242.19 million due to the continuous decline in its mobile consumer business segment. The consumer segment earned revenues of ₱19.92 million. On the other hand, the enterprise revenues was at ₱854.73 million, which was slightly less than the previous year. The enterprise revenues was mostly generated by Yondu. For the year 2019, for Yondu, only revenues until September 11, 2019, were recorded as Yondu was sold back to Globe on that date.

Group revenues were mainly driven by enterprise services, comprising 88% of total revenues, followed by other services at 10% and mobile consumer services at 2%.

The Group recorded a net loss of ₱2,635.36 million in 2019. Aside from the drop in revenue which resulted in operating losses, the Group experienced a net loss due to the provision for impairment losses which totaled ₱1,923.42 million. The provisions for impairment was in relation to the goodwill of subsidiaries, investments in associates, receivables and other current assets. In addition, the sale of Yondu led to a ₱478.95 million loss.

The aggregate cost of services of the Group decreased from ₱1,062.87 million in 2018 to ₱742.19 million in 2019 or 30% decline. The drop in the COS was mostly due to lower salaries and wages, web hosting, and outsourced services as part of the company's cost cutting measures. The Cost of Goods Sold attributable to other services provided by Storm Technologies Inc. was ₱83.28 million in 2019, an increase of 19% from 2018 COGS of ₱69.73 million. Lower costs in 2019 translated to a slight improvement of Gross Profit Margin where the Group posted gross profit of ₱146.49 million in 2019 vis-à-vis ₱109.59 million in 2018.

The Group's general and administrative expenses increased from ₱701.04 million in 2018 to ₱2,204.42 million in 2019 or 214% increase. Higher provision for impairment loss and provision for liquidation costs were the main contributing factors for the ₱1,503.38 million increase in 2019 GAEX. Other GAEX items such as salaries and wages, rent, utilities, marketing and promotions, advertising, transportation and travel, taxes and licenses, advertising, and seminars and trainings decreased as part of the cost cutting measure implemented by the Company. Should impairment loss be excluded, GAEX in 2019 went down from ₱390.11 million in 2018 to ₱281.01 million or 28% decrease.

The Group recorded a ₱33.29 million net loss of the associate companies it has invested in, which decreased from ₱52.99 million in 2018.

Consolidated other charges, likewise, increased by ₱495.30 million or 2,183%, from ₱22.69 million in 2018 to ₱517.98 million in 2019. The significant increase was primarily due to the loss on sale of Yondu recognized in 2019 amounting to ₱478.95 million.

Despite incurring a loss before income tax of ₱2,609.21 million, the Group still recognized a provision for income tax for the year ended December 31, 2019 amounting to ₱26.15 million. Though the provision for impairment of goodwill and investments in associates as well as loss on disposal of Yondu are material expenses, these are considered permanent differences and, therefore, not deductible in terms of tax computation.

Revenues and net loss contributed by foreign operations for the year ended December 31, 2019 amounted to ₱3.27 million and ₱117.85 million, respectively, which corresponds to 0.34% and 4% of the consolidated revenues and net loss, respectively, for the said period.

In terms of growing the overall business of the Corporation, it aims to expand and sustain its overall business, as it continually implements reorganization to refocus the business on recurring and stable revenue stream. The Company is gearing to strengthen its enterprise business which provides services such as custom software development, cloud services, HR technology, solutions architecture and blockchain technology. It intends to seize the opportunity to support various companies in their digital transformation. For its residual mobile consumer business segment, the Company is also adopting the same concept of strengthening recurring and stable revenue. Another envisaged component to the recovery and growth is global tech management, wherein Xurpas gains access to high-value, emerging, innovative and disruptive technologies in the US.

The Group's total assets in 2019 amounted to ₱713.94 million, a decrease of 86% from 2018 recorded total assets of ₱4,966.57 million. The decline in total assets was mostly due to the impairment of goodwill and investment in associates as well as the deconsolidation of Yondu in 2019. The Group's total liabilities in 2019 was reduced to ₱688.05 million vis-à-vis ₱1,499.98 million in 2018. Likewise, the decrease in liabilities can be attributed to the deconsolidation of Yondu in 2019. Lastly, total equity decreased from ₱3,466.58 million in 2018 to ₱25.89 million in 2019 as a result of the increased deficit of ₱3,184.80 million.

Segment Financial Performance

For the year ended December 31, 2019 In PHP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	68.33	861.82	5.17	(55.50)	879.81
Revenue from sale of goods	-	-	92.15	-	92.15
Total Service Revenues	68.33	861.82	97.31	(55.50)	971.96
Cost and expenses	2,638.04	782.30	162.03	(552.47)	3,029.90
Equity in net loss of associates	-	-	-	33.29	33.29
Other charges - net	225.47	0.30	8.32	283.89	517.98
Total Expenses	2,863.51	782.60	170.35	(235.29)	3,581.17
Operating Income (Loss)	(2,795.18)	79.22	(73.04)	179.80	(2,609.21)
Provision from income tax	(4.25)	(21.75)	(6.78)	6.63	(26.15)
Net Income (Loss)	(2,799.43)	57.46	(79.82)	186.43	(2,635.36)

For the year ended December 31, 2019, mobile consumer services' revenues, operating loss and net loss prior to eliminations were ₱68.33 million, ₱2,795.18 million and ₱2,799.43 million, respectively. Enterprise services had an operating income of ₱79.22 million and net income of ₱57.46 million from revenues of ₱861.82 million. The other services segment has yet to yield a positive contribution to the Group.

Since the Parent Company operates under mobile consumer services, the segment suffered, as well, from the impairment losses on its goodwill and investments in associates and loss from sale of Yondu. Results of the segment's operations excluding one-off charges, will show net loss of ₱401.94 million.

Profitability

For the twelve-month period ended December 31, 2019 compared with the twelve-month period ended December 31, 2018.

Revenues

The consolidated service revenues of the Group for the year ended December 31, 2019 amounted to ₱971.96 million, a decrease of 22% from ₱1,242.19 million for the year ended December 31, 2018.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	<ul style="list-style-type: none"> • Xurpas Parent Company • Xeleb Technologies Inc. • Yondu * • Art of Click
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	<ul style="list-style-type: none"> • Xeleb Technologies Inc. • Seer • Yondu * • Xurpas Enterprise
Other services	Revenues derived from services related to the proprietary platform called "Flex Benefits System" and "Ace" (formerly "Kudos") which allows employees to	<ul style="list-style-type: none"> • Storm Technologies

	convert their employee benefits to other benefits which includes sale of goods	
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**Until September 2019.*

In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	854.73	88%	875.61	70%	(20.88)	-2%
Mobile consumer services	19.92	2%	270.86	22%	(250.94)	-93%
Other services	97.31	10%	95.72	8%	1.59	2%
Total Revenues	971.96	100%	1,242.19	100%	(270.23)	-22%

Revenues from enterprise services (which accounts for 88% of total revenues) decreased by 2% in 2019, to ₱854.73 million from ₱875.61 million in 2018. On the other hand, revenues from the mobile consumer services segment for 2019 amounted to ₱19.92 million, a decrease of 93% from the previous year's same period level of ₱270.86 million. This segment accounts for 2% of the total revenues. Other services booked revenues of ₱97.31 million in 2019, higher by 2% from the previous level at ₱95.72 million over the same period last year.

Expenses

In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	742.19	24%	1,062.87	58%	(320.68)	-30%
Cost of Goods Sold	83.28	3%	69.73	4%	13.55	19%
General and Administrative Expenses	2,204.42	73%	701.04	38%	1,503.38	214%
Total Expenses	3,029.90	100%	1,833.65	100%	1,196.25	65%

The Group's consolidated expenses in 2019 amounted to ₱3,029.90 million, a 65% increase from previous year's ₱1,833.65 million. Bulk of the expenses came from the general and administrative expenses which contributed 73%, followed by cost of services at 24% and cost of goods sold at 3%. The Group's general and administrative expenses increased from ₱701.04 million in 2018 to ₱2,204.42 million in 2019 or 214% increase. Higher provision for impairment loss was the main contributing factor for the ₱1,503.38 million increase in 2019 GAEX. Should impairment be excluded, proforma GAEX in 2019 went down from ₱390.11 million in 2018 to ₱281.01 million or 28% decrease.

Cost of Services

In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	539.04	73%	724.50	68%	(185.46)	-26%
Segment fee and network costs	88.66	12%	43.26	4%	45.41	105%
Depreciation and amortization	32.87	4%	39.32	4%	(6.45)	-16%
Others	81.62	11%	255.80	24%	(174.18)	-68%
Total Expenses	742.19	100%	1,062.87	100%	(320.68)	-30%

Cost of services totaling ₱742.19 million in 2019 (a 30% decrease from ₱1,062.87 million in 2018) was mainly comprised (1) Salaries, wages and employee benefits, (2) Segment fee and network costs, and (3) Depreciation and amortization, which accounted for 73%, 12% and 4% respectively. The decrease in total COS was a result of lower outsourced services, web hosting and royalties.

General and Administrative Expenses

In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Provision for impairment loss	1,923.42	87%	310.94	44%	1,612.48	519%
Salaries and wages	107.48	5%	151.96	22%	(44.48)	-29%
Depreciation and amortization	43.77	2%	29.87	4%	13.90	47%
Others	129.75	6%	208.27	30%	(78.52)	-38%
<i>Total Expenses</i>	2,204.42	100%	701.04	100%	1,503.38	214%

In 2019, the general and administrative expenses of the Group's operations amounted to ₱2,204.42 million, which was higher by 214% compared to previous year's ₱701.04 million. The increase mostly came from higher provision for impairment loss which translated to an 87% contribution. The remaining expenses amounting to ₱281.01 million were attributed to salaries and wages, depreciation and amortization and other expenses.

The provision for impairment losses on goodwill, investment in associates, receivables and other current assets totaled ₱1,923.42 million. Breakdown of this provision are as follows: (1) Provision for impairment loss related to goodwill recorded for Art of Click (AOC), Storm, and Seer amounting to ₱1,811.39 million; (2) Impairment loss on investments for Micro Benefits Limited (MBL) and MatchMe amounting to ₱107.15 million; (3) Provision for impairment of receivables amounting to ₱3.30 million and (4) Provision for impairment of other current assets amounting to ₱1.58 million.

Other expenses such as salaries and wages, rent, utilities, marketing and promotions, advertising, transportation and travel, taxes and licenses, advertising, and seminars and trainings decreased as part of the cost cutting measures implemented by the Company.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the period ended December 31, 2019 amounted to ₱33.29 million.

Other Charges – net

In 2019, the Group recorded other charges amounting to ₱517.98 million. This account mainly consists of loss on sale of subsidiary (Yondu), interest expense, bank charges, foreign exchange loss, loss on retirement and disposal of property and equipment and loss from sale of cryptocurrencies totaling to ₱526.05 million, partially offset by unrealized gain on revaluation of cryptocurrencies, interest income and other income with aggregate amount of ₱8.06 million.

On September 11, 2019, Yondu was sold back to Globe Telecoms Inc for a total price of ₱501.25 million. As of date of sale, the net assets attributable to Xurpas Inc. was ₱980.20 million. Resulting loss on sale of subsidiary (Yondu) recognized under "Other charges – net" amounted to ₱478.95 million.

Income (Loss) before Income Tax

The Group's loss before income taxes for the year ended December 31, 2019 was ₱2,609.21 million, a 291% increase from previous year's ₱667.13 million.

Provision for Income Tax

Despite incurring a loss before income tax of ₱2,609.21 million, the Group still recognized a provision for income tax for the year ended December 31, 2019 amounting to ₱26.15 million. Though the provision for impairment of goodwill and investments in associates as well as loss on disposal of investment in subsidiary are material expenses, these are considered permanent differences and, therefore, not deductible in terms of tax computation.

Net Income (Loss)

The Group posted a consolidated net loss of ₱2,635.36 million in 2019, a 225% increase from the previous year's net loss of ₱811.64 million.

Total Comprehensive Income (Loss)

As a consequence of increased net loss, the Group's total comprehensive loss increased by 227% in 2019 (from ₱803.37 million in 2018 to ₱2,626.97 million in 2019).

Financial Position

As of December 31, 2019 compared to December 31, 2018.

Assets

Cash and Cash Equivalent

The Group's consolidated cash amounted to ₱153.93 million for the twelve-month period ended December 31, 2019, a net decrease of 13% or ₱23.47 million from consolidated cash of ₱177.40 million as of December 31, 2018.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱37.18 million and ₱530.64 million as of December 31, 2019 and December 31, 2018, respectively. In 2019, accounts receivable declined by 93% or ₱493.45 million due to lower trade receivables. Accounts receivable in 2019 nets out the allowance for impairment amounting to ₱263.09 million.

Contract Assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. As of December 31, 2019, contract assets amounted to ₱8.29 million, a slight decrease of ₱1.46 million or 15% from 2018.

Other Current Assets

The Group's consolidated other current assets in 2019 totaled ₱44.20 million, a 24% decrease from 2018 figure of ₱57.90 million. It was mostly comprised of creditable withholding tax and input VAT.

Financial Assets at FVOCI

As of December 31, 2019 and 2018, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position amounted to ₱0.44 million and ₱0.48 million, respectively.

Investment in Associates

In 2019, the Group's consolidated investment in associates amounted to ₱319.94 million, a decrease of ₱136.06 million or 30% compared to the 2018 figure of ₱456.00 million. The decrease was mostly due to the impairment of investment in Micro Benefits and in MatchMe amounting to ₱68.49 million and

₱38.66 million, respectively. Impairment loss is recognized when carrying value of the investment exceeds recoverable amount.

The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱281.55 million), Altitude Games Pte. Ltd. (₱24.60 million), and SDI (₱13.79 million).

Property and Equipment

The Group's consolidated property and equipment was ₱8.76 million as of December 31, 2019. It decreased by ₱50.76 million or 85% as compared to 2018 which amounted to ₱59.52 million. Property and equipment consisted mainly of leasehold improvements, IT equipment, furniture and fixtures and office equipment.

The decrease was mainly due to disposal of assets resulting from deconsolidation of Yondu. Further, as a result of adopting PFRS 16, leased assets previously presented under "Property and Equipment" were reclassified to "Right-of-use Assets". Carrying value of these leased assets at date of adoption, January 1, 2019, amounted to ₱1.66 million.

Intangible Assets

As of December 31, 2019, intangible assets amounted to ₱101.13 million, a 97% decrease from 2018 balance of ₱3,612.92 million. The components are goodwill, customer relationship, developed software, - and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of subsidiaries acquired by the Group. As of December 31, 2019, goodwill was at ₱48.22 million. Decrease in goodwill was driven by the following: (1) Impairment of goodwill for investments in AOC, Storm and Seer amounting to ₱1,956.25 million; and (2) Disposal through deconsolidation of Yondu amounting to ₱540.15 million.
- Customer relationship pertains to Yondu's noncontractual and contractual agreements with GTI, its major customer, which are expected to generate revenues for the Group in subsequent periods. The Group derecognized its customer relationship amounting to ₱1,077.81 million as a result of disposal through deconsolidation of Yondu.
- Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of December 31, 2019, net book value of developed software was ₱45.18 million. Movements in developed software are accounted for as follows: (1) Additions during the year amounting to ₱2.52 million; (2) Amortization during the year amounting to ₱30.74 million; and (3) Disposal of developed software through deconsolidation of Yondu with net book value totaling to ₱47.68 million.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2019, net book value of leasehold rights was ₱1.64 million. Movements in leasehold rights are accounted for as follows: (1) Amortization during the year amounting to ₱1.90 million; and (2) Disposal of leasehold rights through deconsolidation of Yondu with net book value amounting to ₱6.99 million.
- Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as of December 31, 2019 which amounted to ₱6.08million.

Right-of-use Asset

As a result of adopting PFRS 16, the Group recognized right-of-use assets based on their carrying amounts as of January 1, 2019 amounting to ₱77.94 million. This amount includes those reclassified from property and equipment with carrying values totaling to ₱1.66 million. Addition and amortization

during the year amounted to ₱3.49 million and ₱22.10 million, respectively, while disposal through deconsolidation of Yondu amounted to ₱17.86 million.

Pension Asset

The Group's recorded nil pension asset as of December 31, 2019 vis-à-vis ₱1.41 million in 2018.

Deferred Tax Assets – Net

The Group's consolidated net deferred tax assets level amounted to nil as of December 31, 2019 vis-à-vis ₱14.19 million as of December 31, 2018. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The Group did not recognize deferred tax assets for deductible temporary differences since management believes that there are no sufficient future taxable profits against which the deferred tax assets can be utilized.

Other Noncurrent Assets

In 2019, other noncurrent assets amounted to ₱35.46 million which decreased by 24% from the previous year's figure of ₱46.37 million. Decline was due to deconsolidation of Yondu.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱478.25 million as of December 31, 2019. It decreased by ₱176.27 million or 27% from 2018 balance of ₱654.52 million mainly due to the deconsolidation of Yondu which contributed most of the payables. Further, in 2019, the Group recognized reduction in its provision relating to ODX's PSA due to the costs incurred for the platform development which amounted to ₱46.58 million.

Loan Payable

The Group recorded ₱52.13 million worth of current loans (short term and interest bearing) as of December 31, 2019. The decrease from 2018 loans which amounted to ₱358.74 million was the net result of availments and payments of loans in 2019 amounting to ₱9.74 million and ₱316.35 million, respectively.

Contract Liabilities

Contract liabilities are obligations to transfer goods and services to customers from whom the Group has received consideration. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due. Contract liabilities are recognized as revenue when the Group performs under the contract. As of December 31, 2019, contract liabilities amounted to ₱68.05 million.

Income Tax Payable

For 2019, the Group's consolidated income tax payable was ₱3,134, an almost 100% decrease from December 31, 2018 figure of ₱2.19 million.

Lease liabilities

As a result of adopting PFRS 16, the Group recognized lease liabilities at date of adoption, January 1, 2019, amounting to ₱76.50 million. Movements in this account comprise of addition (₱3.34 million),

accretion of interest (P2.56 million), payments (21.83 million), sale of a subsidiary (P56.85 million) and translation adjustment (P528).

As of December 31, 2019, current and non-current portions amounted to P2.78 million and P1.03 million, respectively.

Other Current Liabilities

The Group posted other current liabilities amounting to nil and P63.75 million as of December 31, 2019 and 2018, respectively. Significant decrease was primarily due to the deconsolidation of Yondu during the year.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered into by the Parent Company on April 29, 2019 with its founders amounting to P150.00 million, subject to 5.50% interest rate per annum payable in three (3) years from date of agreement.

Deferred Tax Liability

As of December 31, 2019, the deferred tax liabilities amounted to P6.95 million, a 98% decrease or P345.60 million from P352.73 million as of December 31, 2018. The significant decrease was due to the derecognition of deferred tax liability on fair value adjustment on intangible assets as a result of deconsolidation of Yondu.

Pension Liability

The accrued pension of the Group was P24.82 million in 2019 compared to P23.52 million as of December 31, 2018 or a 6% increase.

Equity

Total Equity

As of December 31, 2019, the Group's total equity was at P25.89 million, a 99% decrease from 2018 equity of P3,466.58 million. Lower equity was mainly due to the increase in deficit brought about by the net loss of P2,635.36 million.

Liquidity and Capital Resources

The Group's liquidity was primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has debts through the Parent Company, Storm Technologies Inc. and Seer Technologies Inc. which are short term in nature. The Group does not anticipate having any cash flow or liquidity problems over the next 12 months. The Group is not in breach or default on any loan or other form of indebtedness.

Cash Flows

In PhP Millions	For the year ended December	
	2019	2018
	Amount	Amount
Net cash provided by (used in) Operating Activities	(116.21)	(186.02)
Net cash provided by (used in) Investing Activities	366.19	(102.43)
Net cash provided by (used in) Financing Activities	(281.25)	236.19
Effect of foreign currency exchange changes in cash	7.80	14.40
Net increase (decrease) in cash	(23.47)	(37.86)
Cash at beginning of period	177.40	215.25
Cash at end of period	153.93	177.39

Cash Flows used in Operating Activities

For the year ended December 31, 2019, operating loss before changes in working capital of ₱65.88 million coupled with the corresponding increase in working capital resulted to ₱53.32 million net cash used in operations. Together with interest received, interest paid and income taxes paid, net cash used in operating activities totaled ₱116.21 million.

Cash Flows provided by (used in) Investing Activities

Cash provided by investing activities in 2019 was ₱366.19 million while cash used in investing activities in 2018 amounted to ₱102.43 million. The net cash provided by investing activities was mainly attributable to the proceeds from sale of subsidiary, proceeds from disposal of property and equipment, and proceeds from the sale of cryptocurrencies.

Cash Flows used in Financing Activities

The consolidated net cash used in financing activities for the year 2019 was ₱281.25 million while net cash provided by financing activities for the year 2018 was ₱236.19 million. Net cash was mainly used to pay off creditors.

Capital Expenditure

The Group's capital expenditures amounted to ₱14.78 million and ₱18.35 million in 2019 and 2018, respectively.

Key Financial Data In PhP Millions	December 31, 2019 Additions	December 31, 2018 Additions
Right-of-use Assets	4.61	-
IT Equipment	9.01	14.58
Leasehold Improvements	0.75	2.52
Office Equipment	0.21	1.19
Furniture and Fixtures	0.19	0.06
	14.78	18.35

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the years ended December 31		
	2019	2018	2017
Liquidity Ratios			
Current Ratio	41%	69%	54%
Quick Ratio	33%	64%	51%
Asset-to-Equity Ratio	575%	183%	231%
Profitability Ratios			
Net Income Margin	-271%	-62%	2%
Gross Margin	15%	9%	31%
Operating Margin	-256%	-46%	12%
Return on Total Assets	-93%	-14%	1%
Return on Equity	-186%	-22%	1%
Debt Ratios			
Debt-to-Equity Ratio	5.55x	0.55x	0.97x
Interest Coverage Ratio	-64.75x	-20.45x	2.81x

Liquidity Ratios

The current ratio and quick ratio of the Group was at 41% and 33% in 2019, respectively, and 69% and 64% in 2018, respectively. The decrease in both ratios was mainly due to the decline in both current assets and current liabilities brought about by the deconsolidation of Yondu.

Asset-to-Equity Ratio

In 2019, the Asset-to-Equity ratio of the Group increased to 575% from 183% of 2018. The increase was mostly because of the increase in deficit, reducing total equity.

Profitability Ratios

Overall, profitability margins in 2019 declined mainly because of the losses incurred by the Group from impairing its goodwill and investments in associates as well as the loss from sale of its investment in Yondu. The gross profit margin, however, increased from 9% in 2018 to 15% in 2019 as a result of the Group's continuing cost cutting measures.

Debt Ratios

For 2019, the Debt-to-Equity ratio increased from 0.55x in 2018 to 5.55x which can be attributed to increase in deficit, reducing total equity. The interest coverage ratio further declined in 2019 to -64.75x from -20.45x because of the big drop in earnings before interest and tax expense and higher interest expense in 2019 as compared to 2018.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios

Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Quick ratio	$\frac{\text{Current assets} - \text{Other current assets}}{\text{Current liabilities}}$

Asset-to-equity Ratio

$\frac{\text{Total assets}}{\text{Total equity}}$

Profitability Ratios	
Net income ratio	$\frac{\text{Net income attributable to Parent Company}}{\text{Total equity attributable to Parent Company}}$
Gross margin	$\frac{\text{Service income} + \text{Sale of goods}}{(\text{Service income} + \text{Sale of goods}) - (\text{Cost of services} + \text{Cost of goods sold})}$
Operating margin	$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income} + \text{Sale of goods}}$
Return on total assets	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$
Return on total equity	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$
Debt Ratios	
Debt-to-equity ratio	$\frac{\text{Total Liabilities}}{\text{Total equity attributable to Parent Company}}$
Interest coverage ratio	$\frac{\text{Earnings before interest and tax}}{\text{Interest expense}}$

Other Disclosures:

- i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.
- ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.
- iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
- iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.
- v. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations. The Group's financial challenges in 2019 are being addressed through the following: continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.
- vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.

- vii. Seasonality. The effects of seasonality or cyclicalities on the operations of the Group's business are confined to its mobile consumer and other services segment.

Full year 2018 compared with 2017

Key Financial Data In PpP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	270.86	22%	1,336.54	64%	(1,065.68)	-80%
Enterprise services	875.61	70%	667.60	32%	208.01	31%
Other services	95.72	8%	99.44	5%	(3.72)	-4%
Total Revenues	1,242.19	100%	2,103.57	100%	(861.38)	-41%
Cost of Services	1,062.87	86%	1,373.41	65%	(310.54)	-23%
Cost of Goods Sold	69.73	5%	81.01	4%	(11.28)	-14%
Gross Profit	109.59	9%	649.15	31%	(539.56)	-83%
General and Administrative Expenses	701.04	57%	572.62	27%	128.42	22%
Equity in Net Loss of Associates	52.99	4%	36.72	2%	16.27	44%
Other charges (income) - net	22.69	2%	(82.23)	-4%	104.92	-128%
Income (Loss) Before Income Tax	(667.13)	-54%	122.04	6%	(789.17)	-647%
Provision for (Benefit from) Income Tax	144.51	11%	19.47	1%	125.04	642%
Net Income (Loss)	(811.64)	-65%	102.57	5%	(914.21)	-891%
Other Comprehensive Income	8.27	0%	21.15	1%	(12.88)	-61%
Total Comprehensive Income (Loss)	(803.37)	-65%	123.72	6%	(927.09)	-749%

	December 31, 2018 Amount	December 31, 2017 Amount	Amount Change	% Increase (Decrease)
Total Assets	4,966.57	5,810.18	(843.61)	-15%
Total Liabilities	1,499.98	2,454.68	(954.70)	-39%
Total Equity	3,466.58	3,355.50	111.08	3%

Financial Summary

Total revenues decreased by ₱861.38 million or 41% for 2018, from ₱2,103.57 million in 2017 to ₱1,242.19 million in 2018. Group revenues were mainly driven by enterprise services, comprising 70% of the total revenues. Net loss incurred by the Group in 2018 amounted to ₱811.64 million, a decrease of 891% from the net income earned in 2017 amounting to ₱102.57 million. The Group also incurred total comprehensive loss amounting to ₱803.37 million, a decrease of 749% from the total comprehensive income earned in 2017.

The blended cost of services (aggregating the subsidiaries' costs) decreased by 23% from ₱1,373.41 million for 2017 to ₱1,062.87 million for 2018. The outsourced services cost of AoC was the largest component of the decrease, which resulted from the drop in its revenues. Segment fee/network costs, web hosting, and royalties also decreased due to lower VAS revenues. Cost of goods sold attributable to other services was ₱69.73 million for 2018 compared to ₱81.01 million in 2017, a decrease of 14% or ₱11.28 million.

Gross profit margins on total revenues, for 2018 was at 9%, a decrease from 2017's margin of 31%. Gross profit decreased by 83% from ₱649.15 million for 2017 to ₱109.59 million for 2018.

General and administrative expenses of the Group increased by 22%, from ₱572.62 million for 2017 to ₱701.04 million for the same period in 2018. The increase was mainly due to salaries and wages, rent and outsourced services, which were partially offset by major decreases in taxes and licenses, professional fees, transportation and travel, advertising, marketing and promotions, and seminars/trainings, as part of cost cutting measures. Note that Yondu accounts for 90% of the increase in salaries and wages, a result of the continuing growth of its enterprise business. Also included in these expenses are the provisions for the impairment of receivables and goodwill, totaling ₱310.94 million.

The Company also shares in the recorded net loss of the associate companies it has invested in, which amounted to ₱52.99 million for 2018.

Despite incurring a loss before income tax of ₱667.13 million, the Group still recognized a provision for income tax for the year ended December 31, 2018 amounting to ₱144.51 million. The increase in provision for income tax was mainly due to increase in deferred tax assets (DTA) that were unrecognized during the year.

Revenues and net loss contributed by foreign operations for the year ended December 31, 2018 amounted to ₱147.96 million and ₱307.10 million, respectively, which corresponds to 12% and 38% of the consolidated revenues and net loss, respectively, for the said period.

Consolidated total assets as of December 31, 2018 amounted to ₱4,966.57 million, a decrease of 15% from ₱5,810.18 million as of December 31, 2017. Consolidated total liabilities decreased by 39% from ₱2,454.68 million as of December 31, 2017 to ₱1,499.98 million in December 31, 2018, due mainly to the settlement of payable to former shareholders of a subsidiary and the expiration of liability for written put option. Consolidated total equity increased by 3% over the same period, from ₱3,355.50 million to ₱3,466.58 million. This was a result of the new issuance of common shares and derecognition of equity reserve resulting from expiration of the written put option; coupled with the losses in 2018.

Segment Financial Performance

As of December 31, 2018 In ₱P Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	314.24	909.85	7.14	(77.89)	1,153.34
Revenue from sale of goods	-	-	88.85	-	88.85
Total Service Revenues	314.24	909.85	95.99	(77.89)	1,242.19
Operating expenses	1,126.78	940.47	167.13	(400.73)	1,833.65
Equity in net loss of associates	-	-	-	52.99	52.99
Other charges (income) - net	(16.59)	3.27	8.37	27.63	22.69
Total Expenses	1,110.19	943.74	175.50	(320.11)	1,909.32
Operating Loss	(795.95)	(33.89)	(79.51)	242.22	(667.13)
Provision from income tax	(5.32)	(20.77)	(25.14)	(93.28)	(144.51)
Net Loss	(801.27)	(54.66)	(104.65)	148.94	(811.64)

As of December 31, 2018, mobile consumer services' revenues, operating loss and net loss prior to eliminations were ₱314.24 million, ₱795.95 million and ₱801.27 million, respectively. Enterprise services had an operating loss of ₱33.89 million and net loss of ₱54.66 million from revenues of ₱909.85 million. For 2018, although Yondu's enterprise business was profitable, this was not enough to offset the losses of the subsidiaries under this segment. The other services segment has yet to yield a positive contribution to the Group.

Profitability

For the twelve-month period ended December 31, 2018 compared with the twelve-month period ended December 31, 2017

Revenues

The consolidated service revenues of the Group for the period ended December 31, 2018 amounted to ₱1,242.19 million, a decrease of 41% from ₱2,103.58 million the same period of the previous year.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
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Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	<ul style="list-style-type: none"> • Xurpas Parent Company • Xeleb Technologies Inc. • Yondu • Art of Click
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	<ul style="list-style-type: none"> • Xeleb Technologies Inc. • Seer • Yondu • Xurpas Enterprise
Other services	Revenues derived from services related to the proprietary platform called “Flex Benefits System” and “Ace” (formerly “Kudos”) which allows employees to convert their employee benefits to other benefits which includes sale of goods	<ul style="list-style-type: none"> • Storm Technologies

In PhP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	875.61	70%	667.60	32%	208.01	31%
Mobile consumer services	270.86	22%	1,336.54	64%	(1,065.68)	-80%
Other services	95.72	8%	99.44	5%	(3.72)	-4%
<i>Total Revenues</i>	1,242.19	100%	2,103.57	100%	(861.38)	-41%

Revenues from enterprise services (which accounts for 70% of total revenues) increased by 31% in 2018, to ₱875.61 million from ₱667.60 million in 2017. On the other hand, revenues from the mobile consumer services segment for 2018 amounted to ₱270.86 million, a decrease of 80% from the previous year's same period level of ₱1,336.54 million. This segment accounts for 22% of the total revenues. Other services booked revenues of ₱95.72 million in 2018, lower by 4% from the previous level at ₱99.44 million over the same period last year.

Expenses

In PhP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	1,062.87	58%	1,373.41	68%	(310.54)	-23%
Cost of Goods Sold	69.73	4%	81.01	5%	(11.28)	-14%
General and Administrative Expenses	701.04	38%	572.62	28%	128.42	22%
<i>Total Expenses</i>	1,833.64	100%	2,027.04	100%	(193.40)	-10%

The Group's consolidated expenses in 2018 amounted to ₱1,833.64 million, a 10% decrease from previous year's ₱2,027.04 million. For 2018, cost of services accounted for the bulk of expenses, totaling ₱1,062.87 million or 58% of the Group's consolidated expenses. For 2017, cost of services amounted to ₱1,373.41 million or 68% of overall expenses.

Cost of Services

In PhP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	724.50	68%	639.94	47%	84.56	13%
Outsourced services	143.93	14%	463.38	34%	(319.45)	-69%
Segment fee and network costs	43.26	4%	71.15	5%	(27.89)	-39%
Others	151.19	14%	198.95	14%	(47.76)	-24%
Total Expenses	1,062.87	100%	1,373.41	100%	(310.54)	-23%

Cost of services totaling ₱1,062.87 million in 2018 (compared to ₱1,373.41 million for 2017 or a 23% decrease), was mainly comprised of (1) Salaries, wages, and employee benefits, (2) Outsourced services, and (3) Segment fee and network costs, which accounted for 68%, 14%, and 4%, respectively. Of the total cost of services for the period, 59% is attributed to Yondu. The decrease in total cost of services was mainly brought about by the decrease in the outsourced services cost of AoC, which is a consequence of the drop in its digital advertising revenues. Segment fee/network costs, web hosting, and royalties also decreased due to lower VAS revenues.

Cost of Goods Sold

For the period ended December 31, 2018, cost of goods sold took up 4% of the Group's consolidated expenses, amounting to ₱69.73 million. This figure was a decrease of 14% from its level of ₱81.01 million in December 31, 2017. Costs related to the sale of goods from its flexible benefits and performance programs were appropriated as cost of goods sold. This led to the improved gross profit margins for Storm.

General and Administrative Expenses

In PhP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Provision for impairment losses	310.94	44%	106.54	19%	204.40	192%
Salaries, wages and employee benefits	151.96	22%	163.02	28%	(11.06)	-7%
Rent	42.09	6%	33.17	6%	8.92	27%
Others	196.05	28%	269.89	47%	(73.84)	-27%
Total Expenses	701.04	100%	572.62	100%	128.42	22%

General and administrative expenses relating to the Group's operations, for 2018 amounted to ₱701.04 million, higher by 22% compared to previous year's ₱572.62 million. Provision for impairment losses in 2018 amounted to ₱310.94 million or 44% of total general and administrative expenses or GAEX. Salaries, wages, and employee benefits was ₱151.96 million or 22% of the total GAEX. The same expenses amounted to ₱163.02 million in 2017.

Overall, the 22% increase in total GAEX was mainly due to the provision for impairment losses on receivables and goodwill, totaling ₱310.94 million. Details are the following: 1) provision for impairment loss related to certain receivable of Art of Click (AoC) amounting to ₱127.07 million 2) impairment of goodwill recorded for AoC amounting to ₱144.86 million and 3) provision for impairment of other receivables (as a result of the new accounting standard PFRS 9), which amounted to ₱39.01 million.

There were also decreases in salaries and wages, taxes and licenses, professional fees, transportation and travel, advertising, marketing and promotions, and seminars and trainings. The decreases in salaries and wages across some companies in the Group, is a result of cost cutting initiatives in response to the drop in revenues of certain business segments.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the period ended December 31, 2018, amounted to ₱52.99 million.

Other Income – net

For the year 2018, the Group recognized other charges amounting to ₱22.69 million; with interest expenses of ₱31.11 million, offset by interest income and gain on foreign exchange transactions.

Income (Loss) before Income Tax

The Group's loss before income taxes for period ended December 31, 2018 was ₱667.13 million. The loss before income taxes for the Group declined by 647% from December 31, 2017, which posted a net income figure of ₱122.04 million.

Provision for Income Tax

Despite incurring a loss before income tax, the Group still recognized a provision for income tax for the year ended December 31, 2018 amounting to ₱144.51 million, 642% higher compared to the same period in 2017 where provision for income tax amounted to ₱19.47 million. The increase in provision for income tax was mainly due to increase in deferred tax assets (DTA) that were unrecognized during the year. These are deductible temporary differences for which no DTA are recognized since management believes that there are no sufficient taxable profits against which the DTA can be utilized. For the year ended December 31, 2018, changes in unrecognized DTA amounted to ₱322.77 million.

Net Income

The Group posted a consolidated net loss of ₱811.64 million for the period ended December 31, 2018, a decrease of 891% from 2017's net income of ₱102.57 million.

Total Comprehensive Income

For the year ended December 31, 2018, the Group's total comprehensive loss amounted to ₱803.37 million, a decrease of 749% compared to total comprehensive income of ₱123.72 million earned for the year ended December 31, 2017.

Financial Position

As of December 31, 2018 compared to December 31, 2017

Assets

Cash

The Group's consolidated cash amounted to ₱177.40 million for the twelve-month period ended December 31, 2018, a net decrease of 18% or ₱37.86 million from consolidated cash of ₱215.25 million as at December 31, 2017.

Accounts and Other Receivable

The Group's consolidated accounts receivable amounted to ₱530.64 million and ₱845.67 million as at December 31, 2018 and December 31, 2017, respectively, representing a decrease of ₱315.03 million or 37%. Accounts receivable in 2018 nets out the allowance for impairment amounting to ₱265.02 million.

Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. As of December 31, 2018, contract assets amounted to ₱9.75 million.

Other Current Assets

The Group's consolidated other current assets totaled ₱57.90 million, a decrease of ₱0.04 million from its previous level on December 31, 2017 at ₱57.94 million. Prepaid expenses and deferred input VAT comprised majority of other current assets.

Financial Assets at FVOCI

This account pertains to quoted and unquoted equity investments previously classified as AFS financial assets but are now classified and measured as financial assets at FVOCI as a result of adoption of PFRS 9.

As of December 31, 2018, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position amounted to ₱0.48 million and ₱44.22 million, respectively.

Available for sale financial asset

Upon adoption of PFRS 9, the quoted and unquoted equity investments were reclassified as financial assets at FVOCI while the unquoted debt investments were reclassified as financial assets at FVPL in the consolidated statements of financial position. As of December 31, 2018, the resulting available for sale financial asset is nil vis-à-vis ₱159.05 million in 2017.

Investment in Associates

As of December 31, 2018, the Group's consolidated investment in associates amounted to ₱456.00 million, a 12% decrease from its figure of ₱515.66 million during December 31, 2017. The breakdown of the carrying amounts of these investments are: Altitude Games Pte. Ltd. (₱24.34 million), MatchMe (₱43.71 million), SDI (₱10.64 million), and Micro Benefits Limited (₱377.31 million).

Property and Equipment

The Group's consolidated property and equipment was ₱59.20 million in December 31, 2018 vis-à-vis ₱76.15 million in December 31, 2017, or a decrease of 22%. Property and equipment mainly consisted of leasehold improvements, leased assets, office, information technology equipment, furniture, and fixtures. The decrease was due to retirement and disposal of certain equipment.

Intangible Assets

Intangible assets of ₱3,612.92 million as at December 31, 2018 were recognized in relation to the Group's acquisitions and investments. Movements in this account pertains to additions, disposal, revaluation surplus amounting to ₱16.62 million; amortization (net of disposal) of ₱37.07 million; and impairment of goodwill amounting to ₱144.86 million. These resulted to a net 4% decrease amounting to ₱160.96 million vis-à-vis the December 31, 2017 figure at ₱3,773.88 million. The major components are goodwill, customer relationship, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As at December 31, 2018, goodwill is at ₱2,399.76 million. This nets out an impairment of ₱144.86 million, pertinent to AoC.

- Customer relationship pertains to Yondu's noncontractual and contractual agreements with Globe Telecoms, its major customer which are expected to generate revenues for the Group in subsequent periods. As of December 31, 2018, customer relationship is valued at ₱1,077.81 million.
- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As at December 31, 2018, developed software net book value is at ₱121.08 million. Amortization of developed software for the twelve-month period ended December 31, 2017 amounted to ₱34.59 million.
- Cryptocurrencies pertain to units of Bitcoin held by the Group as at December 31, 2018 valued at ₱5.48 million
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2018, leasehold rights net book value is at ₱8.79 million. Amortization of leasehold rights for the twelve-month period ended December 31, 2018 amounted to ₱2.48 million.

Pension Asset

The Group's recorded pension asset as of December 31, 2018 and December 31, 2017 was at ₱1.41 million and ₱0.31 million, respectively, an increase of 354%.

Deferred Tax Assets – Net

The Group's consolidated net deferred tax assets level amounted to ₱14.19 million as at December 31, 2018, lower by 88% or ₱101.34 million vis-à-vis its December 31, 2017 level at ₱115.53 million. The significant decrease in deferred tax asset was brought about by the increase in unrecognized deferred tax asset as aforementioned.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱46.37 million as of December 31, 2018. This figure is 9% lower than the value posted as of December 31, 2017 at ₱50.74 million. These are primarily rental deposits amounting to ₱19.95 million.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱654.52 million as at December 31, 2018 was a 33% or ₱161.41 million increase from its December 31, 2017 figure of ₱493.11 million.

The Group's accounts and other payables consisted mainly of trade payables at ₱179.20 million, payable to related parties at ₱104.03 million (₱102.42 million from Xurpas, as advances from stockholders), deferred output VAT at ₱42.67 million and accrued expenses at ₱42.66 million.

Loans Payable

The Group recorded ₱358.74 million in current loans in December 31, 2018 and ₱377.42 million in December 31, 2017. This is mainly attributable to the loans of the Parent Company which are interest-bearing and short-term.

Income Tax Payable

The Group's consolidated income tax payable as at December 31, 2018 amounted to ₱2.19 million, a decrease of 78% from the December 31, 2017 figure of ₱10.08 million.

Contract Liabilities

Contract liabilities are obligations to transfer goods and services to customers from whom the Group has received consideration. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due. Contract liabilities are recognized as revenue when the Group performs under the contract.

As at December 31, 2018, contract liabilities amounted to ₱44.50 million.

Other Current Liabilities

The Group's other current liabilities amounted to ₱63.75 million in December 31, 2018 compared to ₱77.17 million in 2017, a decrease of 17%.

Finance Lease- net of current portion

Seer entered into a lease agreement with BPI Leasing Corporation for the use of IT and transportation equipment with a lease term three (3) and five (5) years, respectively. Effective monthly interest rates range from 0.83% to 1.12%. Seer's finance lease net of current portion is ₱0.02 million in December 31, 2018 and ₱0.61 million December 31, 2017.

Deferred Tax Liability

As of December 31, 2018, the deferred tax liability (net) was at ₱352.73 million, a decrease of 1% or ₱3.13 million from ₱355.86 million as of December 31, 2017.

Pension Liability

The accrued pension of the Group is at ₱23.52 million in December 31, 2018 compared to ₱31.30 million in December 31, 2017 or a decrease of 25%.

Equity

Total Equity

The Group's total equity as of December 31, 2018 was at ₱3,466.58 million, a 3% increase from its December 31, 2017 level at ₱3,355.50 million. The net decrease in total equity was a result of decrease in equity reserve from ₱1,250.72 million as of December 31, 2017 to ₱402.22 million as of December 31, 2018. Retained earnings decreased from ₱322.73 million as of December 31, 2017 to negative ₱556.37 million as at December 31, 2018 because of the net losses for 2018. This also included the reclassification for Available for Financial Assets as a result of adopting PFRS 9 which resulted into a net unrealized loss on financial assets at FVOCI of ₱44.22 million; which is recorded as a contra-equity account.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has some bank debt through the Parent Company and Seer Technologies Inc. which are short term in nature. The Group does not anticipate having any cash flow or liquidity problems over the next 12 months. The Group is not in breach or default on any loan or other form of indebtedness.

Cash Flows

In PhP Millions	For the 12 months ended December 31	
	2018	2017
	Amount	Amount
Net cash provided by (used in) Operating Activities	(186.02)	248.52
Net cash provided by (used in) Investing Activities	(102.43)	(169.89)
Net cash provided by (used in) Financing Activities	236.19	(274.97)
Effect of foreign currency exchange changes in cash	14.40	(16.92)
Net increase (decrease) in cash	(37.86)	(213.26)
Cash at beginning of period	215.25	428.52
Cash at end of period	177.40	215.25

Cash Flows Provided by Operating Activities

For the first twelve months of 2018, operating loss of ₱385.95 million was coupled with the corresponding decrease in account receivables and account payables for a resulting ₱104.91 million net cash used in operations. Together with interest received and income taxes paid, this resulted in a net cash used in operating activities of ₱186.02 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows used in investing activities for subsidiaries and associates for the twelve months of 2018 was ₱102.43 million compared to ₱169.89 million used in the same period of 2017. The net cash used in investing activities was mainly attributable to the proceeds of sale from cryptocurrencies and the balance of the earn-out payment to Art of Click.

Cash Flows Provided by (Used in) Financing Activities

The Group's consolidated net cash flow provided by financing activities for period ended December 31, 2018 was ₱236.19 million compared to net cash flow used in financing activities for the period ended December 31, 2017 which was ₱274.97 million.

Capital Expenditure

The Group's capital expenditures for the period ended December 31, 2018 and the year ended December 31, 2017 amounted to ₱18.35 million and ₱27.50 million, respectively.

Key Financial Data In PhP Millions	December 31, 2018 Additions	December 31, 2017 Additions
Office Equipment	1.19	3.08
IT Equipment	14.58	18.03
Furniture and Fixtures	0.06	0.95
Leasehold Improvements	2.52	4.33
Leased Asset	-	1.11
	18.35	27.50

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the year ended December 31		
	2018	2017	2016
Liquidity Ratios			
Current Ratio	69%	54%	105%
Quick Ratio	64%	51%	102%
Asset-to-Equity Ratio	183%	231%	219%
Profitability Ratios			
Net Income Margin	-62%	2%	11%
Gross Margin	9%	31%	41%
Operating Margin	-46%	12%	24%
Return on Total Assets	-14%	1%	7%
Return on Equity	-22%	1%	14%
Debt Ratios			
Debt-to-Equity Ratio	0.56x	0.97x	0.91x
Interest Coverage Ratio	-20.45x	2.81x	11.84x

Current Ratios

Current Ratio and Quick Ratios in the twelve-month period at December 31, 2018 were 69% and 64%, respectively, an increase from their respective 54% and 51% figures during the full year of 2017. The increase in both ratios was primarily from the decrease in current liabilities; due to the reversal of the liability for written put option and the settlement of the payable to a former shareholder of a subsidiary, even as current assets also decreased over the period.

Asset-to-Equity Ratio

The decrease in the asset-to-equity ratio from 231% in December 31, 2017 to 183% in December 31, 2018 resulted from the decrease in total assets vis-à-vis equity, which increased over the same period.

Profitability Ratios

Profitability margins decreased from December 31, 2017, as a result of business combination and expenses related to the Group's investments and acquisitions. The decrease in Gross Profit Margin (9%), Net Income Margin (-62%), Operating Margin (-46%), Return on Total Assets (-14%) and Return on Equity (-22%) was a result of the year's net losses.

Debt Ratios

Debt to Equity ratio in December 31, 2018 was at 0.56x compared to 0.97x as at December 31, 2017. The decrease in the gearing ratio was attributed to the lower liability in December 31, 2018 compared to the previous year. Interest coverage ratio in December 31, 2017 was at -20.45x compared to 2.81x the previous year. The decrease in this ratio is because of the big drop in earnings before interest and tax expense and higher interest expense in 2018 compared to 2017.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios

Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Quick ratio	$\frac{\text{Current assets} - \text{Other current assets}}{\text{Current liabilities}}$

Asset-to-equity Ratio	$\frac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$
Profitability Ratios	
Net income ratio	$\frac{\text{Net income attributable to Parent Company}}{\text{Service income} + \text{Sale of goods}}$
Gross margin	$\frac{(\text{Service income} + \text{Sale of goods}) - (\text{Cost of services} + \text{Cost of goods sold})}{\text{Service income} + \text{Sale of goods}}$
Operating margin	$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income} + \text{Sale of goods}}$
Return on total assets	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$
Return on total equity	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$
Debt Ratios	
Debt-to-equity ratio	$\frac{\text{Total Liabilities}}{\text{Total equity attributable to Parent Company}}$
Interest coverage ratio	$\frac{\text{Earnings before interest and tax}}{\text{Interest expense}}$

Other Disclosures:

- i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.
- ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.
- iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
- iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.
- v. Material Events/ Uncertainties. There are no known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations.
- vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.
- vii. Seasonality. The effects of seasonality or cyclicity on the operations of the Group's business are confined to its mobile consumer and other services segment.

Full year 2017 compared with 2016

Key Financial Data In PHP Millions	For the 12 months ended December 31					
	2017		2016 (As restated)		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	1,336.54	64%	1,239.92	64%	96.61	8%
Enterprise services	667.60	32%	653.14	34%	14.45	2%
Other services	99.44	5%	54.07	3%	45.36	84%
Total Revenues	2,103.57	100%	1,947.14	100%	156.43	8%
Cost of Services	1,373.41	65%	1,101.90	57%	271.52	25%
Cost of Goods Sold	81.01	4%	41.82	2%	39.19	94%
Gross Profit	649.15	31%	803.43	41%	(154.28)	-19%
General and Administrative Expenses	572.62	27%	354.73	18%	217.89	61%
Equity in Net Loss of Associate	36.72	2%	33.90	2%	2.82	8%
Other charges (income) - net	(82.23)	-4%	35.69	2%	(117.92)	-330%
Income Before Income Tax	122.04	6%	379.10	19%	(257.06)	-68%
Provision for Income Tax	19.47	1%	114.27	6%	(94.80)	-83%
Net Income	102.57	5%	264.84	14%	(162.27)	-61%
Other Comprehensive Income (Loss)	21.15	1%	14.59	1%	6.56	45%
Total Comprehensive Income	123.72	6%	279.42	14%	(155.70)	-56%

	Dec. 31, 2017 Amount	Dec. 31, 2016 Amount	Amount Change	% Increase
Total Assets	5,810.18	6,476.43	(666.25)	-10%
Total Liabilities	2,454.68	2,686.93	(232.25)	-9%
Total Equity	3,355.50	3,789.50	(434.00)	-11%

Financial Summary

Total revenues increased by ₱156.43 million or 8%, from ₱1, 947.14 million in 2016 to ₱2,103.57 million in 2017. The net income of the Group for the twelve-month period ended December 31, 2017, decreased by 61% (from ₱264.84 million (as restated) in the year ended 2016 to ₱102.57 million in 2017). Total comprehensive income over the same period decreased by 56% from ₱282.32 million as at December 31, 2016 to ₱123.72 million as at December 31, 2017. Group revenues were still mainly driven by mobile consumer services, comprising 64% of the total revenues.

The blended cost of services (aggregating the subsidiaries' costs) increased by 25% from ₱1,101.90 million for the year ended 2016 to ₱1,373.41 million for the comparable period in 2017. Cost of goods sold attributable to other services was ₱81.01 million for the year ended 2017 compared to ₱41.82 million in 2016, an increase of 94% or ₱39.19 million. Gross profit margins on total revenues, for the period ended December 31, 2017 was at 31%, a decrease from the same period last year at 41%. Gross profit decreased by 19% from ₱803.43 million for the full year of 2016 to ₱649.15 million for the same period in 2017.

General and administrative expenses increased by 61%, from ₱354.73 million in 2016 to ₱572.62 million for the same period in 2017. Overall, the increase was mainly due to the costs related to the Group's expansion: (i) absorption of operating expenses of acquired subsidiaries made in 2015 and 2016, (ii) increase in salaries and wages due to organizational build-up of the parent company and acquired subsidiaries, and (iii) investment and acquisition-related costs and legal fees, the latter being non-recurring, and (iv) one-time impairment losses. Included in the general and administrative expenses were increase in non-cash expenses such as depreciation and amortization related to capitalization costs, as well as non-cash interest expenses related to the recognition of liability for a written put option. The Company also shares in the recorded net loss of the associate companies it has invested in, which amounted to ₱36.72 million for the period ended December 31, 2017. Provision for taxes during 2017

was ₱19.47 million or 83% lower than the same period in 2016 at ₱114.27 million. Overall, the net income for the Group decreased from ₱264.84 million (as restated) in 2016 to ₱102.57 million over the same period in 2017; a decrease of 61%.

Revenues and net loss contributed by foreign operations for the year ended December 31, 2017 amounted to ₱639.31 million and ₱15.47 million, respectively, which corresponds to 30% and -15% of the consolidated revenues and net income, respectively, for the said period.

Consolidated total assets as of December 31, 2017 amounted to ₱5,810.18 million, a decrease of 10% from ₱6,476.43 million as of December 31, 2016. The net decrease of ₱666.25 million in total assets was mainly brought by the ₱335.92 million decrease in financial assets at FVPL. Consolidated total liabilities decreased by 9% from ₱2,686.93 million as of December 31, 2016 to ₱2,454.68 million in December 31, 2017, due mainly to the decrease in contingent liability. Consolidated total equity decreased by 11% over the same period, from ₱3,789.50 million to ₱3,355.50 million. This was a result of the increase in equity reserve.

Segment Financial Performance

As of December 31, 2017 In ₱P Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	1,599.60	721.36	5.67	(317.08)	2,009.55
Revenue from sale of goods	-	-	94.02	-	94.02
Total Service Revenues	1,599.60	721.36	99.69	(317.08)	2,103.57
Operating expenses	1,424.34	721.94	169.43	(288.68)	2,027.03
Equity in net loss of associates	-	-	-	36.72	36.72
Other charges (income) - net	(207.18)	(5.09)	1.31	128.73	(82.23)
Total Expenses	1,217.16	716.85	170.74	(123.23)	1,981.52
Operating profit	382.44	4.51	(71.05)	(193.85)	122.05
Provision for income tax	64.63	27.49	(7.22)	(65.43)	19.47
Net Income	317.81	(22.98)	(63.82)	(128.42)	102.58

As of December 31, 2017, mobile consumer services' revenues, operating profit and net income prior to eliminations were ₱1,599.60 million, ₱382.43 million and ₱317.80 million, respectively. These translated to 24% operating profit margin and 20% net income margin. Enterprise services had an operating profit of ₱4.51 million and net loss of ₱22.98 million (net loss margin of 3%) from revenues of ₱721.36 million. For 2017, although Yondu's enterprise business was profitable, this was not enough to offset the losses of the subsidiaries under this segment. The other services segment has yet to yield a positive contribution to the Group.

Profitability

For the twelve-month period ended December 31, 2017 compared with the twelve-month period ended December 31, 2016

Revenues

The consolidated service revenues of the Group for the period ended December 31, 2017 amounted to ₱2,103.57 million, an increase of 8% from ₱1,947.14 million the same period of the previous year.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	<ul style="list-style-type: none"> • Xurpas Parent Company • Xeleb Technologies Inc. • Yondu • Art of Click
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	<ul style="list-style-type: none"> • Xeleb Technologies Inc. • Seer • Yondu • Xurpas Enterprise
Other services	Revenues derived from services related to the proprietary platform called “Flex Benefits System” and “Ace” (formerly “Kudos”) which allows employees to convert their employee benefits to other benefits which includes sale of goods	<ul style="list-style-type: none"> • Storm Technologies

In PhP Millions	For the 12 months ended December 31					
	2017		2016		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	1,336.54	64%	1,239.92	64%	96.61	8%
Enterprise services	667.60	32%	653.14	34%	14.45	2%
Other services	99.44	5%	54.07	3%	45.36	84%
<i>Total Revenues</i>	2,103.57	100%	1,947.14	100%	156.43	8%

Revenues from the mobile consumer services segment for the twelve-month period ended December 31, 2017 amounted to ₱1,336.54 million, an increase of 8% from the previous year’s same period level of ₱1,239.92 million. The increase was attributed to the growth from the mobile games business and the accretive value of the acquisition of Art of Click in 2017. This segment accounts for 64% of the total revenues. On the other hand, revenues from enterprise services (which accounts for 32% of total revenues) increased by 2% in December 31, 2017, to ₱667.60 million from ₱653.14 million in December 31, 2016. Other services booked revenues of ₱99.44 million in the first twelve months of 2017, higher by 84% from the previous level at ₱54.07 million over the same period last year. The increase in the sales of Storm was attributed to organic growth in its client base and active platform users.

Expenses

In PhP Millions	For the 12 months ended December 31					
	2017		2016		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	1,373.41	68%	1,101.90	74%	271.51	25%
Cost of Goods Sold	81.01	4%	41.82	3%	39.19	94%
General and Administrative Expenses	572.62	28%	354.73	24%	217.89	61%
<i>Total Expenses</i>	<i>2,027.04</i>	<i>100%</i>	<i>1,498.45</i>	<i>100%</i>	<i>528.58</i>	<i>35%</i>

As of the full year of 2016, Xurpas had as subsidiaries: Xeleb Technologies (formerly Fluxion), Storm Flex, Xeleb, Seer, and Yondu. In contrast, the full year of 2017 now also includes Art of Click. The Group's consolidated expenses during the period ended December 31, 2017 amounted to ₱2,027.04 million, a 35% increase from the same period of the previous year at ₱1,498.44 million. For the full year of 2017, cost of services accounted for the bulk of expenses, totaling ₱1,373.41 million or 68% of the Group's consolidated expenses. For the same period in 2016, cost of services amounted to ₱1,101.90 million or 74% of overall expenses of ₱1,498.44 million.

Cost of Services

In PhP Millions	For the 12 months ended December 31					
	2017		2016		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	639.94	47%	486.90	44%	153.04	31%
Outsourced services	463.38	34%	368.53	33%	94.85	26%
Royalty fees	81.31	6%	48.44	4%	32.87	68%
Others	188.78	14%	198.03	18%	(9.25)	-5%
<i>Total Expenses</i>	<i>1,373.41</i>	<i>100%</i>	<i>1,101.91</i>	<i>100%</i>	<i>271.51</i>	<i>25%</i>

Cost of services totaling ₱1,373.41 million as of December 31, 2017, was mainly driven by expenses relating to (1) Salaries, wages, and employee benefits, (2) Outsourced services, and (3) Royalty fees, which accounted for 47%, 34%, and 6%, respectively. These costs were directly borne from rendering mobile consumer services, enterprise services, and other services to the Group's clients for the twelve months of 2017. Of the total cost of services for the period, more than half is attributed to Art of Click and Yondu.

Cost of Goods Sold

For the period ended December 31, 2017, cost of goods sold took up 4% of the Group's consolidated expenses, amounting to ₱81.01 million. This figure was an increase of 94% from its level at ₱41.82 million in December 31, 2016. The increase in cost of goods sold was directly attributable to the increase in revenues of Storm Technologies. Costs related to the sale of goods from its flexible benefits and performance programs were appropriated as cost of goods sold.

General and Administrative Expenses

In PhP Millions	For the 12 months ended December 31					
	2017		2016		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	163.02	28%	126.49	36%	36.53	29%
Provision for impairment losses	106.54	19%	0.39	0%	106.15	27218%
Professional fees	48.03	8%	43.31	12%	4.72	11%
Taxes and licenses	43.66	8%	18.65	5%	25.01	134%
Others	211.37	37%	165.89	47%	45.48	27%
<i>Total Expenses</i>	<i>572.62</i>	<i>100%</i>	<i>354.72</i>	<i>100%</i>	<i>217.90</i>	<i>61%</i>

General and administrative expenses relating to the Group's operations, for twelve months of 2017 amounted to ₱572.62 million, higher by 61% compared to previous year's same period level of ₱354.73 million. The increase in the GAEX was primarily brought about by the consolidation of operational expenses from the latest acquired subsidiary, Art of Click, which contributed 26% of the total. Salaries, wages, and employee benefits was ₱163.02 million or 28% of the total general and administrative expenses (GAEX). The same expenses amounted to ₱126.49 million for the same period in 2016. The next biggest cost component in December 31, 2017 was Provision for impairment losses amounting to ₱106.54 million or 19% of total GAEX. This refers to the provision made for one of Art of Click's clients, net of amount that it actually was able to collect from its other clients. Likewise, in 2017, due to the change in the payment structure to the main seller of the shares of Art of Click to Xurpas, the Parent Company incurred ₱48.07 million for one-off expenses pertaining to donors/capital gains tax, professional fees, bank charges and foreign exchange loss.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the period ended December 31, 2017, amounted to ₱36.72 million. These companies are still in their testing phase or are in the process of ramping up or commercializing their operations. Despite the aggregate net loss of associates for 2017, the Group is now seeing profits from the associates companies - PT Sembilan Digital Investama (SDI), and MatchMe. Altitude Games and MicroBenefits are the associates that posted a net loss for 2017. Altitude Games business is expected to pick up, as it closed a partnership with a big US mobile games developer, to co-develop and introduce games to the US market. For MicroBenefits, it had as its main focus in the first half, product and user experience upgrade. This paved the way to landing more clients in 2017. MicroBenefits added eight additional brands, representing more than 100 factories in at least 20 factory family groups. It has expanded out of China to Vietnam, India, Bangladesh, and Guatemala.

Other Income – net

For the year 2017, the Group recognized other income amounting to ₱82.23 million. This account mainly pertains to net gain from income and charges subsequent to the business combination with Art of Click amounting to ₱90.91 million which is composed of the ₱364.01 million gain from waiver of deferred purchase consideration, ₱26.59 million foreign exchange loss, ₱30.92 million accretion of unamortized expense, ₱61.63 million interest expense on payable to former shareholders of AOC and ₱153.96 million loss from additional payments to former shareholder of AOC.

Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA)

In PhP Millions	For the 12 months ended December 31			
	2017	2016	Amount Change	% Increase
Income before tax	122.04	379.10	(257.06)	-68%
Depreciation and amortization	66.98	48.63	18.35	38%
Interest expense	67.54	34.98	32.56	93%
EBITDA	256.56	462.71	(206.15)	-45%

The Group's EBITDA decreased by 45% in December 31, 2017 to ₱256.56 million from ₱462.71 million the same period of the previous year. Depreciation and amortization of property and office equipment and intangible assets amounted to ₱66.98 million as at December 31, 2017 from ₱48.63 million as at December 31, 2016. Interest expense increased by 93% from ₱34.98 million as of December 31, 2016 to ₱67.54 million for the same period in 2017.

Income before Income Tax

The Group's net income before taxes for period ended December 31, 2017 was 6% of total revenues or a figure of ₱122.04 million. The net income before taxes for the Group declined by 68% or ₱257.06 million from the same period ended December 31, 2016, which posted a figure of ₱379.10 million.

Provision for Income Tax

Provision for income tax during the twelve-month period ended December 31, 2017 amounted to ₱19.47 million, compared to the same period in 2016, where provision for income tax was ₱114.27 million; an 83% decrease.

Net Income

The Group posted a consolidated net income of ₱102.57 million for the period ended December 31, 2017, a decrease of 61% from the previous year's same period at ₱264.84 million. Despite the Group's continuing organizational build-up, acquisition, investment-related expenses during this period versus that on December 31, 2016, the revenues generated a net income margin of 5% for the twelve months of 2017. Without the provision for impairment loss, the net income would have been ₱203.58 million.

Total Comprehensive Income

As of December 31, 2017, the Group's total comprehensive income amounted to ₱123.72 million, a decrease of 56% compared to ₱282.32 million as at December 31, 2016.

Financial Position

As of December 31, 2017 compared to December 31, 2016

Assets

Cash

The Group's consolidated cash amounted to ₱215.25 million for the twelve-month period ended December 31, 2017, a net decrease of 50% or ₱213.26 million from consolidated cash of ₱428.52 million as at December 31, 2016.

Financial Assets at Fair Value through Profit or Loss

The total Net Asset Value (NAV) and fair value of the Fund as of December 31, 2017 was nil, compared to ₱335.92 million in December 30, 2016. Part of the funds raised by the Parent Company after the April 29, 2016 overnight top-up placement was placed in the SB Money Market Fund while waiting for the appropriate use of the proceeds. The SB Money Market Fund was invested in a diversified portfolio of primarily short-term fixed income instruments. As at December 31, 2017, the funds were used for partial payment due to Emmanuel Allix for the purchase of Art of Click.

Accounts Receivable

The Group's consolidated accounts receivable amounted to ₱845.67 million and ₱956.90 million as at December 31, 2017 and December 31, 2016, respectively, representing a decrease of ₱111.23 million. In December 31, 2017, trade receivables were valued at ₱933.36 million, whereby Yondu and Art of Click account for ₱518.25 million (56% of the total) and ₱273.87 million (29% of the total), respectively.

Available for Sale Financial Assets

As of December 31, 2017, the Group's available for sale financial assets amounted to ₱159.05 million, which increased by 4% or ₱6.08 million from its previous level on December 31, 2016. These are investments in Pico Candy Pte. Ltd. (₱3.60 million), MatchMe Pte. Ltd. (₱52.50 million), Altitude Games Pte. Ltd. (₱28.86 million), Einsights Pte. Ltd. (₱23.48 million), Social Light Inc. (₱6.00 million), Club Punta Fuego (₱0.38 million), and Quick.Ly Inc. (₱44.24 million).

Other Current Assets

The Group's consolidated other current assets totalled ₱57.94 million, an increase of ₱5.31 million or 10% from its previous level on December 31, 2016 at ₱52.63 million. Prepaid expenses and creditable withholding taxes comprised majority of other current assets.

Investment in Associates

As of December 31, 2017, the Group's consolidated investment in associates amounted to ₱515.66 million, a 6% decrease from its figure of ₱549.86 million during December 31, 2016. The breakdown of the carrying amounts of these investments are: Altitude Games Pte. Ltd. (₱26.33 million), Altitude Games Inc. (₱0.09 million), MatchMe (₱51.67 million), SDI (₱10.51 million), and Micro Benefits Limited (₱427.07 million).

Property and Equipment

The Group's consolidated property and equipment was ₱76.15 million in December 31, 2017 vis-à-vis ₱80.53 million in December 31, 2016, or a decrease of 5%. This was the net result of adding ₱27.50 million worth of said assets and the depreciation expense amounting to ₱31.59 million for the twelve-month period ended December 31, 2017. Property and equipment mainly consisted of leasehold improvements, leased assets, office, information technology equipment, furniture, and fixtures.

Intangible Assets

Intangible assets of ₱3,773.88 million as at December 31, 2017 were recognized in relation to the Group's acquisitions and investments. Movements in this account pertains to additions and amortization amounting to ₱10.57 million and ₱35.38 million, respectively, resulting to a net decrease amounting to ₱24.81 million or 1% of the December 31, 2016 figure at ₱3,798.69 million. The major components are goodwill, customer relationship, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As at December 31, 2017, goodwill is at ₱2,544.62 million.
- Customer relationship pertains to Yondu's noncontractual and contractual agreements with Globe Telecoms, its major customer which are expected to generate revenues for the Group in subsequent periods. As of December 31, 2017, customer relationship is valued at ₱1,077.81 million.
- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As at December 31, 2017, developed software net book value is at ₱140.18 million. Amortization of developed software for the twelve-month period ended December 31, 2017 amounted to ₱32.90 million.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2017, leasehold rights net book value is at ₱11.27 million. Amortization of leasehold rights for the twelve-month period ended December 31, 2017 amounted to ₱2.48 million.

Pension Asset

The Group's recorded pension asset as of December 31, 2017 and December 31, 2016 was at ₱0.31 million and ₱2.39 million, respectively, a decrease of ₱2.08 million or 87%.

Deferred Tax Assets – Net

The Group's consolidated net deferred tax assets level amounted to ₱115.53 million as at December 31, 2017, higher by 86% or ₱53.25 million vis-à-vis its December 31, 2016 level at ₱62.28 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱50.74 million as of December 31, 2017. This figure is 9% lower than the value posted as of December 31, 2016 at ₱55.76 million. These are primarily rental and other deposits amounting to ₱24.85 million and ₱25.89 million, respectively.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱493.11 million as at December 31, 2017 was a 19% or ₱79.38 million increase from its December 31, 2016 figure of ₱413.73 million.

The Group's accounts and other payables consisted mainly of trade payables at ₱218.58 million (₱104.55 million from Art of Click and ₱81.43 million from Yondu), payable to related parties at ₱102.53 million (₱97.15 million from Xurpas, as advances from stockholders), deferred output VAT at ₱62.55 million (₱56.90 million from Yondu), accrued expenses at ₱60.60 million (₱56.99 million from Yondu), taxes payable at ₱29.00 million, and other payables at ₱19.84 million

Loans Payable

The Group recorded ₱377.42 million in current loans in December 31, 2017 and ₱3.00 million in December 31, 2016. This is mainly attributable to the loans of the Parent Company which are interest-bearing and short-term.

Income Tax Payable

The Group's consolidated income tax payable as at December 31, 2017 amounted to ₱10.08 million, a decrease of 84% from the December 31, 2016 figure of ₱64.44 million.

Liability for Written Put Option

Based on PAS 32, **Financial Instruments: Presentation**, "...a contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount." As such, a liability for the written put option is recognized which is equal to the present value of the amount payable upon exercise of the option is to be recognized. This amounts to ₱864.71 million, unchanged as of December 31, 2017 and December 31, 2016.

Payable to Former Shareholders of a Subsidiary

The Group recorded ₱244.43 million in Payable to former shareholders of a subsidiary as at December 31, 2017 and ₱314.13 million as at December 31, 2016, a decrease of ₱69.70 million or 22%.

Other Current Liabilities

The Group's other current liabilities amounted to ₱77.17 million in December 31, 2017 compared to ₱127.72 million in 2016, a decrease of 40%.

Loans Payable – non-current portion

The Group recorded nil in non-current loans in December 31, 2017 and ₱14.00 million in December 31, 2016.

Finance Lease- net of current portion

Seer entered into a lease agreement with BPI Leasing Corporation for the use of IT and transportation equipment with a lease term three (3) and five (5) years, respectively. Effective monthly interest rates range from 0.83% to 1.12%. Seer's finance lease net of current portion is ₱0.61 million in December 31, 2017 and ₱1.16 million December 31, 2016.

Payable to Former Shareholders of a Subsidiary – net of current portion

The Group recorded nil and ₱491.29 million in payable to former shareholders of a subsidiary (net of current portion) as of December 31, 2017 and December 31, 2016, respectively.

Deferred Tax Liability

As of December 31, 2017, the deferred tax liability (net) was at ₱355.86 million, a decrease of 2% or ₱7.99 million from ₱363.85 million as of December 31, 2016. This is primarily the deferred tax liability on fair value adjustment on intangible assets.

Pension Liability

The accrued pension of the Group is at ₱31.30 million in December 31, 2017 compared to ₱28.91 million in December 31, 2016 or an increase of 8%.

Equity

Total Equity

The Group's total equity as of December 31, 2017 was at ₱3,355.50 million, an 11% decrease from its December 31, 2016 level at ₱3,789.50 million. The net decrease in total equity was a result of increase in equity reserve from ₱892.22 million as of December 31, 2016 to ₱1,250.72 million as of December 31, 2017. Retained earnings decreased by ₱57.08 million or 15% from ₱379.81 million as at December 31, 2016 to ₱322.73 million in December 31, 2017.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has some bank debt through the Parent Company and Seer Technologies Inc. which are short term in nature. The Group does not anticipate having any cash flow or liquidity problems over the next 12 months. The Group is not in breach or default on any loan or other form of indebtedness.

Cash Flows

In PhP	For the 12 months ended December 31	
	2017	2016
	Amount	Amount
Net cash provided by Operating Activities	248,521,283	17,890,169
Net cash used in Investing Activities	(169,890,399)	(887,031,702)
Net cash provided by (used in) Financing Activities	(274,972,523)	1,009,409,733
Effect of foreign currency exchange changes in cash	(16,921,504)	(17,635,549)
Net increase (decrease) in cash	(213,263,143)	122,632,651
Cash at beginning of period	428,517,653	305,885,002
Cash at end of period	215,254,510	428,517,653

Cash Flows Provided by Operating Activities

For the first twelve months of 2017, operating income of ₱137.42 million was coupled with the corresponding decrease in account receivables and account payables for a resulting ₱387.72 million net cash generated from operations. Together with interest received and income taxes paid, this resulted in a net cash provided by operating activities of ₱248.52 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows used in investing activities for subsidiaries and associates for the twelve months of 2017 was ₱169.89 million compared to ₱887.03 million used in the same period of 2016. The net cash used in investing activities was mainly attributable to the earn-out payment to Art of Click.

Cash Flows Provided by (Used in) Financing Activities

The Group's consolidated net cash flow used in financing activities for the period ended December 31, 2017 was ₱274.97 million; compared to ₱1,009.41 million provided as of December 31, 2016. The cash flow used in financing activities were mainly from payment of payable to a former shareholder of a subsidiary.

Capital Expenditure

The Group's capital expenditures for the period ended December 31, 2017 and the year ended December 31, 2016 amounted to ₱27.50 million and ₱50.93 million, respectively. Note that in 2016, additions through business combination were ₱0.63 million.

Key Financial Data In PhP Millions	December 31, 2017	December 31, 2016	
	Additions	Additions	
	(Regular)	(Business Combination)	(Regular)
Office Equipment	3.08	0.06	2.34
IT Equipment	18.03	0.51	15.06
Furniture and Fixtures	0.95	0.07	7.12
Leasehold Improvements	4.33	-	23.98
Leased Asset	1.11	-	1.81
Transportation Equipment	-	-	-
Total	27.50	0.63	50.30

Commitments and Contingent Liabilities

The Group recorded payable to former shareholders of a subsidiary at ₱244.43 million (current portion) as at December 31, 2017 and ₱314.13 million (current portion) and ₱491.29 million (non-current portion) for December 31, 2016. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized.

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the years ended December 31		
	2017	2016	2015
Liquidity Ratios			
Current Ratio	54%	105%	84%
Quick Ratio	51%	102%	81%
Asset-to-Equity Ratio	231%	219%	428%
Profitability Ratios			
Net Income Margin	2%	11%	25%
Gross Margin	31%	41%	57%
Operating Margin	12%	24%	39%
Return on Total Assets	1%	7%	9%
Return on Equity	1%	14%	19%
Debt Ratios			
Debt-to-Equity Ratio	0.97x	0.91x	2.31x
Interest Coverage Ratio	2.81x	11.84x	60.00x

Current Ratios

Current Ratio and Quick Ratios in the twelve-month period at December 31, 2017 were 54% and 51%, respectively, a decrease from their respective 105% and 102% figures during the full year of 2016. The decrease in both ratios was primarily from the significant increase in current liabilities and decrease of current assets of the Group for that period.

Asset-to-Equity Ratio

The increase in the asset-to-equity ratio from 219% in December 31, 2016 to 231% in December 31, 2017 resulted from the decrease in equity, particularly equity reserve, and decrease in total assets, particularly from financial assets as FVPL.

Profitability Ratios

Profitability margins decreased from December 31, 2016, as a result of business combination and expenses related to the Group's investments and acquisitions. The decrease in Gross Profit Margin (31%), Net Income Margin (2%), Operating Margin (12%), Return on Total Assets (1%) and Return on Equity (1%) was a result of the increase in overall expenses as a direct result of the Parent Company's expansion and acquisitions: the absorption of operational expenses of the acquired subsidiaries, expansion of operations offshore, salaries and wages paid to the Group's new employees for its

organizational build-up program; and payment of professional and legal fees incurred from investments and acquisitions.

Debt Ratios

Debt to Equity in December 31, 2017 was at 0.97x compared to 0.91x as at December 31, 2016. The increase in the gearing ratio was attributed to the lower total equity value in December 31, 2017 compare to the previous year. Interest coverage ratio in December 31, 2017 was at 2.81x compared to 11.84x the previous year. The decrease in this ratio is because of the lower recorded earnings before interest and tax expense and higher interest expense in 2017 compared to 2016.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios	
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Quick ratio	$\frac{\text{Current assets} - \text{Other current assets}}{\text{Current liabilities}}$
Asset-to-equity Ratio	
	$\frac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$
Profitability Ratios	
Net income ratio	$\frac{\text{Net income attributable to Parent Company}}{\text{Service income} + \text{Sale of goods}}$
Gross margin	$\frac{(\text{Service income} + \text{Sale of goods}) - (\text{Cost of services} + \text{Cost of goods sold})}{\text{Service income} + \text{Sale of goods}}$
Operating margin	$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income} + \text{Sale of goods}}$
Return on total assets	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$
Return on total equity	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$
Debt Ratios	
Debt-to-equity ratio	$\frac{\text{Total Liabilities}}{\text{Total equity attributable to Parent Company}}$
Interest coverage ratio	$\frac{\text{Earnings before interest and tax}}{\text{Interest expense}}$

Other Disclosures:

- i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.
- ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.
- iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
- iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.
- v. Material Events/ Uncertainties. There are no known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations.
- vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.
- vii. Seasonality. The effects of seasonality or cyclicity on the operations of the Group's business are confined to its mobile consumer and other services segment.

4. Description of the Nature and Scope of Business

The Corporation was duly incorporated under Philippine laws on November 26, 2001, as a technology company which creates and develops digital products and services for mobile end-users, as well as proprietary platforms for mobile operators. The Corporation provides mobile marketing and advertising solutions integrated in consumer digital products and platforms for the consumption of mobile users. The Corporation is also engaged in platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This includes information technology (IT) staff augmentation and various enterprise solutions-based services to Telcos and other companies for network and applications development.

As of date, the Corporation has equity interests in the following entities:

	Percentage of Ownership
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.)	51.31%
Pt. Storm Benefits Indonesia	51.31%
Seer Technologies Inc.	70.00%
Codesignate Inc.	52.50%
Xurpas Enterprise Inc.	100.00%
Art of Click Pte. Ltd.	100.00% ¹
PT Sembilan Digital Investama	49.00%
MatchMe Pte. Ltd.	29.10%
Micro Benefits limited	23.53%
Altitude Games Pte. Ltd	21.78%
Altitude Games Inc.	21.17%
Xeleb Technologies Inc. (formerly Fluxion, Inc.)	67.00% ²
Xeleb Inc.	67.00% ³

Products and Services

The Corporation categorizes its product offerings in accordance with the following segments:

Enterprise Services

The Company develops, on its own or in close collaboration with other technology companies, mobile platform solutions for the benefit of clients such as Telcos, government agencies, and other top-tiered companies. These products, which are tailored to a client's particular requirements and are used by millions of mobile subscribers at any given time, comprise the Company's enterprise services segment and include mission-critical applications such as customized call/SMS/data bundles, peer-to-peer mobile airtime credit transfers and various forms of mobile commerce.

The Company, through its subsidiaries, develops and customizes information technology platforms, provides system integration, mobile platform consultancy, manages off-the-shelf application and social media-related services.

Enterprise Services also includes information technology staff augmentation and various enterprise solutions-based services to Telcos and other companies for network and applications development.

¹ On March 30, 2020, Xurpas suspended the business operations of Art of Click.

² As of date, the Corporation owns 100% of Xeleb Technologies Inc. The Corporation has also approved to dissolve Xeleb Technologies Inc. and Xeleb Inc.

³ Ibid.

Mobile Consumer Services

Mobile Consumer Services includes airtime management, content development and management, and marketing and advertising solutions. The Company creates and develops mobile consumer content and other value-added services for mobile phone subscribers such as online casual games, info-on-demand services (e.g., news, social and other entertainment information), chat and messaging applications (e.g., mobile stickers), ringtones, licensed or unlicensed content such as music, videos, as well as mobile marketing and advertising solutions.

Other Services

The Company, through its subsidiary Storm, provides HR technology solutions to its clients. Storm developed a proprietary online platform which allows employees of any company that has signed with Storm to exchange his or her current employee benefits and transform them into products and services such as mobile phones, gadgets, or financial training services, called 'StormFlex.' Storm also offers the same service for employees who are rewarded with points for accomplishing set milestones or objectives by their employer. The Company's subsidiary designs, develops, and customizes the HR technology platforms and streamlines the logistical requirements for product and service fulfillment.

Blockchain Technology

In 2018, the Company announced the incorporation of its wholly owned subsidiary, ODX Pte. Ltd. ("ODX"), an entity registered in Singapore, that will allow consumers in emerging markets to access the internet for free, through sponsored data packages. ODX pre-sold tokens and the proceeds from the said sale, amounting to \$4,999,960 will be used to start building the ODX infrastructure and for business development. The Company announced that some of its subsidiaries/affiliates also launched blockchain technology projects. In 2019, ODX started the distribution of tokens to all its investors, pre-sale purchasers, and advisors (collectively the "Token Holders").

Competition

For its mobile consumer content development business, the Company competes with over 100 mobile consumer content providers, which include Information Gateway, Inc., G-Gateway, Zed, Wolfpac and Rising Tide as competitors.

For its mobile marketing and advertising solutions business, the Company considers the following as competitors: TradeMob, Fiksu, Mobvista, Glispa, and Avazu.

For its enterprise development business including Seer Technologies Inc., the Company considers Stratpoint, Pointwest, and Novare, as its main competitors, providing outsourced web and mobile applications development services or cloud services for their clients.

For the Company's other services, which refers to the flexible benefits and performance benefits business of Storm, the main competitor is Takatack Rewards, Towers Watson, Mercer, Venteny, Kudos Canada, Globoforce, and My Checkpoints.

Reliance on Third Parties

As a mobile telecommunications value-added services provider, the Corporation relies on the transmission, switching and local distribution facilities of Globe Telecom, Inc. and Smart Communications, Inc. ("Telcos") to which it provides mobile digital content and services. The Telcos own, operate and maintain these transmissions, switching and local distribution facilities and the Corporation itself does not have any right to participate or intervene in the operation or maintenance thereof. In 2018, the Corporation's business was severely affected when one the Telcos implemented

new and stricter opt-in guidelines for customers who sign up for VAS subscription. The Corporation's revenue from its mobile consumer services significantly declined as a result of this. The Corporation has disclosed that it is strengthening and enhancing its enterprise services and HR technology services in light of the ongoing challenges in its mobile consumer segment.

Intellectual Property

As the Corporation creates, develops and maintains substantially all of its mobile consumer content, the Corporation owns and holds exclusive rights to its entire product portfolio, excluding mobile consumer content in the form of licensed content such as music, videos and other content of a similar nature, which it licenses through third party licensors.

Platforms

- Key intellectual property of the Corporation includes the Griffin SMS Gateway program, which is a proprietary platform developed by the Corporation through which the Corporation deploys mobile applications through any telecommunications network protocol. The Griffin SMS Gateway program is built on a modular architecture and is written in Java, an industry standard programming language that allows the program to be deployed using most common operating systems, with the following key features:
 - The Griffin SMS Gateway allows the Corporation to connect to any of its client Telco's SMS center, which represents the heart of any Telco's wireless network handling all SMS operations, such as routing, forwarding and storing SMS messages, using popular protocols.
 - The Griffin SMS Gateway contains a "Multi-Function Middleware" feature that allows the Corporation to interface with its client Telco's "Intelligent Network", which is the network that allows a Telco to offer value-added services to its mobile subscribers on top of its standard services (voice and call services) through UCIP or Diameter, MMSCs via MM7, or billing systems via proprietary SOAP-XML or other proprietary HTTP-based protocols.
 - The Java API of the Griffin SMS Gateway allows the Corporation's application developers to write code that can easily be integrated or deployed across multiple carriers that may have different systems.

Trademarks

The Corporation likewise owns exclusive rights to its corporate name, as well as various brand names and marks that are used for its operations. Provided below is the summary of all marks registered in the name of the Corporation or any of its subsidiaries:

Holder	Mark	Registration Number	Date Filed	Date Registered
Xurpas Inc.	SELFIE.PH	42014009255	July 25, 2014	June 25, 2015
Xurpas Inc.	GRAB-A-GOLD	42014009260	July 25, 2014	December 11, 2014
Xurpas Inc.	FLUXION	42014009259	July 25, 2014	December 11, 2014
Xurpas Inc.	PLAYSMART	42014009254	July 25, 2014	December 11, 2014

Xurpas Inc.	#SELFIE	42014009257	July 25, 2014	December 11, 2014
Xurpas Inc.	SWAG	42014009261	July 25, 2014	February 12, 2015
Xurpas Inc.	Xurpas	42007004775	May 11, 2007	October 8, 2007
Xurpas Inc.	Xurpas	42017003342	March 8, 2018	October 5, 2017
Xurpas Inc.	Xurpas	42017003343	June 29, 2017	March 8, 2017
Xurpas Inc.	Art of Click	42017003340	August 31, 2017	March 8, 2017
Xurpas Inc.	Seer	42017003341	August 31, 2017	March 8, 2017
Xurpas Inc.	XE	42017003346	August 31, 2017	March 8, 2017
Xurpas Inc.	AppXentral	42017003344	June 29, 2017	March 8, 2017
Xurpas Inc.	Xurpas Enterprise	42017003345	June 29, 2017	March 8, 2017
Xurpas Inc.	Balikbayan Box It	42017017366	August 12, 2018	October 26, 2017
Xurpas Inc.	Xuper Tsikot	42017017362	October 26, 2017	March 29, 2018
Xurpas Inc.	Supernova Escape	42017017365	October 26, 2017	March 29, 2018
Xurpas Inc.	Beast Mode On	42017017363	October 26, 2017	March 29, 2018
Xurpas Inc.	Kumander Kuting	42017017364	October 26, 2017	March 29, 2018
Xurpas Inc.	ODX	42018008396	May 21, 2018	May 12, 2019
Xurpas Inc.	X	42018008395	May 21, 2018	May 12, 2019
Xurpas Inc.	Makefree	42018022480	December 19, 2018	December 8, 2019
Xeleb Technologies Inc.	Xeleb	42015005359	May 19, 2015	October 19, 2015
Xeleb Technologies Inc.	Trivia Time with Kuya Kim	42016004316	April 25, 2016	December 22, 2016
Xeleb Technologies Inc.	Xeleb Technologies	42017003700	March 14, 2017	August 31, 2017
Xeleb Technologies Inc.	Popster	42017003704	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jejemonster	42017003703	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jologs	42017003699	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jejemon	42017003702	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Super Belle	42017000346	January 11, 2017	May 4, 2017
Xeleb Technologies Inc.	Master Erwan's Foodcart	42017000082	January 4, 2017	May 4, 2017
Xeleb Technologies Inc.	Empire of Pink	42017000345	January 11, 2017	May 4, 2017

Xeleb Technologies Inc.	Trivia Time with Kuya Kim	42016004316	April 25, 2016	December 22, 2016
Xeleb Technologies Inc.	Xeleb Live	42018003222	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Xeleb Live	42018003220	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Xeleb Live	42018003224	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Xeleb Live	42018003225	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	No Verbal Elements	42018003219	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Adventures of Kuya Kim	42017018334	November 10, 2017	May 24, 2018
Xeleb Technologies Inc.	Anne Kulit ni Mogwai	4201717358	October 26, 2017	March 29, 2018
Xeleb Technologies Inc.	Train Ubusan	42017017360	October 26, 2017	March 29, 2018
Xeleb Technologies Inc.	Erwan Youchop	42017017359	October 26, 2017	March 29, 2018
Xeleb Technologies Inc.	Anne-Galing	42015005360	May 19, 2015	November 19, 2015

Key Licenses

The Corporation's primary business, that is, the development and delivery of mobile consumer content to its client Telcos, is considered as a form of value-added services regulated by the NTC under the Public Telecommunications Policy Act and related implementing regulations issued by the NTC. The Corporation holds a VAS License issued by the NTC valid until January 3, 2021, pursuant to which the Corporation is authorized to engage in all of the foregoing value-added services.

Employees

The Corporation believes that its relationship with its employees is generally good and, since the start of its operations, the Corporation has not experienced a work stoppage as a result of any labor or labor-related disagreements. None of the Corporation's employees belong to a union. The Corporation has implemented cost-cutting measures to manage its day to day operations taking into account the challenges encountered by its mobile consumer services segment.

The table below sets forth the breakdown of the Corporation's labor complement, grouped according to function, as of June 30, 2020:

Executives	3
Accounting, Finance, Human Resources and Administrative	11
Marketing	6
Technical Staff	<u>28</u>
Total	<u>48</u>

As of date, the Corporation does not see any material change from the above-identified labor complement for the next twelve (12) months.

Key Risks

The Corporation considers the following risks material to its operations:

- **Reliance on third party transmission and distribution infrastructure.** In 2018, the Corporation's business was severely affected when Globe Telecom, Inc. implemented new and stricter opt-in guidelines for customers who sign up for VAS subscription. The Corporation has disclosed that it is strengthening and enhancing its enterprise services and HR technology services in light of the ongoing challenges in its mobile consumer segment.
- **Short Term Agreement with Telcos.** The Corporation's existing content provider agreements with its client Telcos are generally short-term in nature, with terms ranging from one to five years. In each case, there is no guarantee that such agreements will be renewed upon expiration thereof. Nevertheless, to mitigate reliance on its existing content provider agreements with such Telcos, the Corporation has acquired/invested in several foreign entities to expand its mobile operator client base to Telcos or other mobile operators outside the Philippines.
- **Ability to maximize and adapt to new technologies.** The Corporation has disclosed that its acquisition and investment in various technology entities is aimed at creating platforms that offers a marketplace of technology products that consumers can choose from. The Corporation has equipped itself with various technologies to create the necessary platforms it can offer to the consumers. The Corporation's success will depend on its ability to maximize the potentials of these acquired technologies. Moreover, since the technology industry continues to develop at a robust pace, the Corporation will need to consider as part of its growth strategy that these technologies will need to be consistently updated, enhanced or developed to minimize risk on these becoming obsolete or impractical.
- **Purchase of 100% of Wavemaker Group Inc.** The Corporation has disclosed that it will purchase 100% of Wavemaker Group Inc., the holding company for five (5) management fund management entities with four (4) active funds. Upon closing, the Corporation will heavily rely on the current portfolio of the active funds and the expertise of the General Partners on making investments that will be able to generate long-term capital appreciation.

The fund management entities are entitled to a Carried Interest. *Carried interest* refers to the share of the profits that the management entities are entitled to as compensation and which is based on the performance of its investments. The management entities, namely, Siemer Ventures, LLC, Wavemaker Partners LLC, WMP GP V, LLC, and Wavemaker Global Select, LLC respectively, are entitled to 20% of the carried interest stemming from investment exit proceeds, subject to full repayment of all of the capital contributions by the limited partners of each such fund. In the event that such exit proceeds are not sufficient to return the entire capital contribution by the limited partners, each respective general partner is required to return any distributed proceeds sufficient to repay the capital contributions in full (or all carried interest proceeds received, if applicable). Accordingly, each of the management entities has operated

such that they will not receive any carried interest until all capital contributions by limited partners have been repaid in full.

Properties

The Corporation does not hold any real property of material value. The Group has entered into various lease agreements with third parties for the office space it occupies.

The Corporation's (*parent company*) office is presently located at 7th Floor, Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines, which is leased by the Corporation from Gervel, Inc. The lease contract is for a period of three (3) years commencing on April 1, 2017 and expiring on March 21, 2020. The applicable rate per month is Php0.27 million, with a corresponding annual increase of 4%.

See Note 19 of the Unaudited Consolidated Financial Statements as of June 30, 2020 for the Operating Lease Commitments of the Group.

Legal Proceedings

There are no material pending legal proceedings (including any bankruptcy, receivership or similar proceedings) to which the Corporation or any of its subsidiaries is a party or to which any of their material assets are subject.

5. Directors' and Officers' Background

Board of Directors, Independent Directors and Executive Officers

The following directors and officers were elected during the 2019 Annual Stockholders' Meeting and 2019 Organizational Meeting both held on November 8, 2019:

Directors / Officers	Nationality	Position	Year Position was Assumed
Nico Jose S. Nollado	Filipino	Chairman	2001
Alexander D. Corpuz	Filipino	Executive Director, President, Chief Information Officer and Chief Finance Officer	2019
Fernando Jude F. Garcia	Filipino	Executive Director, Treasurer and Chief Technology Officer	2001
Mercedita S. Nollado	Filipino	Non-Executive Director	2001
Wilfredo O. Racaza	Filipino	Non-Executive Director	2001
Jonathan Gerard A. Gurango	Filipino	Independent Director	2014
Mark S. Gorriceta	Filipino	Corporate Secretary, Chief Legal Officer and Chief Compliance Officer	2014

The following independent directors were elected on May 7, 2020 during the Special Stockholders' Meeting:

Directors	Nationality	Position	Year Position was Assumed
Imelda C. Tiongson	Filipino	Independent Director	2020
Bartolome S. Silayan, Jr.	Filipino	Independent Director	2020

Background Information

Background Information

Nico Jose S. Nollado, Filipino, 44, has been the Chairman and Director of the Corporation since 2001. He is a director of the following entities: IT and Business Process Association of the Philippines (IBPAP) since 2018 and several subsidiaries of Xurpas – Altitude Games (since 2015), Storm Technologies Inc. (since 2015), Art of Click Pte. Ltd (since 2016), Xurpas Enterprise Inc. (since 2015) and Seer Technologies Inc. (since 2015). He is also a director of Eden International Holdings Pte Ltd. (since 2015), X Mobile Store Pte. Ltd. (since 2017) and Gurango Software Corporation (since 2012). He is the first Filipino Entrepreneur chosen by the Endeavour network. He is also the Ernst and Young’s 2015 Philippine Entrepreneur of the year and was chosen as one of The Outstanding Young Men (“TOYM”) in the Philippines in 2015. Mr. Nollado holds a Bachelor of Science degree in Management from Ateneo de Manila University.

Alexander D. Corpuz, Filipino, 53, was appointed as Director and President of the Corporation effective February 1, 2019. He has also been the Corporation’s Chief Finance Officer since 2014 and Chief Information Officer since 2018. Mr. Corpuz has 30 years of experience in the field of finance, ten years of which was in investment and commercial banking. He was Vice President of Bank of America in 2001, before serving as CFO for Liberty Telecoms, Information Gateway, Mañosa Group of Companies and Hatchd Inc. Mr. Corpuz holds a Bachelor of Science in Business Administration degree from University of the Philippines, Diliman, Cum Laude. He obtained his Masters in Business Management from the Asian Institute of Management, Makati City. He is a member of the Financial Executives Institute of the Philippines (FINEX).

Fernando Jude F. Garcia, Filipino, 47, has been the Chief Technology Officer and Director of the Corporation since 2001. He was also appointed as Treasurer effective February 1, 2019. He also served as Corporate Secretary of the Corporation until December 2014. He created the Corporation’s Griffin Platform, the mobile consumer content gateway and platform for all of the Corporation’s mobile consumer content products and services. He also created the Corporation’s modular middleware system that can easily integrate with any modern billing gateway. He is the chief engineer responsible for the Corporation’s software architecture and systems integration. Examples of such systems and protocols are the following: SMS (CIMD2/EMI-UCP/SMPP), MMS (EIAF/MM7), Voice Services (SIP), Billing/IN (Diameter/UCIP/ParlayX2.1), Security (IPSEC), Publish-subscribe Systems and Video Streaming (RTMP/HLS) and blockchain technology (BTC/ETH). He is also responsible for architecting the Corporation’s fully Cloud-based system infrastructure. Before founding the Corporation, he was a software developer in iAyala. Mr. Garcia holds a Bachelor of Science degree in Applied Physics from the University of the Philippines in Diliman, Quezon City.

Wilfredo O. Racaza, Filipino, 72, has been a Director of the Corporation since 2001. Mr. Racaza has 49 years of marketing and finance experience under his belt. He was the head of New Business Development in Mobil Oil Philippines for 15 years. He previously worked as an insurance executive in Manulife Financial Philippines for 33 years. He is a Registered Financial Consultant (Graduated Cum Laude in May 2015). He has garnered numerous accolades and multiple awards such as Branch of the Year recognitions and consistent agency sales awards. He has been a consistent awardee in the General Agents and Managers Association (GAMA) of the Philippines from 2003 to Present. Mr. Racaza holds a Bachelor of Science in Commerce Degree Major in Accountancy from Xavier University-Ateneo de Cagayan in Cagayan de Oro City.

Mercedita S. Nollo, 79, Filipino, has been a Director of the Corporation since 2001. Atty. Nollo is currently a director of Bank of the Philippine Islands, BPI Family Savings Bank, Anvaya Golf and Nature Club, Inc., and Michigan Holdings, Inc. She is the Chairman of BPI Investment Management Corporation. She is currently an independent director of D&L Industries, Inc. She is a member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc. She has served as a director of Cebu Holdings, Inc. from 1993 to 2006 and of Ayala Corporation from 2004 to 2010. Atty. Nollo was formerly Corporate Secretary and General Counsel of the Ayala Group of Companies and the Senior Managing Director of the Ayala Corporation. She served as Executive Vice President, director and Corporate Secretary of Ayala Land, Inc. and as the firm's Treasurer. Atty. Nollo placed second in the Certified Public Accountant exams in 1960 and also placed second in the 1965 bar exams. She holds a Bachelor of Science degree in Business Administration, magna cum laude, from the University of Philippines. Atty. Nollo holds a Bachelor of Laws degree, cum laude, from the University of the Philippines.

Jonathan Gerard A. Gurango, 62, Filipino, has been an independent director of the Corporation since 2014. Mr. Gurango has a solid track record in forming and running successful software companies. He founded Match Data Systems (MDS) in Seattle, USA in 1987, MDS Philippines in 1991, and MDS Australia in 1996. In 1999, he sold MDS to Great Plains Software, which was acquired by Microsoft in 2001. Mr. Gurango served as the Asia Pacific Regional Director for Microsoft Business Solutions, before he left in 2003 to form Gurango Software. In 2007, he was inducted into the Hall of Fame for Microsoft's Most Valuable Professionals, in recognition of his mastery of software technology and business. In 2006, the Philippine Center for Entrepreneurship acknowledged him as one of the country's Ten Most Inspiring Technopreneurs. In addition to leading Gurango Software as the most successful Microsoft Dynamics partner in the Philippines, he has co-founded several other software start-ups such as SPRING.ph, and was the President of the Philippine Software Industry Association from 2013 to 2014. He is presently a director of Gurango Software Corporation, Kation Technologies, Inc., CodersGuild.net, Inc., Servio Technologies Inc. and APPPS Partners, Inc. Mr. Gurango studied Industrial Engineering at the University of the Philippines, Diliman, Quezon City. He also studied Electrical Engineering at the University of Washington, Seattle, Washington, USA.

Imelda C. Tiongson, 53, Filipino, has been an Independent Director of the Corporation since May 7, 2020. She is currently the President of Opal Portfolio Investments (SPV-AMC) Inc. She is also a new independent director of Pru Life U.K and Seedin Technologies Inc. In addition, she is also involved in several organizations; Trustee of the Institute of Corporate Directors (ICD) and Head of Technology Governance Committee, Vice Chairwoman of the Governance Committee of the Management Association of the Philippines, Trustee of Fintech Alliance.ph and Head of Techno Ethics and Trustee of Fintech Philippines Association. She is also a lecturer of various organizations namely; ICD, Ateneo Graduate School of Business - Center for Continuing Education and International Finance Corporation (*an entity affiliated with the World Bank Group*).

She previously worked as a Senior Lending Officer in National Australia Bank and as Senior Vice President of Philippine National Bank with an aggregate total of 22 years. She was also a Director of Vitarich Corporation and a Board Advisor of East Asia Power Corporation as Creditor-nominee.

Ms. Tiongson also participated in the Technical working groups which drafted the Revised Corporation Code which was enacted in 2019 and the Financial Rehabilitation and Insolvency Act of 2010.

Ms. Tiongson obtained her Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology. She also completed a Master Class on Remedial in Asian Institute of Management (AIM), Master Class in Blockchain/Cryptocurrency facilitated by Terrapinn and Master Class in Risk/Audit conducted by Worldbank ICD.

Bartolome Silayan Jr., 53, Filipino has been an independent director of the Corporation since May 7, 2020. He is currently the President of Phoenix One Knowledge Solutions Inc. ("Phoenix One"), a

technology corporate training and solutions company which he started in 2005. He is also the President of Cafisglobal Inc, a boutique software services company serving clients in Australia. Prior to Phoenix One, he also founded Mind Stream Inc. in 2001, the franchise holder of NIIT, the largest technology education company from India. Before he became an entrepreneur, he was the Philippine Country Head of The Pillsbury Company in 1997. He worked in Hongkong and China in 1994 as Marketing Manager for the Quaker Oats company handling the Gatorade brand. He finished BS Business Management from Ateneo de Manila University and obtained his MBA from Northwestern University's Kellogg school of management.

Mark S. Gorriceta, 42, Filipino, has been the Corporate Secretary and Chief Legal Officer of the Corporation since 2014. He was also appointed as Chief Compliance Officer of the Corporation in 2018. Atty. Gorriceta has been in the practice of law for sixteen years. He acts as legal counsel to several other listed companies, its subsidiaries or affiliates. Atty. Gorriceta also serves as Chief Legal Counsel and/or Corporate Secretary to several leading online and tech companies in the Philippines. He is the Managing Partner and head of the Corporate Group of Gorriceta Africa Cauton & Saavedra. A member of the Philippine Bar since 2005, he holds a Bachelor of Arts, Political Science degree from the Ateneo de Manila University. He also attended certificate courses in Finance at the Asian Institute of Management in Makati City. Atty. Gorriceta is a faculty member of the Ateneo de Manila University's Center for Continuing Education. He teaches Mergers & Acquisitions for the Advanced Module Diploma Course in Corporate Finance.

Significant Employees

The Corporation values the contribution of each employee no matter how big or small and considers all its employees significant. There is no "significant employee" as defined in the SRC.

Family Relationships

Mr. Nico Jose S. Nollado, Chairman, is the son of Atty. Mercedita S. Nollado, a director.

There are no family relationships between the current members of the Board and the key officers other than the above.

Involvement in Certain Legal Proceedings

There are no material legal proceedings, bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a securities or commodities law for the past five years to which the Corporation or any of its subsidiaries or affiliates or its directors or executive officers is a party or of which any of its material properties is subject in any court or administrative government agency.

As of this report, the Corporation is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Corporation or on the results of its operations. No litigation or claim of material importance is known to be pending or threatened against the Corporation or any of its properties.

Certain Relationships and Related Transactions

In the conduct of its day-to-day business, the Corporation engages in related party transactions such as service and licensing agreements, always at arms-length and taking into consideration the best interest of the Corporation.

The Corporation has secured loans from its key shareholders. On February 20, 2019, the board of directors approved the execution of a loan agreement wherein the key shareholders of the Corporation agreed to extend an aggregate of Php150 million loan to be used to fund enterprise projects and for general corporate purposes.

On March 30, 2020, the Corporation also disclosed that it will sell 80% of CTX Technologies Inc. to Mr. Fernando Jude F. Garcia, one of Xurpas' Founders, at Php4 million. The sale price was mutually agreed upon by the parties, taking into account CTX's 2019 book value which is only at Php1.01 million. On September 20, 2020, Xurpas sold the remaining 20% of CTX to Mr. Garcia.

See Note 20 of the Corporation's Interim Financial Statements as of June 30, 2020 for a detailed discussion of the related party transactions entered into by the Corporation.

Ownership Structure and Parent Corporation

As of 2019, the founders, Mr. Nico Jose S. Nollado and Mr. Fernando Jude F. Garcia, own 36.69% of the Corporation. They actively manage the Corporation's business activities. Mr. Raymond Gerard S. Racaza, also a founder but has resigned from any management role, owns 20.07% of the Corporation.

On September 20, 2020, the Corporation approved the issuance of the shares in favor of Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckley Jordan, Wavemaker Partners V LP and Wavemaker US Fund Management Holdings, LLC., or shares equivalent to 47.68% of the Company.

Xurpas Inc. has no parent company.

Resignation of directors

Mr. Raymond Gerard S. Racaza has resigned as Director effective January 30, 2019. Mr. Alvin D. Lao has resigned as Independent Director effective May 22, 2019. Mr. Raymond Gerard S. Racaza and Mr. Alvin D. Lao do not have any known disagreement with the Corporation's affairs, and they resigned for personal reasons.

6. Market Price and Dividends on the Corporation's common shares

A. Market Information

On December 2, 2014, Xurpas Inc. had its initial public offering of 344.00 million common shares at the Philippine Stock Exchange ("PSE") at an offer price of ₱3.97 per share or ₱1.36 billion total proceeds. Net of costs, expenses, and taxes, the estimated net proceeds is ₱1.24 billion.

The following table shows the high and low prices (in PHP) of Xurpas' shares in the PSE for the year 2017, 2018, 2019 and first three quarters of 2020:

	High	Low
2020		
3 rd Quarter	0.68	0.49
2 nd Quarter	0.72	0.46
1 st Quarter	0.95	0.40
2019		
4 th Quarter	1.16	0.75
3 rd Quarter	1.22	0.87
2 nd Quarter	1.37	0.91
1 st Quarter	2.33	1.09
2018		
1 st Quarter	5.93	3.10
2 nd Quarter	3.92	3.00
3 rd Quarter	3.72	2.02

4 th Quarter	2.39	1.04
2017		
4 th Quarter	5.94	3.10
3 rd Quarter	9.07	5.20
2 nd Quarter	10.54	7.40
1 st Quarter	10.50	7.09

The market capitalization of the Company's common shares as of end-2019, based on the closing price of ₱0.77/share, was approximately ₱1.44 billion versus ₱3.22 billion the previous year.⁴

The price information of Xurpas' common shares as of the close of the latest practicable trading date, September 18, 2020, is ₱0.55.

On October 16, 2020, the Exchange circulated a notice classifying the issuance of Xurpas shares to Wavemaker Group and Xurpas' acquisition of Wavemaker Group, Inc. as backdoor listing. Considering the foregoing, the Exchange has required the Company to submit certain documents, including validation of certain items from the Commission. The Company is still in discussions with the Commission on this matter.

B. Holders

There are twenty six (26) registered holders of common shares, as of October 23, 2020 (based on number of accounts registered with the Stock Transfer Agent)⁵.

	Stockholder's Name	Number of shares	Percentage to total	Nationality
1.	PCD Nominee Corp. (Filipino) ⁶	1,416,053,479	73.20	Filipino
2.	PCD Nominee Corp. (Non-Filipino)	290,801,558	15.02	Others
3.	Raymond Gerard S. Racaza	174,100,010	9.00	Filipino
4.	Xurpas Inc.	53,298,242 ⁷	2.75	Filipino
5.	Nelson Gatmaitan	400,000	0.02	Filipino
6.	Emilie Grace S. Nolleto	251,889	0.01	Filipino
7.	Aquilina V. Redo	6,500	0	Filipino
8.	Rogina C. Guda	6,000	0	Filipino
9.	Dahlia C. Aspillera	2,900	0	Filipino
10.	Mercedita S. Nolleto	1,060	0	Filipino
11.	Wilfredo O. Racaza	1,060	0	Filipino
12.	Roberto B. Redo	1,000	0	Filipino
13.	Shareholders' Association of the Philippines, Inc.	1,000	0	Filipino
14.	Frederick D. Go	500	0	Filipino
15.	Dondi Ron R. Limgenco	111	0	Filipino
16.	Marietta V. Cabreza	100	0	Filipino
17.	Milagros P. Villanueva	100	0	Filipino
18.	Myra P. Villanueva	100	0	Filipino

⁴ Xurpas has 1,872,796,877 outstanding common shares as of October 23, 2020;

⁵ Based on the list of stockholders issued by BDO Unibank Inc. Stock and Investment Group; list includes PCD Nominees

⁶ PCD Nominee Corp. (Filipino) includes shares of a) Mr. Nico Jose S. Nolleto; b) Raymond Gerard S. Racaza; and c) Fernando Jude F. Garcia. We note that a portion of shares of Messrs. Nolleto, Racaza and Garcia are not yet listed with the Exchange, but are included in PCD Nominee Corp. (Filipino). Further, PCD Nominee Corp. (Filipino) includes treasury shares.

⁷ It also has shares in PCD Nominee (Filipino)

19.	Myrna P. Villanueva	100	0	Filipino
20.	Philip &/or Elnora Turner	99	0	British-Indian
21.	Fernando Jude F. Garcia	10	0	Filipino
22.	Jonathan Gerard A. Gurango	10	0	Filipino
23.	Alvin D. Lao	10	0	Filipino
24.	Nico Jose S. Nollado	10	0	Filipino
25.	Owen Nathaniel S. AUITF: Li Marcus Au	3	0	Filipino
26.	Joselito T. Bautista	1	0	Filipino
	Total	1,934,925,852⁸	100%	Filipino

C. Dividends and Dividend Policy

Dividend History

Information on the Corporation's declaration of dividends follow:

Parent Company	Per Share	Total Amount	Record Date	Payable Date
Cash dividend declared on:				
May 8, 2017	0.05	92.85 million	May 23, 2017	June 15, 2017
May 10, 2016	0.048	86.27 million	May 31, 2016	June 23, 2016
April 29, 2015	0.40	68.80 million	May 14, 2015	June 2, 2015
September 20, 2014	0.56	36.00 million	June 30, 2014	September 30, 2014
June 5, 2014	0.47	30.25 million	December 31, 2013	June 30, 2014
November 18, 2013	5.13	16.67 million	September 30, 2013	November 29, 2013
July 22, 2013	1.03	3.33 million	June 30, 2013	July 31, 2013
May 6 2013	0.83	2.70 million	December 31, 2012	May 31, 2013
March 13, 2013	3.08	10.00 million	December 31, 2012	March 31, 2013
Stock dividend declared on:				
July 10, 2014	0.95 shares	61.25 million	September 20, 2014	September 20, 2014
May 5, 2014	18.85 shares	61.25 million	May 5, 2014	May 5, 2014

Dividend Policy

The Corporation has adopted a dividend policy pursuant to which stockholders may be entitled to receive, upon declaration by the Corporation's Board of Directors and subject to the availability of the unrestricted retained earnings, dividends equivalent to at least 30% of the prior year's net income after tax based on the Corporation's audited consolidated financial statements as of such year, except when: (i) justified by definite corporate expansion projects or programs approved by the Board; or (ii) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special

⁸ This includes Treasury Shares

circumstances obtaining in the Corporation, such as when there is a need for special reserves for probable contingencies.

The Corporation cannot provide assurance that it will pay any dividends in the future. In making a decision to declare dividends, the Board may consider various factors including the Corporation's cash, gearing, return on equity and retained earnings, the results of its operations or the Corporation's financial condition at the end of the year and such other factors as the Board may deem appropriate. The Corporation's Board may, at any time, modify such dividend payout ratio depending upon the results of operations and future projects and plans of the Corporation.

Recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction

a) Overnight Top-up Placement – April 26, 2016

On April 26, 2016, the Board of Directors of Xurpas approved the holding of a Placing and Subscription Transaction ("the Overnight Top-up Placement") wherein Messrs. Nico Jose S. Nollado, Raymond Gerard S. Racaza and Fernando Jude F. Garcia (the "Selling Shareholders") sold an aggregate of 155,400,000 common shares (the "Offer Shares") to investors (the "Placing tranche") at a price of Php16.00 per share and the Selling Shareholders subscribed to an aggregate of 77,700,000 common shares (the "Subscription Shares") or 4.32% of the new issued and outstanding capital shares of the Corporation ("Subscription tranche") also at Php16.00 per share. The Corporation raised approximately Php1.2 billion from the said issuance of shares.

The first part of the Overnight Top-up Placement consists of the offer and sale of the Offer Shares by the Selling Shareholders to (i) Qualified institutional investors in the Philippines qualified as an exempt transaction in reliance on Section 10.1(c) and 10.1(l) of the Philippine Securities Regulation Code (the "SRC"); (ii) outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"); and (iii) within the United States to "qualified institutional buyers" as defined in, and in reliance on, Rule 144A under the Securities Act. SB Capital Investment Corporation and Decker & Co., LLC are the Joint Global Coordinators and led the selling syndicate in placing the Offer Shares with investors.

The second part of the Overnight Top-up Placement consists of the subscription by each Selling Shareholder to 1.4% of the Corporation's total issued and outstanding capital shares, in the form of new shares issued out of the authorized capital stock of the Corporation at a subscription price equivalent to the Offer Price. Xurpas claimed exemption from registration under Section 10.1(e) and (k) of the Securities and Regulation Code.

The Placement Agents received an aggregate selling fee equal to 1.5% of the gross proceeds of the Offer.

b) Acquisition of Art of Click Pte. Ltd ("AOC") – October 6, 2016

On October 6, 2016, Xurpas signed a Share Purchase Agreement with Emmanuel Michel Jean Allix and Wavemaker Labs Pte. Ltd. (the "Sellers") for the acquisition of 100% shares in AOC for an aggregate consideration of ₱1.40 billion in cash and in Xurpas shares. AOC is a Singaporean start-up firm established in 2011 that specializes on mobile marketing solutions for advertisers, publishers, app developers and other operators. Its key markets include Japan, Korea, Hong Kong, Taiwan, Southeast Asia, North America and Europe.

The cash consideration consists of (1) an Upfront Payment to the Sellers amounting to US\$2,797,106 (135,379,930) and (2) cancellation of employee stockholder options through Xurpas' subscription to one ordinary share in the capital of AOC for US\$2,202,894 (106,620,070). This was used to pay the AOC's Employee Stock Ownership Plan ("ESOP") shareholders.

The Xurpas shares to be issued to the Sellers consist of (1) an Upfront Payment amounting to US\$19,451,739 payable in Xurpas shares to the Sellers on the acquisition date, (2) Installment Payment payable to the Sellers in Xurpas shares one year after the closing date and every year thereafter until three years after the closing date, and (3) a Deferred Purchase Consideration which shall be subject to a net income after tax floor per year that AOC has to meet as a condition precedent to the entitlement of the Sellers to the Deferred Purchase Consideration and payable in three (3) tranches. The aggregate amount of Deferred Payment Consideration for a three-year deferred payment period shall in no case be greater than US\$13,962,725. In the finalization of the purchase price, the parties have clarified that the Deferred Purchase Consideration shall be fixed at US\$13,962,725 and shall not be subject to the performance metrics of AOC, and such is intentionally part of the original consideration. Accordingly, the Deferred Purchase Consideration was considered as part of the acquisition cost in the final purchase price.

The number of Xurpas shares to be issued at each tranche shall be determined using the average market value of Xurpas common shares fifteen (15) days before and fifteen (15) days after the closing date or each commitment date, as applicable, agreed to by the parties.

Included in the Share Purchase Agreement is a call option granting the Sellers an option exercisable within fifty-one (51) months following the Closing Date and only upon the occurrence of a Call Option event to purchase from Xurpas their respective proportionate share in the Sale Shares. This was subsequently waived.

On June 2017, amendments were made to the share purchase agreement with one of the sellers, Emmanuel Michel Jean Allix (“Allix”), which (a) resulted in the payment of US\$7.24 million or 358.50 million, (b) changed the manner of payment of the Installment Payment payable and Deferred Purchase Consideration from being partly in cash and Xurpas shares to solely in cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year.

On July 18, 2017, Xurpas reacquired 53,298,242 common shares Upfront Payment issued at acquisition date to Allix, a former shareholder of AOC, for a consideration of US\$532,983 or 26.65 million.

On October 3, 2017, Xurpas entered into an agreement to amend the share purchase agreement with Wavemaker Labs Pte. Ltd. (“Wavemaker”), a former shareholder of AOC, which provides for (a) the adjusted purchase price, (b) the change in manner of payment for the Installment Payment and Deferred Consideration pertaining to Wavemaker from being payable in Xurpas shares to cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. To implement these amendments, there will be a placement and subscription transaction involving 67,285,706 Xurpas listed shares of existing shareholders by way of a block sale through the facilities of the PSE in 2018. Three shareholders of Xurpas sold their shares to Wavemaker, as an advance on behalf of Xurpas. The said shareholders, then subscribed to an aggregate of 67,285,706 Xurpas shares to replace the shares already advanced. Xurpas is claiming exemption from registration under Section 10.1(k) of the Securities and Regulation Code.

The 16,641,244 common shares initially issued to Wavemaker representing the Upfront Payment shall be placed by Wavemaker in an escrow agent who is authorized to sell these shares after these are listed. The allocation of the proceeds from the sale of these shares will be determined in the future subject to certain conditions.

On October 3, 2017, Allix and Wavemaker executed a waiver of the second and third tranches of the Deferred Purchase Consideration. The Sellers also waived their call option on the shares.

The Company relied on Section 10.1(k) of the Securities Regulation Code, as basis for claiming exemption for the issuance of the said shares in favor of Emmanuel Michel Jean Allix and Wavemaker Labs Pte. Ltd

c) Issuance of New Common Shares to Wavemaker

On September 20, 2020, the Board approved the issuance of 1,707,001,019 common shares (“**Subscription Shares**”) at a price of Php0.10 per share (“**Subscription Price**”) to the following:

Subscribers	No. of Shares	Par Value	Subscription Price (PHP)
Frederick Manlunas	866,540,356	Php 0.10	86,654,035.6
Benjamin Paul Bustamante Santos	240,524,858	Php 0.10	24,052,485.8
James Buckly Jordan	264,329,044	Php 0.10	26,432,904.4
Wavemaker Partners V LP	30,547,808	Php 0.10	3,054,780.8
Wavemaker US Fund Management Holdings, LLC	305,058,953	Php 0.10	30,505,895.3
Total	1,707,001,019		170,700,101.9

On the same day, the Corporation and the Subscribers executed the Subscription Agreement for the issuance of the said shares equivalent to 47.68% of the outstanding shares at a subscription price of Php170,700,101.90 (par value of Xurpas Shares). The Subscription Shares will be taken from the Corporation’s unissued authorized capital stock. Consequently, Public Float will also decrease to 20%. The Corporation will secure stockholders’ approval on the listing of the said shares with the Philippine Stock Exchange.

The subscription price will be paid by the Subscribers in cash and will be due on or before December 31, 2020. The issuance of the Subscription Shares will be subject to certain post-closing conditions, one of which is securing stockholders’ approval on the listing of the Subscription Shares with the Philippine Stock Exchange. The subscription amount received by the Company from the Subscribers will be used to pay for the purchase of 100% of Wavemaker Group, Inc.

The Company relied on Section 10.1(k) of the Securities Regulation Code, as basis for claiming exemption for the issuance of the said shares in favor of Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckly Jordan, Wavemaker Partners V LP and Wavemaker US Fund Management Holdings, LLC.

Moreover, the Company will issue the shares out of its available authorized capital. As such, no stockholders’ approval is necessary for the said issuance of shares. However, under the rules of the Exchange, for listing of at least 10% shares involving related parties, there is a need to secure a waiver on the conduct of a rights or public offering of the shares subscribed from the majority of the outstanding shares held by the minority stockholders present or represented in the meeting. The waiver shall form part of the agenda of the next stockholders’ meeting.

Upon closing, the Subscribers will be able to appoint two (2) out of the eight (8) directors. As of date, the Subscribers will have no management position in the Company.

Please refer to Annex “E” for a copy of the Subscription Agreement and all amendments.

7. External Audit Fees

The Company's external auditor is Sycip Gorres Velayo & Co. ("SGV") The aggregate fees billed for each of the last two calendar years for professional services rendered by the external auditor were ₱2,130,000 and ₱1,800,000 for 2019 and 2018, respectively. The audit fees for 2020 are estimated to be at ₱2,343,000. Services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, tax consultancy and assistance in the preparation of annual income tax returns.

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

The Audit Committee recommends to the Board the appointment of the external auditor and the fixing of the audit fees. The Board and stockholders evaluate and approve the Audit Committee's recommendation.

The representatives of SGV are expected to be present at the Annual Stockholders' Meeting and may also respond to appropriate questions with respect to matters involving its services.

8. Compliance with leading practices on Corporate Governance

Evaluation system to measure the level of compliance with the Manual on Corporate Governance

The Corporation will undertake assessment and performance evaluation exercises in relation to its policies for the purpose of monitoring compliance.

Measures to comply with the adopted leading practices on good corporate governance

The Corporation has appointed a Compliance Officer who shall monitor compliance with the requirements of its revised Manual on Corporate Governance. The Corporation has also established a Corporate Governance Committee that has the responsibility of ensuring the implementation of its governance principles and policy guidelines.

Plans to improve

The Board and Committees undertake to take further steps to enhance adherence to principles and practices of good corporate governance. The Corporation undertakes to periodically review its policies and guidelines, and ensure compliance with all SEC and PSE mandated corporate governance memorandums. In fact, as of date:

- The Corporation has finalized and has circulated the assessment and performance evaluation for its directors.
- Risk Oversight Committee Charter has also been finalized and will be subject to Xurpas' Board approval.
- The Corporation already has three (3) independent directors sitting in its Board.
- The Chair of majority of the committees are now headed by independent directors of Xurpas.
- Diversity in Xurpas' Board with the election of Ms. Imelda C. Tiongson as independent director. There are already two (2) females sitting on Xurpas Board.

AMENDMENT TO THE SUBSCRIPTION AGREEMENT

This Amendment to the Subscription Agreement (“**Amendment**”) is executed on _____ by and among:

FREDERICK MANLUNAS, American, of legal age, with address at 1438 9th Street, Santa Monica, CA 90401 (“**Mr. Manlunas**”);

BENJAMIN PAUL BUSTAMANTE SANTOS, Singaporean, of legal age, with address at 1 Nanson Road, Singapore 238909 (“**Mr. Santos**”);

JAMES BUCKLY JORDAN, American, of legal age, with address at 1438 9th Street, Santa Monica, CA 90401 (“**Mr. Jordan**”);

WAVEMAKER PARTNERS V LP, a Delaware Limited Partnership, with address at 1438 9th Street, Santa Monica, CA 90401 (“**Wavemaker V**”) represented herein by its Managing Partner, Frederick Manlunas;

WAVEMAKER US FUND MANAGEMENT HOLDINGS, LLC, a Delaware Limited Liability Company, with address at 1438 9th Street, Santa Monica, CA 90401 (“**Wavemaker US Fund Holdings**”) represented herein by its Managing Partner, Frederick Manlunas;

- and -

XURPAS INC., a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at 7F Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines represented herein by its Chairman, **Nico Jose S. Nollado** as evidenced by a Secretary’s Certificate attached herewith as Annex “A” (hereinafter referred to the “**Company**”).

*(Each shall be referred to as a “**Party**” and collectively, the “**Parties**”; Mr. Manlunas, Mr. Santos, Mr. Jordan, Wavemaker V and Wavemaker US Fund Holdings shall collectively be referred to herein as “**Subscribers**”)*

RECITALS:

WHEREAS, the Parties executed a Subscription Agreement dated September 20, 2020 wherein the following subscribed to Xurpas Shares:

Name	No. of Subscription Shares	Amount Subscribed (PHP)
Frederick Manlunas	866,540,356	86,654,035.60
Benjamin Paul Bustamante Santos	240,524,858	24,052,485.80

James Buckley Jordan	264,329,044	26,432,904.40
Wavemaker Partners V LP	30,547,808	3,054,780.80
Wavemaker US Fund Holdings, LLC	305,058,953	30,505,895.30
Total	1,707,001,019	170,700,101.90

WHEREAS, all references to Wavemaker US Fund Holdings, LLC in the said Subscription Agreement and all corresponding attachments should be amended to read as Wavemaker US Fund Management Holdings, LLC;

WHEREAS, that the word “Management” has been accidentally omitted in the said documents;

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements provided herein, and intending to be legally bound hereby, the Parties hereby agree as follows:

1. The Parties to the said Subscription Agreement is hereby amended by underline, as follows:

FREDERICK MANLUNAS, American, of legal age, with address at 1438 9th Street, Santa Monica, CA 90401 (“**Mr. Manlunas**”);

BENJAMIN PAUL BUSTAMANTE SANTOS, Singaporean, of legal age, with address at 1 Nanson Road, Singapore 238909 (“**Mr. Santos**”);

JAMES BUCKLY JORDAN, American, of legal age, with address at 1438 9th Street, Santa Monica, CA 90401 (“**Mr. Jordan**”);

Wavemaker Partners V LP, a Delaware Limited Partnership, with address at 1438 9th Street, Santa Monica, CA 90401 (“**Wavemaker V**”) represented herein by its Managing Partner, Frederick Manlunas;

Wavemaker US Fund Management Holdings, LLC, a Delaware Limited Liability Company, with address at 1438 9th Street, Santa Monica, CA 90401 (“**Wavemaker US Fund Holdings**”) represented herein by its Managing Partner, Frederick Manlunas;

- and -

XURPAS INC., a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at 7F Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines represented herein by its Chairman, **Nico Jose S. Nolleto** as evidenced by a Secretary’s Certificate attached herewith as Annex “A” (hereinafter referred to the “**Company**”).

2. Section 1.20 of the Subscription Agreement is hereby amended by underline, as follows:

1.20. Subscribers shall refer to Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckly Jordan, Wavemaker Partners V LP and Wavemaker US Fund Management Holdings, LLC.

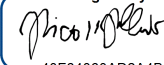
3. Section 6.1. of the Subscription Agreement is hereby amended by underline, as follows:

6.1. **Issuance of Shares.** On Closing Date, the Company shall issue to the Subscribers the Subscription Shares, which shall constitute 47.68% of the total issued and outstanding shares of the Company. The Subscription Shares shall be issued to the Subscribers in accordance with the table below:

Name	No. of Subscription Shares	Amount Subscribed (PHP)
Frederick Manlunas	866,540,356	86,654,035.60
Benjamin Paul Bustamante Santos	240,524,858	24,052,485.80
James Buckly Jordan	264,329,044	26,432,904.40
Wavemaker Partners V LP	30,547,808	3,054,780.80
Wavemaker US Fund <u>Management</u> Holdings, LLC	305,058,953	30,505,895.30
Total	1,707,001,019	170,700,101.90

4. All other references in the Subscription Agreement and corresponding attachments to Wavemaker US Fund Holdings, LLC is hereby amended to Wavemaker US Fund Management Holdings, LLC.
5. Except as set forth in this Amendment, all other terms and conditions provided in the Subscription Agreement shall continue in full force and effect.
6. This Agreement may be executed in one or more counterparts, and by the Parties on separate counterparts, but shall not be effective until all Subscribers and the Company have each executed at least one counterpart, and each of which shall be deemed an original but all of which shall constitute one and the same Agreement. The counterparts of this Agreement may be executed and delivered by facsimile or other electronic signature (including portable document format) by either of the parties and the receiving party may rely on the receipt of such document so executed and delivered electronically or by facsimile as if the original had been received. In the event that counterparts of this Agreement are executed and exchanged by electronic mail or facsimile transmission, the Parties shall endeavor to exchange original executed counterparts of this Agreement.

IN WITNESS WHEREOF, the Parties have signed and caused the delivery of this Amendment as of the date first above mentioned.

DocuSigned by:

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XURPAS INC.
Company

Represented by:
Nico Jose S. Nollado (Chairman)

DocuSigned by:


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FREDERICK MANLUNAS
Subscriber

DocuSigned by:

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**BENJAMIN PAUL BUSTAMANTE
SANTOS**
Subscriber

DocuSigned by:

643CF15AB4154DA...

JAMES BUCKLY JORDAN
Subscriber

DocuSigned by:

BF48E423C85D44C...

WAVEMAKER PARTNERS V LP
Subscriber

Represented by:
Frederick Manlunas (Managing Partner)

DocuSigned by:

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**WAVEMAKER US FUND
MANAGEMENT HOLDINGS, LLC**
Subscriber

Represented by:
Frederick Manlunas (Managing Partner)

Certificate of Completion

Envelope Id: B503AD88634643659BD26B673C2EAD55
 Subject: Please DocuSign: Project Wolverine - Amendment to the Subscription Agreement.pdf
 Source Envelope:
 Document Pages: 4
 Certificate Pages: 5
 AutoNav: Enabled
 Enveloped Stamping: Enabled
 Time Zone: (UTC-08:00) Pacific Time (US & Canada)

Status: Completed

Envelope Originator:
 Mark Gorriceta
 15F Strata 2000 F Ortigas Jr Road Ortigas Center
 Pasig City, Pasig City 1605
 msgorriceta@gorricetalaw.com
 IP Address: 112.206.98.175

Record Tracking


Status: Original
 9/30/2020 9:01:10 AM
 Holder: Mark Gorriceta
 msgorriceta@gorricetalaw.com

Location: DocuSign

Signer Events

Benjamin Paul Bustamante Santos
 paul@wavemaker.vc
 Director
 Wavemaker Pacific
 Security Level: Email, Account Authentication
 (None)

Signature


DocuSigned by:

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 Signature Adoption: Pre-selected Style
 Using IP Address: 218.212.232.30
 Signed using mobile

Timestamp

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Electronic Record and Signature Disclosure:
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Frederick Manlunas
 eric@wavemaker.vc
 Managing Partner
 Wavemaker Partners III LP
 Security Level: Email, Account Authentication
 (None)

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James Buckley Jordan
 buck@wavemaker.vc
 Manager
 Future VC, LLC
 Security Level: Email, Account Authentication
 (None)

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Nico Jose S. Nollado
 nix@xurpas.com
 Security Level: Email, Account Authentication
 (None)

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In Person Signer Events	Signature	Timestamp
Editor Delivery Events	Status	Timestamp
Agent Delivery Events	Status	Timestamp
Intermediary Delivery Events	Status	Timestamp
Certified Delivery Events	Status	Timestamp
Carbon Copy Events	Status	Timestamp
Witness Events	Signature	Timestamp
Notary Events	Signature	Timestamp
Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	9/30/2020 9:06:02 AM
Certified Delivered	Security Checked	10/1/2020 9:05:01 AM
Signing Complete	Security Checked	10/1/2020 9:20:13 AM
Completed	Security Checked	10/1/2020 9:20:13 AM
Payment Events	Status	Timestamps
Electronic Record and Signature Disclosure		

ELECTRONIC RECORD AND SIGNATURE DISCLOSURE

From time to time, Gorriceta Africa Cauton & Saavedra (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through the DocuSign system. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to this Electronic Record and Signature Disclosure (ERSD), please confirm your agreement by selecting the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

Getting paper copies

At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. You will have the ability to download and print documents we send to you through the DocuSign system during and immediately after the signing session and, if you elect to create a DocuSign account, you may access the documents for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

Consequences of changing your mind

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. Further, you will no longer be able to use the DocuSign system to receive required notices and consents electronically from us or to sign electronically documents from us.

All notices and disclosures will be sent to you electronically

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through the DocuSign system all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

How to contact Gorriceta Africa Cauton & Saavedra:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: msgorriceta@gorricetalaw.com

To advise Gorriceta Africa Cauton & Saavedra of your new email address

To let us know of a change in your email address where we should send notices and disclosures electronically to you, you must send an email message to us at msgorriceta@gorricetalaw.com and in the body of such request you must state: your previous email address, your new email address. We do not require any other information from you to change your email address.

If you created a DocuSign account, you may update it with your new email address through your account preferences.

To request paper copies from Gorriceta Africa Cauton & Saavedra

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an email to msgorriceta@gorricetalaw.com and in the body of such request you must state your email address, full name, mailing address, and telephone number. We will bill you for any fees at that time, if any.

To withdraw your consent with Gorriceta Africa Cauton & Saavedra

To inform us that you no longer wish to receive future notices and disclosures in electronic format you may:

- i. decline to sign a document from within your signing session, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
- ii. send us an email to msgorriceta@gorricetalaw.com and in the body of such request you must state your email, full name, mailing address, and telephone number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

The minimum system requirements for using the DocuSign system may change over time. The current system requirements are found here: <https://support.docusign.com/guides/signer-guide-signing-system-requirements>.

Acknowledging your access and consent to receive and sign documents electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please confirm that you have read this ERSD, and (i) that you are able to print on paper or electronically save this ERSD for your future reference and access; or (ii) that you are able to email this ERSD to an email address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format as described herein, then select the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

By selecting the check-box next to 'I agree to use electronic records and signatures', you confirm that:

- You can access and read this Electronic Record and Signature Disclosure; and
- You can print on paper this Electronic Record and Signature Disclosure, or save or send this Electronic Record and Disclosure to a location where you can print it, for future reference and access; and
- Until or unless you notify Gorriceta Africa Cauton & Saavedra as described above, you consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you by Gorriceta Africa Cauton & Saavedra during the course of your relationship with Gorriceta Africa Cauton & Saavedra.

SUBSCRIPTION AGREEMENT

This Subscription Agreement (“**Agreement**”) is made and executed this 20th day of September 2020 by and among:

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FM

FREDERICK MANLUNAS, American, of legal age, with address at 1438 9th Street, Santa Monica, CA 90401 (“**Mr. Manlunas**”);

DS
BPBS

BENJAMIN PAUL BUSTAMANTE SANTOS, Singaporean, of legal age, with address at 1 Nanson Road, Singapore 238909 (“**Mr. Santos**”);

JAMES BUCKLY JORDAN, American, of legal age, with address at 1438 9th Street, Santa Monica, CA 90401 (“**Mr. Jordan**”);

Wavemaker Partners V LP, a Delaware Limited Partnership, with address at 1438 9th Street, Santa Monica, CA 90401 (“**Wavemaker V**”) represented herein by its Managing Partner, Frederick Manlunas;

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Wavemaker US Fund Holdings, LLC, a Delaware Limited Liability Company, with address at 1438 9th Street, Santa Monica, CA 90401 (“**Wavemaker US Fund Holdings**”) represented herein by its Managing Partner, Frederick Manlunas;

- and -

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NJS

XURPAS INC., a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at 7F Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines represented herein by its Chairman, **Nico Jose S. Nollado** as evidenced by a Secretary's Certificate attached herewith as Annex “A” (hereinafter referred to the “**Company**”).

*(Each shall be referred to as a “**Party**” and collectively, the “**Parties**”; Mr. Manlunas, Mr. Santos, Mr. Jordan, Wavemaker V and Wavemaker US Fund Holdings shall collectively be referred to herein as “**Subscribers**”)*

RECITALS:

WHEREAS, the Company is duly-licensed by the Securities and Exchange Commission (the “**SEC**”) to engage in the business of developing, producing, selling, buying or otherwise dealing in products, goods or services in connection with the transmission, receiving, or exchanging of voice, data, video or any form or kind of communication whatsoever, and to purchase or otherwise acquire, own, hold, develop and manage in pursuit of and related to its principal business, real and personal property of every kind and description to possess and exercise in respect thereof, all rights, powers and privileges of ownership;

WHEREAS, the Company's authorized capital stock is Five Hundred Million Pesos (Php500,000,000.00) consisting of Five Billion (5,000,000,000) common shares with a par value of Ten Centavos (Php0.10) per share;

WHEREAS, the Company's issued and outstanding common shares as of Execution Date is provided in Schedule 1;

WHEREAS, the Company offers to Subscribers an aggregate of One Billion Seven Hundred Seven Million One Thousand and Nineteen (1,707,001,019) common shares (“**Subscription Shares**”) from the Company's unissued authorized capital stock;

FINAL – Execution Version

WHEREAS, subject to the terms and conditions herein, the Subscribers have agreed to purchase the Subscription Shares out of the unissued authorized capital of the Company;

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WHEREAS, the Parties rely on Section 10 (k) of Republic Act No. 8799 or the Securities Regulation Code which states that the *sale of securities by an issuer to fewer than twenty (20) persons in the Philippines during any twelve (12) month period* shall not require registration prior to the issuance of the Subscription Shares with the SEC;

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements provided herein, and intending to be legally bound hereby, the Parties hereby agree as follows:

DS
BPBS

1. **DEFINITION OF TERMS.** The following terms are used in this Agreement with the respective meanings ascribed to such terms below, except as the context may require otherwise:

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- 1.1. Action means any action, dispute, claim demand, investigation, inquiry, prosecution, litigation, proceeding, arbitration, mediation, suit or dispute resolution, whether in law or equity, under statute or otherwise and whether actual or contingent.

- 1.2. Agreement means this Subscription Agreement, as the same may be amended or supplemented by the Parties in writing.

- 1.3. Applicable Law includes any statute, law, constitution, proclamation, ordinance, bylaw, regulation, rule, authorization, concession, grant, franchise, license, directive, guideline, policy, requirement, ruling, judgment, or order or decree or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority whether in the Philippines or in any other jurisdiction, with force and effect of law.

DS
JBJ

- 1.4. BIR means the Bureau of Internal Revenue of the Philippines.

- 1.5. Business Day means a day other than Saturday, Sunday or any day on which banks located in Makati City are generally closed for business.

- 1.6. Closing means the completion of the purchase of the Subscription Shares in accordance with the terms and conditions of this Agreement.

- 1.7. Closing Conditions mean the conditions precedent to the fulfillment of the obligations of the Company and the Subscribers to consummate the transaction provided in this Agreement as set forth in Section 7.

- 1.8. Closing Date shall be on a date agreed upon by the Parties on which Closing is to take place, which shall be no later than ten (10) business days from Execution Date.

- 1.9. Company shall refer to Xurpas Inc.

- 1.10. DST shall refer to Documentary Stamp Tax.

- 1.11. Due Diligence Audit means the legal, technical, financial and tax due diligence audits conducted by the Subscribers on the Subscription Shares and the Company and the ownership thereof.

FINAL – Execution Version

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FM

1.12. Encumbrance means with respect to any property or asset, any lien (statutory or otherwise), claim, charge, adverse interest, option, mortgage, pledge, assessment, security interest, assignment, lease, levy, other encumbrance, or other preferential arrangement of any kind in respect of such property or asset; or any preference, priority or other agreement or preferential arrangement of any kind or nature whatsoever including, without limitation, any conditional sale, capital lease, or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any assets, or the proceeds therefrom, prior to any general creditor of the owner thereof.

1.13. Execution Date means the date of execution of this Agreement, which is on September 20, 2020.

DS
BPBS

1.14. Governmental Authority means a (i) nation, state, country, city, town, village, district or other political unit of any nature, (ii) national, local, municipal, foreign, or other government, (iii) governmental or quasi-governmental authority of any nature (including any court or other tribunal), or (iv) any government office, branch, department, agency or body having jurisdiction over any of the Parties, or any Person exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature, or functions of or pertaining to a government having jurisdiction over any of the Parties, or any political subdivision thereof, including those responsible for tax, wherever situated.

DS
JB

1.15. Incoming Directors mean the persons nominated by the Subscribers to be directors of the Company at Closing, whose names shall be provided to the Company on or before the Closing Date.

1.16. PSE means the Philippine Stock Exchange, Inc.

1.17. Resigning Directors mean the persons who shall resign and be replaced as directors.

1.18. SEC means the Philippine Securities and Exchange Commission.

1.19. SRC means the Securities Regulation Code and its implementing rules and regulations.

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1.20. Subscribers shall refer to Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckley Jordan, Wavemaker Partners V LP and Wavemaker US Fund Holdings, LLC.

1.21. Subscription Price is at Php0.10 per share (par value).

1.22. Subscription Amount means the price paid by the Subscribers for the Subscription Shares, or Php170,700,101.9.

1.23. Subscription Shares shall refer to the 1,707,001,019 common shares of the Company with a par value of Php0.10 per share which shall be issued from the unissued authorized Capital Stock of the Company.

1.24. Taxes means any present or future taxes, levies, imposts, stamp duties, filing or other fees and charges (including surcharges, penalties and interest with respect thereto) imposed by any governmental Authority.

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2. **STATUTES.** Any reference to any Applicable Law in this Agreement shall be construed as a reference to such Applicable Law as re-enacted, re-designated, amended, or extended from time to time. Unless otherwise provided herein or unless the context requires otherwise, any reference in this Agreement to any document or agreement shall be deemed to include a reference to such document or agreement as amended, varied, supplemented or replaced from time to time.

3. **SCHEDULES.** The following are the Schedules attached to this Agreement:

Schedule	Name
3-1	Capital Structure Pre-Subscription
3-2	Capital Structure Post-Subscription

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4. **ANNEXES.** The list of annexes attached to this Agreement is provided in Schedule 4.

5. **CONSTRUCTION AND INTERPRETATION.** In this Agreement, unless the context otherwise requires:

(a) **Sections, Clauses and Schedules.** Unless the context requires otherwise, any reference to “Sections”, “paragraphs”, “Schedules” and “Annexes” in this Agreement are to be construed as references to the sections, paragraphs, schedules and annexes of and to this Agreement. Terms such as “in this Agreement,” “of this Agreement,” “according to this Agreement”, or other terms of similar meaning refer to the entirety and not a certain section and item of this Agreement. Terms such as “herein”, “hereof”, “hereunder”, “hereinafter”, and other terms of similar import shall refer to this Agreement, as amended, supplemented and otherwise modified and in effect from time to time.

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(b) **Headings.** The headings of this Agreement are used for convenience only and shall not limit or affect the interpretation of the provisions hereof, or this Agreement.

(c) **Persons.** Reference to “person” denotes a natural person, corporation, partnership, joint venture, trust, estate, association, firm, unincorporated organization, political subdivisions, agency or instrumentality, Governmental Authority or and other legal entity, and reference to a “person” shall include its successors and permitted assigns.

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(d) **Writings.** References to “writing” or cognate expressions includes a reference to telex, cable, electronic mail, facsimile transmission or comparable means of communications.

(e) **Gender.** Unless the context requires otherwise, words importing a gender include every gender and words importing the singular include the plural and vice versa.

(f) **Knowledge.** All references herein to a Party’s “knowledge” shall mean the actual knowledge or belief of such Party (excluding constructive and imputed knowledge), and the knowledge that such Party would have reasonably obtained after having made due and diligent inquiry as to the matters that are the subject of such reference or warranty.

(g) **Successors and Assigns.** References to any Party include references to their or its respective successors and permitted transferees, assigns and substitutes.

6. ISSUANCE OF SUBSCRIPTION SHARES

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6.1. **Issuance of Shares.** On Closing Date, the Company shall issue to the Subscribers the Subscription Shares, which shall constitute 47.68% of the total issued and outstanding shares of the Company. The Subscription Shares shall be issued to the Subscribers in accordance with the table below:

Name	No. of Subscription Shares	Amount Subscribed (PHP)
Frederick Manlunas	866,540,356	86,654,035.60
Benjamin Paul Bustamante Santos	240,524,858	24,052,485.80
James Buckley Jordan	264,329,044	26,432,904.40
Wavemaker Partners V LP	30,547,808	3,054,780.80
Wavemaker US Fund Holdings, LLC	305,058,953	30,505,895.30
Total	1,707,001,019	170,700,101.90

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The resulting capital structure of the Company shall be set out in Schedule 3-2.

6.2. Consideration for the Subscription Shares.

6.2.1. **Subscription Price.** The Subscribers shall pay the Company in legal currency of the Republic of the Philippines and at a total consideration of Php170,700,101.90, payable on a date agreed upon by the Parties, which shall be not later than December 31, 2020.

6.2.2. **Payment.** The Subscription Price shall be deposited by wire transfer or delivery of other immediately available funds to an account designated by the Company.

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7. CLOSING AND CLOSING CONDITIONS.

7.1. **Conditions Precedent to Closing.** The obligations of the Parties to consummate the subscription and issuance of the Subscription Shares as contemplated in this Agreement is subject to the satisfaction of the following conditions (the “**Closing Conditions**”) on or before Closing:

7.1.1. The following shall be the obligations of the **Company** which shall be considered as Conditions Precedent to Closing:

7.1.1.1. The Company has performed all of the covenants and undertakings required to be performed under this Agreement prior to Closing;

7.1.1.2. All of the representations and warranties of the Company contained in Section 10 shall be true and correct in all material respects as of Execution Date and Closing Date;

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7.1.1.3. This Agreement has not been terminated in accordance with the terms provided herein;

7.1.1.4. No applicable law or other legally binding resolution or order shall be in effect which would restrain or prohibit the Closing, or the other transactions contemplated hereby;

7.1.1.5. No material action, proceeding or investigation by or before any court or Governmental Authority has been initiated, is pending, or threatened, and no judgment, decree or order has been issued, that would prevent any of the transactions contemplated herein or cause such transactions to be declared unlawful or rescinded;

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7.1.1.6. All other conditions to Closing that the Parties may separately agree to in writing have been fulfilled.

7.1.2. The following shall be the Obligations of the **Subscribers** which shall be considered as Conditions Precedent to Closing:

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7.1.2.1. The Subscribers have performed all of the covenants and undertakings required to be performed by each under this Agreement prior to Closing;

7.1.2.2. All of the representations and warranties of the Subscribers contained in Section 10 shall be true and correct in all material respects as of Execution Date and Closing;

7.1.2.3. This Agreement has not been terminated in accordance with its terms;

7.1.2.4. No applicable law or other legally binding resolution or order shall be in effect which would restrain or prohibit the Closing, or the other transactions contemplated hereby;

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7.1.2.5. No action, proceeding, or investigation by or before any court or Governmental Authority has been initiated, pending, or threatened, and no judgment, decree or order has been issued, that would prevent any of the transactions contemplated herein or cause such transactions to be declared unlawful or rescinded;

7.1.2.6. Execution by the Subscribers of a Lock-up Letter in a form attached herewith which is in a form substantially similar to Annex "B";

7.1.2.7. Execution by the Subscribers of a waiver on all rights to dividends, and all other upside, gain or returns from the businesses, subsidiaries and affiliates of the Company which shall be effective upon execution of this Agreement and shall continue for a period of one (1) year period from Completion of all Post Closing Deliverables which shall be in a form substantially similar to Annex "C";

7.1.2.8. Execution by the Subscribers of an undertaking which reflects that all assets and cash of the Company will be used for its existing businesses (excluding businesses of Wavemaker Group Inc.) and which shall be in a form substantially similar to Annex "D";

7.1.2.9. The amount due for DST has been deposited by the Subscribers to the designated account of the Company; and

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7.1.2.10. All other conditions to Closing that the Parties may separately agree to in writing shall have been fulfilled.

7.2. Deliverables Prior to Closing. Proof of execution of the following agreements shall also be provided by the Parties prior to Closing:

7.2.1. Agreement which shall be in a form substantially similar to Annex “E”;

7.2.2. Stock Purchase Agreement which shall be in a form substantially similar to Annex “F”.

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7.3. Closing. Closing shall take place at 7F Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City on Closing Date:

7.3.1. Each Party shall execute a confirmation on Closing Date that all Conditions and Deliverables prior to Closing have been met and completed.

7.4. Post – Closing Deliverables. After Closing, each Party commits to comply with the following and which compliance shall not be later than December 31, 2020.

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7.4.1. Within five (5) business days from Closing, the Company shall remit to the BIR the DST due on the issuance of the Subscription Shares;

7.4.2. Within five (5) business days from Closing, the Company shall authorize the Stock and Transfer Agent to register the issuance of the Subscription Shares in favor of the Subscribers;

7.4.3. Issuance by the Subscribers of a certification which provides that the entities identified in Section 7.4.3 have been consolidated into Wavemaker Group Inc., which is in a form substantially similar to Annex “G”:

- 56.50% of the membership interests of Siemer Ventures, LLC;
- 63.67% of the membership interests of Wavemaker Partners, LLC;
- 95.00% of the membership interests of WMP GP V, LLC;
- 100.00% of the Manager Units of Wavemaker Global Select, LLC; and
- 95.00% of the membership interests of Wavemaker Management, LLC

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7.4.4. The Company shall conduct a Stockholders' Meeting and secure stockholders' approval for the listing of the Subscription Shares with the Philippine Stock Exchange, which shall be evidenced by a Secretary's Certificate issued by the Company in a form substantially similar to Annex “H”;

7.4.5. Subscribers have paid the full Subscription Price to the Company;

7.4.6. Occurrence and/or completion of the *Closing* as defined in the Stock Purchase Agreement attached herein as Annex “F”.

7.4.7. Once all conditions provided Section 7.4.1 to Section 7.4.6 have been completed, it shall be deemed that all Post-Closing Conditions have been delivered.

7.4.8. Once all Post-Closing Conditions have been delivered as identified in Section 7.4.1 to Section 7.4.6, within ten (10) calendar days, two (2) incumbent directors of the Company will resign through the execution of a letter in a form substantially similar to Annex “I” and two (2) nominees of the Subscribers will be appointed which shall be in a form substantially similar to Annex “J”.

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7.4.9. The Parties shall execute a confirmation that all Post-Closing Deliverables have been completed, which shall be on a date no later than December 31, 2020.

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7.5. **Reasonable Endeavors.** The Parties shall exert their reasonable efforts to complete, to the satisfaction of the Parties, the Closing Conditions and Post Closing Deliverables identified above. Each Party shall immediately inform the other party of any circumstance which may prevent any Closing Condition / Post Closing Deliverable from being satisfied in accordance with the terms of this Agreement.

The Parties have no obligation to proceed with Closing if any of the Closing Precedents have not been fully complied with. Moreover, unless otherwise waived by the non-breaching party, the non-breaching party may, at its option, terminate or rescind this Agreement if the party in breach fails to comply with his obligations as provided in the Post-Closing Deliverables and has failed to correct the said breach within thirty (30) business days from receipt of the notice of the breach.

8. LISTING OF THE SUBSCRIPTION SHARES.

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8.1. Within one (1) month from completion of all Post-Closing Deliverables, the Company shall file the Listing Application with the PSE for the listing of the Subscription Shares; and

8.2. The Company shall exert best efforts to list the Subscription Shares within twelve (12) months from completion of all Post-Closing Deliverables. For purposes of this Agreement, failure by the Company to list the Subscription Shares within the period provided herein shall not be a basis for rescission or termination of this Agreement. However, the Subscribers shall be entitled to certain Listed Shares from Mr. Nico Jose S. Nollado and Mr. Fernando Jude F. Garcia. The terms and conditions related to the transfer of Listed Shares shall be covered by a separate agreement which shall be in a form substantially similar to Annex "E".

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9. **LOCK-UP ON THE SUBSCRIPTION SHARES.** In addition to the restrictions provided under PSE rules, the Subscribers shall be prohibited from selling any of its rights, title, interest, and ownership over the Subscription Shares from the date of execution of this Agreement until the said shares are fully paid and successfully listed with the PSE. The Lock-up Commitment shall be in a form substantially similar to Annex "K".

10. REPRESENTATIONS AND WARRANTIES.

10.1. The Company represents and warrants that as of Execution Date, Closing Date, and as of completion of Post-Closing Deliverables:

10.1.1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the Republic of the Philippines, is duly qualified to do business in the Philippines, has full legal capacity and possesses the capacity to sue and to be sued in its own name, and has the power to own its property and assets and carry on its business as it is now being conducted;

10.1.2. All acts and proceedings required to be taken by the Company to authorize the execution, delivery and performance of this Agreement and the

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consummation of the transaction contemplated herein have been or will have been taken at or prior to Closing Date.

10.1.3. The Capital Structure of the Company as of Execution Date is set forth in Schedule 3-1. The Subscription Shares are / will be duly authorized and validly issued by the Company. The Subscription Shares shall represent approximately 47.68% of the total issued and outstanding voting capital stock¹ of the Company after Closing. The Capital Structure upon issuance of the Subscription Shares is provided in Schedule 3-2.

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10.2. Each of the Subscribers represent and warrant that as of Execution Date, Closing Date, and as of completion of Post-Closing Deliverables:

10.2.1. He is of legal age, with full legal capacity to execute, deliver and perform this Agreement, and any other document or agreements required to be executed or delivered hereunder and to perform the terms and conditions thereof.

10.2.2. He has full legal right to execute and deliver, incur the obligations in, and observe the terms and conditions of this Agreement. All appropriate and necessary acts and other proceedings required to be taken by it to authorize the execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated herein have been or will have been, at or prior to the Closing Date, duly and property taken.

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10.2.3. All consents and authorizations from the Governmental Authority or from third buyers that the Subscriber is required to obtain have been obtained and all notices the Subscriber is required to give to any person in connection with the execution, delivery, and performance of this Agreement has been given.

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10.2.4. The Agreement has been duly executed and delivered by the Parties or will be duly and validly executed and delivered by the Parties.

10.2.5. The Agreement constitutes, or when executed and delivered, will constitute, the legal, valid and binding obligations of the Subscribers, enforceable against the Subscribers in accordance with their respective terms.

10.2.6. The execution and delivery of this Agreement, or the Subscriber's performance of any provision, condition, covenant or other term thereof, or any transaction contemplated herein will not violate any Applicable Law, indenture or agreement to which he is a party or to which he is or any of his properties is bound and will not conflict with, or result in the breach of, or constitute an event which would either immediately or with the lapse of time or giving of notice or both, result in default under any agreement or instrument to which he is a party or by which he or any of his properties is bound.

10.2.7. No action is pending or, to his knowledge, threatened in writing against the Subscriber which seeks to delay or prevent the consummation of the transaction contemplated herein or which would be reasonably expected to materially and adversely affect or restrict the Subscribers' ability to consummate the transaction contemplated herein.

10.2.8. He is not insolvent, and there is no petition seeking or acquiescing to any bankruptcy, rehabilitation, reorganization, insolvency or other similar relief or proceeding under Applicable Law that has been filed by the Subscriber or by

¹ Issued and Outstanding Shares excludes the Treasury Shares held by the Company

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any party against the Subscriber. The Subscriber has access to sources of funding to be able to make the payments required of it under this Agreement.

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10.2.9. He is fit and proper to be a director or officer of the Company and there is no serious question relating to his integrity or capability. He has not been convicted by final judgment in a criminal proceeding for any offense involving moral turpitude, domestic or foreign, including a *nolo contendere* case, or being subject to a criminal proceeding for an offense involving moral turpitude, domestic or foreign, excluding traffic violations and other minor offenses. He has not been subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities. He has not been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and that judgment has not been reversed, suspended or vacated.

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11. **RESTRICTIVE COVENANT.** For a period of three (3) years from and after the completion of Post-Closing Deliverables ("**Restrictive Period**"), each Subscriber shall not directly or indirectly (i) render services (as an employee, consultant, advisor, manager or otherwise) to any venture capital firm or investment or financial adviser, other than to the Xurpas Group (ii) raise venture capital or other funding, or assist in the raising of venture capital or other funding, other than for the benefit of the Xurpas Group; Provided, however, that the Subscribers, individually or collectively, shall not be prohibited from rendering services, or raise venture capital or other funding, or assist in the raising of venture capital or other funding for the companies or entities involved under Wavemaker Asia Active Funds ("**Wavemaker Asia**"), as enumerated in Schedule 11 hereof. For purposes of this Section, the entities under Xurpas Group shall include Xurpas Inc., its subsidiaries, and its affiliates.

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During the Restrictive Period, the Subscribers shall not, and shall cause its affiliates not to, directly or indirectly (i) induce or attempt to induce any officer, employee, representative or agent of those within the Xurpas Group, Wavemaker Group Inc., or of those employed by Wavemaker Asia, to leave the employ of the Company, of any entity within the Xurpas Group, Wavemaker Group Inc., or Wavemaker Asia; (ii) hire any person who was an employee or service provider of those within the Xurpas Group, Wavemaker Group Inc., or Wavemaker Asia at any time during the Restrictive Period, and within six (6) months following the date of termination of such Person's employment with any entity within the Xurpas Group, Wavemaker Group Inc., or Wavemaker Asia; or (iii) in any other way interfere with the relationship between the Company (or any of its subsidiary or affiliate), Wavemaker Group Inc., or Wavemaker Asia, on the one hand, and any employee thereof, on the other hand.

12. **HOLD HARMLESS.** The Subscribers shall protect, defend, indemnify and hold the Company and their respective assigns, employees, officers and directors harmless from and against all losses, costs, liabilities, claims, damages and expenses of every kind and character, as incurred, resulting from or relating to or arising out of (i) the inaccuracy, nonfulfillment or breach of any representation, warranty, covenant or agreement made by the Subscribers, (ii) any legal action, including any counterclaim, that may constitute a breach of any representation, warranty, covenant or agreement made by the Subscribers in this Agreement, (iii) any actions or omissions of the Subscribers or any employee or agent of the Subscribers occurring prior to completion of all Post-Closing Deliverables and for a period of one (1) year thereafter with respect to any actual liability of Wavemaker Group Inc. and its affiliates; (iv) any failure by the Subscribers, the Wavemaker Group Inc.

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or any of its affiliates to comply with all requirements of law prior to completion of all Post-Closing Deliverables.

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The Company shall protect, defend, indemnify and hold the Subscribers and their respective assigns, employees, officers and directors harmless from and against all losses, costs, liabilities, claims, damages and expenses of every kind and character, as incurred, resulting from or relating to or arising out of (i) the inaccuracy, nonfulfillment or breach of any representation, warranty, covenant or agreement made by the Company, (ii) any legal action, including any counterclaim, that may constitute a breach of any representation, warranty, covenant or agreement made by the Company, (iii) any actions or omissions of the Company or any employee of the Company upon execution of this Agreement until Completion of all Post-Closing Deliverables; and (iv) any failure by the Company to comply with all requirements of law prior to completion of all Post-Closing Deliverables.

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13. **TAXES.** The DST that may be imposed on the issuance of the Subscription Shares in the Company shall be for the sole and exclusive account of the Subscribers and shall be paid by the Subscribers within the period provided herein. Any interest, surcharge, or penalty arising from or in connection with the failure to pay the DST within the statutory period, if such failure to pay is attributable to the Subscribers, shall be for the account of the Subscribers.

All other taxes in relation to the issuance of the Subscription Shares, which may be due, shall be for the account of the Subscribers.

14. **OTHER COSTS AND EXPENSES.**

- 14.1. All fees and expenses relating to the application for Listing of the Subscription Shares with the PSE shall be for the account of the Subscribers. This shall include, but not be limited to:

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- 14.1.1. PSE Processing Fee
- 14.1.2. PSE Listing Fee
- 14.1.3. Legal Fees
- 14.1.4. Appraisal Report / Valuation Report Fee, if applicable
- 14.1.5. Notarial Fees

- 14.2. All Fees relating to the issuance of the Subscription Shares, including Notarial Fees, which may be imposed by the SEC, shall be for the account of the Subscribers. This may include the filing fee if the Company submits a request for Confirmation of Exemption for the issuance of the Subscription Shares.

- 14.3. The processing fee for the conversion of the Certificated Shares to Scripless Shares, if any, and the lodgment with the Philippine Depository & Trust Corp. (PDTC) shall be for the account of the Subscribers.

- 14.4. All other costs and fees not identified herein shall be agreed upon by the Parties. Otherwise, the Company and the Subscribers shall be equally liable for the said costs and expenses.

15. **TERMINATION**

- 15.1. **Events of Termination.** At any time prior to completion of all Post-Closing Deliverables, this Agreement may be terminated without need of judicial intervention by:

- 15.1.1. By the mutual written agreement of the Parties; or

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15.1.2. By any non-breaching Party, by sending a written notice to the Party in breach, upon occurrence of any of the following events:

15.1.2.1. If any of the representations and warranties of the Defaulting Party is found to be untrue, incorrect or misleading in any material respect by the Non-Defaulting Party and such defect, if capable of being cured or remedied, is not cured or remedied within thirty (30) days from receipt of notice of the defect;

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15.1.2.2. If the Defaulting Party fails to fulfill any of the obligations required on its part to be fulfilled under this agreement prior to the Closing Date, and such default, if capable of being cured or remedied, is not cured or remedied within thirty (30) days from receipt of notice of the default.

15.2. **Effects of Termination.** If this Agreement is terminated pursuant to Section 15.1.2. hereof, all rights and obligations of the Parties shall cease to be effective. The Party in breach shall be liable for all actual fees, costs, and expenses incurred by the non-breaching Party since Closing.

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15.3. **Termination.** In case of Termination of this Agreement wherein there is no full payment of the Subscription Shares on or before December 31, 2020, this Agreement shall automatically be rescinded, and the Subscribers undertake to execute any agreement necessary to return to the Company (or any of its appointed representative) the Subscription Shares issued in the name of the Subscribers, without cost to the Company. Otherwise, the provisions of the Revised Corporation Code on Delinquent Stocks shall apply.

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16. **ADHERENCE TO COMPANY POLICY.** The Subscribers acknowledge that as a substantial shareholder/director/officer of the Company, each will be bound by Company policies and procedures, Handbook and/or Corporate Governance Manual. Each Subscriber undertakes to comply with the Company's manual, policies and procedures. Moreover, the Subscribers acknowledge that the Company is a public company listed with the PSE, and as such, he/its representatives undertake to observe the rules of the PSE.

17. APPLICABLE LAW AND SETTLEMENT OF DISPUTES.

17.1. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Republic of the Philippines.

17.2. **Settlement of Disputes.** The Parties shall endeavor to settle all disputes amicably. Any claim, controversy or dispute between the Parties arising out of or in connection with or in respect of this Agreement or the transactions contemplated hereby, including the validity, construction or enforcement thereof, and the performance of the obligations hereunder shall be settled amicably by mutual consultations as far as practicable. In the event such a claim, controversy or dispute is not settled amicably within thirty (30) days from written notice thereof, the same claim, controversy or disputes shall be referred and finally resolved by arbitration in accordance with the rules of the Philippine Dispute Resolution Center, Inc. (PRDRCI) that are in force. Arbitration shall take place in Metro Manila and proceedings shall be conducted in the English language.

17.2.1. The losing Party, as determined by the arbitrators, shall bear all costs of arbitration (including, without limitation, those incurred in the appointment of arbitrator) and the cost of the enforcement of the arbitration award.

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17.2.2. The arbitral award made and granted by the arbitrators shall be final, binding on the Parties, and may be entered in any court of competent jurisdiction, without prejudice to any Party's right to seek injunctive or similar interim relief in any court of competent jurisdiction.

18. ANNOUNCEMENTS.

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18.1. No party shall disclose the making of this Agreement or any of its terms (except those matters set out in a press release in an agreed form) and each Party shall procure that each of its representatives shall not make any disclosure, without the prior written consent of the other Parties, unless the disclosure is:

18.1.1. To its professional advisers, on an as needed basis, provided that such recipients agree to hold such information in accordance with the provisions of this Agreement; and

18.1.2. Required by Applicable Law or the rules of the PSE or other regulatory body with jurisdiction over the disclosing Party, and in this case, disclosure shall be made by that Party after it has taken all such steps as may be reasonable in the circumstances to agree on the content of such announcement with the other Party making such announcement, and provided that any announcement shall be made only after written notice to the other Party and in the form agreed between the Parties.

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18.1.3. The restriction contained herein shall survive the termination of this Agreement.

19. MISCELLANEOUS PROVISIONS.

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19.1. **Notices.** All notices and other communications required or permitted to be given hereunder shall be given in writing and shall be addressed to the appropriate Party at the address of such Party as heretofore designated, or at such other address as such Party may designate subsequently in writing:

To the Company:

Attention: Alexander D. Corpuz
President

Address: 7F Cambridge Centre Building, 108 Tordesillas
St., Salcedo Village, Makati City

E-mail: mar@xurpas.com

Copy Furnished:

Attention: Mark S. Gorriceta
Corporate Secretary

Address: Gorriceta Africa Cauton & Saavedra
15F and 4F Strata 2000 F. Ortigas Jr. Road
Ortigas Center, Pasig City

E-mail: msgorriceta@gorricetalaw.com

To the Subscribers:

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Attention: Frederick Manlunas
 Position: Managing Partner
 Address: Wavemaker Partners
 1438 9th Street
 Santa Monica, CA 90401
 E-mail: eric@wavemaker.vc

Copy Furnished:

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Attention: Jacob Milton C. Divino
 Address: Divino and Gavino Law Offices
 Suite 501 OMM-CITRA Bldg.,
 San Miguel Ave., Ortigas Center,
 Pasig City 1605, Metro Manila
 Email: jmdivino@dglaw.net

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19.2. **Entire Agreement.** This Agreement constitutes the entire agreement of the Parties and shall supersede any prior expressions of intent or understanding with respect to the transactions contemplated hereunder.

19.3. **Venue.** All actions that may arise from or in connection with the Agreement shall be brought in the proper court of the City of Makati, Metro Manila, Philippines to the exclusion of all other courts.

19.4. **Non-Waiver of Rights.** Any failure to exercise or any delay in exercising the rights and privileges herein shall not operate as a waiver thereof. The rights contained herein are cumulative and not exclusive of any right provided by law.

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19.5. **Binding Effect.** This Agreement shall be binding upon, and inure to the benefit of, each Party hereto, its successors, assigns and transferees, provided, however, that a party, may not assign, or make any other transfer of, all or any of its rights and obligations under this Agreement without the prior written consent of the other.

19.6. **Modification.** The Parties agree that this Agreement will not be subject to change or modification except by an instrument executed in writing by the Parties.

19.7. **Assignment.** The provisions of this Agreement shall be binding upon and accrue to the benefit of the Parties and their respective successors and permitted assigns. The respective rights and obligations of a Party shall not be assigned, transferred or disposed of to any person, in whole or in part, without the prior written consent of the other Party.

19.8. **Severability.** If any provision contained herein is invalid, illegal or unenforceable in any respect under any applicable law or decision, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired in any way. The Parties shall so far as practicable execute such additional documents in order to give effect to any provision hereof which is determined to be invalid, illegal or unenforceable.

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19.9. **Data Privacy.** The Subscribers hereby give full consent to the Company to collect, record, organize, store, update, use, consolidate, block, erase or otherwise process information, whether personal, sensitive or privileged, pertaining to itself and the transactions subject hereof which will be used for the implementation of this Agreement. In this connection, the Subscribers acknowledge that they have read, understood and/or have been duly informed of the terms and conditions pertaining to the data privacy practices of the Company as reflected in the Company's Data Privacy Policy, and hereby express their full conformity thereto.

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19.10. **Counterparts.** This Agreement may be executed in one or more counterparts, and by the Parties on separate counterparts, but shall not be effective until all Subscribers and the Company have each executed at least one counterpart, and each of which shall be deemed an original but all of which shall constitute one and the same Agreement. The counterparts of this Agreement may be executed and delivered by facsimile or other electronic signature (including portable document format) by either of the parties and the receiving party may rely on the receipt of such document so executed and delivered electronically or by facsimile as if the original had been received. In the event that counterparts of this Agreement are executed and exchanged by electronic mail or facsimile transmission, the Parties shall endeavor to exchange original executed counterparts of this Agreement.

^{DS}
JB

[Signature Page follows]

^{DS}
MQ

FINAL – Execution Version

IN WITNESS WHEREOF, the Parties have signed and caused the delivery of this Agreement as of the date first above mentioned.

DocuSigned by:

BF48E423C85D44C...

FREDERICK MANLUNAS
Subscriber

FINAL – Execution Version

IN WITNESS WHEREOF, the Parties have signed and caused the delivery of this Agreement as of the date first above mentioned.


DocuSigned by:

6CE2B5330BBB417...

BENJAMIN PAUL BUSTAMANTE SANTOS
Subscriber

FINAL – Execution Version

IN WITNESS WHEREOF, the Parties have signed and caused the delivery of this Agreement as of the date first above mentioned.

DocuSigned by:

643CF15AB4154DA...

JAMES BUCKLY JORDAN
Subscriber

FINAL – Execution Version

IN WITNESS WHEREOF, the Parties have signed and caused the delivery of this Agreement as of the date first above mentioned.

Wavemaker Partners V, LP
Subscriber

Represented by:


BF48E423C85D44C...

Frederick Manlunas
Managing Partner

FINAL – Execution Version

IN WITNESS WHEREOF, the Parties have signed and caused the delivery of this Agreement as of the date first above mentioned.

Wavemaker US Fund Holdings, LLC
Subscriber

DocuSigned by:
Represented by Frederick Manlunas
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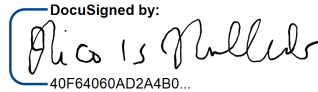
Frederick Manlunas
Managing Partner

FINAL – Execution Version

IN WITNESS WHEREOF, the Parties have signed and caused the delivery of this Agreement as of the date first above mentioned.

XURPAS INC.
Company

By:

DocuSigned by:

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NICO JOSE S. NOLLEDO
Chairman

SCHEDULE 3-1

CAPITAL STRUCTURE PRE-SUBSCRIPTION

	No. of Shares
Xurpas Founders	1,073,066,542
Public (and other directors/officers)	752,630,385
Treasury Shares	62,128,975
Wavemaker Labs Pte. Ltd	47,099,950
Total Issued Shares	1,934,925,852
Less: Treasury Shares	62,128,975
Total Outstanding Shares	<u>1,872,796,877</u>

SCHEDULE 3-2

CAPITAL STRUCTURE POST SUBSCRIPTION

	No. of Shares
Xurpas Founders	1,073,066,542
Public (and other directors/officers)	752,630,385
Treasury Shares	62,128,975
Wavemaker Labs Pte. Ltd	47,099,950
Subscribers	1,707,001,019
Total Issued Shares	3,641,926,871
Less: Treasury Shares	62,128,975
Total Outstanding Shares	<u>3,579,797,896</u>

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
SCHEDULE 4
List of Annexes

Annex	Document
A.	Secretary's Certificate for Xurpas Inc.
B.	Lock-up Letter
C.	Waiver of Dividends
D.	Subscribers' Undertaking
E.	Agreement
F.	Stock Purchase Agreement
G.	Certification on Wavemaker Group Inc.
H.	Secretary's Certificate on Stockholder's approval on the listing of the Shares
I.	Resignation Letters from two (2) incumbent Xurpas Directors
J.	Appointment Letters for two (2) new directors
K.	Lock-up Letter for the Subscription Shares

SCHEDULE 11

Exception to the Restrictive Covenant under Section 11

- **Wavemaker Asia Active Funds:**
 - Wavemaker Labs I, LP
 - Wavemaker Pacific SEA II, LP
 - Wavemaker Pacific SEA III, LP
 - Future Wavemaker Pacific SEA funds

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Annex “A”
Secretary’s Certificate Authorizing the Execution of the Subscription Agreement

SECRETARY’S CERTIFICATE

I, **MARK S. GORRICETA**, Filipino, of legal age, with office address at 15/F and 4/F Strata 2000, F. Ortigas Jr. Road, Ortigas Center, Pasig City, after being duly sworn in accordance with law, depose and say that:

1. I am the duly elected Corporate Secretary of **XURPAS INC.**, (the “**Corporation**”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 108 Tordesillas St., Salcedo Village, Makati City;
2. At the Special Meeting of the Board of Directors of the Corporation held on September 20, 2020 via videoconference at which meeting a quorum was present and acting throughout, the following resolution was unanimously agreed and approved, to wit:

“RESOLVED, that the Board of Directors of Xurpas Inc. (the “Corporation”) approves and authorizes the issuance of One Billion Seven Hundred Seven Million One Thousand and Nineteen (1,707,001,019) common shares (the “**Subscription Shares**”) distributed as follows:

Subscribers	No. of Shares	Par Value (PHP)	Subscription Price (PHP)
Frederick Manlunas	866,540,356	0.10	86,654,035.6
Benjamin Paul Bustamante Santos	240,524,858	0.10	24,052,485.8
James Buckley Jordan	264,329,044	0.10	26,432,904.4
Wavemaker Partners V LP	30,547,808	0.10	3,054,780.8
Wavemaker US Fund Holdings, LLC	305,058,953	0.10	30,505,895.3
Total	1,707,001,019		170,700,101.9

RESOLVED, that the Board of Directors of the Corporation authorizes the issuance of the Subscription Shares immediately in the name of the Subscribers upon execution of the Subscription Agreement;

RESOLVED, that the Board of Directors of the Corporation has approved the terms of the issuance of the Subscription Shares wherein the Subscribers shall pay the Subscription Price on or before December 31, 2020; and

RESOLVED, FURTHER, that the Board of Directors of the Corporation authorizes, as it hereby authorizes, **NICO JOSE S. NOLLEDO**, to represent the Corporation and to sign, execute and deliver any and all documents in relation with the issuance of the Subscription Shares to the Subscribers.”



FINAL – Execution Version

3. **IN WITNESS WHEREOF**, I have hereunto set my hand this 20th day of September 2020.

DocuSigned by:

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MARK S. GORRICETA
Corporate Secretary

Annex “B”

Lock-up Letter

Ladies and Gentlemen:

We refer to the Agreement dated and signed on September 20, 2020 (the “**Agreement**”) by Nico Jose S. Nollado and Fernando Jude F. Garcia (collectively, the “**Founders**”) and Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckley Jordan, Wavemaker Partners V LP and Wavemaker US Fund Holdings, LLC (collectively, the “**Subscribers**”).

Unless the consent of the Subscribers have been secured, we agree that neither of us nor any person acting on our behalf will -- for a period commencing as of the date hereof until the lapse of the Exercise Period as defined in the Agreement executed by the Parties (or Annex E of the Subscription Agreement), without the prior written consent of the Subscribers -- offer, sell, contract to sell, pledge, charge, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, hypothecate or encumber or otherwise transfer or dispose of (“**Restrictions**”), directly or indirectly, 251,445,208 common shares in Xurpas Inc. (the “**Listed Shares**”).

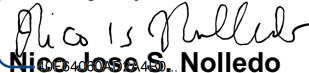
Unless otherwise agreed, we will also not enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic benefits of ownership of the Listed Shares.

The Restriction on the Listed Shares shall be from execution of this letter until the termination of the period provided in the Agreement. In the event that the Agreement is terminated without the implementation of the transfer of the Listed Shares to the Subscribers, the escrow commitment provided herein shall also terminate immediately.

This letter is governed by the laws of the Republic of the Philippines. We irrevocably submit to the exclusive jurisdiction of the court of Makati City over any suit, action or proceeding arising out of or in any way relating to this letter agreement, and consent to the jurisdiction of such courts and personal service with respect thereto. We irrevocably waive, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. We agree that a final judgment in any such action, proceeding or counterclaim brought in any such court shall be conclusive and binding upon us and may be enforced in any other courts to the jurisdiction of which we are or may be subject, by suit upon such judgment.

Very truly yours,

DocuSigned by:


Nico Jose S. Nollado

DocuSigned by:



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Fernando Jude F. Garcia

ANNEX “C-1”

WAIVER OF DIVIDENDS

I, **FREDERICK MANLUNAS**, American, of legal age, with address at 1438 9th Street, Santa Monica, CA 90401, United States of America, am a subscriber to 866,540,356 common shares (the “**Shares**”) with a par value of Ten Centavos (Php0.10) per share of **XURPAS INC.** (the “**Company**”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at 7F Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines.

In relation the Shares registered in my name, I hereby irrevocably waive and relinquish all rights to the dividends, distributions and all other upside, gain or returns from the businesses, and activities of the Company and of its subsidiaries and affiliates as provided in Schedule A, whether or not declared, which may accrue or have accrued from the date of the execution of this Waiver and within one (1) year from completion of all Post Closing Deliverables as defined in the Subscription Agreement signed on September 20, 2020.

In the event that the Company fails to declare all rights to dividends and distributions within the period provided herein, Wavemaker agrees to hold the said amount in trust or escrow and declare the returns as dividends in favor of Xurpas’ Shareholders once the necessary conditions have been met (i.e., availability of unrestricted retained earnings), provided that my commitment on waiver to any and all rights over it shall be maintained.

I hereby undertake to execute to execute and deliver such other documents as may be necessary or convenient under Philippine laws to evidence the same.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of September 2020.

DocuSigned by:
Frederick Manlunas
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FREDERICK MANLUNAS

ANNEX “C-2”

WAIVER OF DIVIDENDS

I, **BENJAMIN PAUL BUSTAMANTE SANTOS**, Singaporean, of legal age, with address at 1 Nanson Road, Singapore 238909, am a subscriber to 240,524,858 common shares (the “**Shares**”) with a par value of Ten Centavos (Php0.10) per share of **XURPAS INC.** (the “**Company**”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at 7F Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines.

In relation the Shares registered in my name, I hereby irrevocably waive and relinquish all rights to the dividends, distributions and all other upside, gain or returns from the businesses, and activities of the Company and of its subsidiaries and affiliates as provided in Schedule A, whether or not declared, which may accrue or have accrued from the date of the execution of this Waiver and within one (1) year from completion of all Post Closing Deliverables as defined in the Subscription Agreement signed on September 20, 2020.

In the event that the Company fails to declare all rights to dividends and distributions within the period provided herein, I agree to hold the said amount in trust or escrow and declare the returns as dividends in favor of Xurpas’ Shareholders once the necessary conditions have been met (i.e., availability of unrestricted retained earnings), provided that my commitment on waiver to any and all rights over it shall be maintained.

I hereby undertake to execute to execute and deliver such other documents as may be necessary or convenient under Philippine laws to evidence the same.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of September 2020.

DocuSigned by:
Benjamin Paul Bustamante Santos
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BENJAMIN PAUL BUSTAMANTE SANTOS

ANNEX “C-3”

WAIVER OF DIVIDENDS

I, **JAMES BUCKLY JORDAN**, American, of legal age, with address at 1438 9th Street, Santa Monica, CA 90401, am a subscriber to 264,329,044 common shares (the “**Shares**”) with a par value of Ten Centavos (Php0.10) per share of **XURPAS INC.** (the “**Company**”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at 7F Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines.

In relation the Shares registered in my name, I hereby irrevocably waive and relinquish all rights to the dividends, distributions and all other upside, gain or returns from the businesses, and activities of the Company and of its subsidiaries and affiliates as provided in Schedule A, whether or not declared, which may accrue or have accrued from the date of the execution of this Waiver and within one (1) year from completion of all Post Closing Deliverables as defined in the Subscription Agreement signed on September 20, 2020.

In the event that the Company fails to declare all rights to dividends and distributions within the period provided herein, I agree to hold the said amount in trust or escrow and declare the returns as dividends in favor of Xurpas’ Shareholders once the necessary conditions have been met (i.e. availability of unrestricted retained earnings), provided that my commitment on waiver to any and all rights over it shall be maintained.

I hereby undertake to execute to execute and deliver such other documents as may be necessary or convenient under Philippine laws to evidence the same.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of September 2020.

DocuSigned by:
James Buckley Jordan
643CF15AB4154DA...

JAMES BUCKLY JORDAN

ANNEX “C-4”

WAIVER OF DIVIDENDS

Wavemaker Partners V LP, a Delaware Limited Partnership, with address at 1438 9th Street, Santa Monica, CA 90401, is a subscriber to 30,547,808 common shares (the “**Shares**”) with a par value of Ten Centavos (Php0.10) per share of **XURPAS INC.** (the “**Company**”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at 7F Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines.

In relation the Shares, Wavemaker Partners V LP hereby irrevocably waive and relinquish all rights to the dividends, distributions and all other upside, gain or returns from the businesses, and activities of the Company and of its subsidiaries and affiliates as provided in Schedule A, whether or not declared, which may accrue or have accrued from the date of the execution of this Waiver and within one (1) year from completion of all Post Closing Deliverables as defined in the Subscription Agreement signed on September 20, 2020.

In the event that the Company fails to declare all rights to dividends and distributions within the period provided herein, Wavemaker Partners V LP agrees to hold the said amount in trust or escrow and declare the returns as dividends in favor of Xurpas’ Shareholders once the necessary conditions have been met (i.e. availability of unrestricted retained earnings), provided that my commitment on waiver to any and all rights over it shall be maintained.

I hereby undertake to execute to execute and deliver such other documents as may be necessary or convenient under Philippine laws to evidence the same.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of September 2020.

Wavemaker Partners V LP

Represented by:

DocuSigned by:

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FREDERICK MANLUNAS
Managing Partner

ANNEX “C-5”

WAIVER OF DIVIDENDS

Wavemaker US Fund Holdings, LLC, a Delaware Limited Liability Company, with address at 1438 9th Street, Santa Monica, CA 90401, is a subscriber to 305,058,953 common shares (the “**Shares**”) with a par value of Ten Centavos (Php0.10) per share of **XURPAS INC.** (the “**Company**”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at 7F Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines.

In relation the Shares, Wavemaker US Fund Holdings, LLC hereby irrevocably waive and relinquish all rights to the dividends, distributions and all other upside, gain or returns from the businesses, and activities of the Company and of its subsidiaries and affiliates as provided in Schedule A, whether or not declared, which may accrue or have accrued from the date of the execution of this Waiver and within one (1) year from completion of all Post Closing Deliverables as defined in the Subscription Agreement signed on September 20, 2020.

In the event that the Company fails to declare all rights to dividends and distributions within the period provided herein, Wavemaker US Fund Holdings, LLC agrees to hold the said amount in trust or escrow and declare the returns as dividends in favor of Xurpas’ Shareholders once the necessary conditions have been met (i.e. availability of unrestricted retained earnings), provided that my commitment on waiver to any and all rights over it shall be maintained.

I hereby undertake to execute to execute and deliver such other documents as may be necessary or convenient under Philippine laws to evidence the same.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of September 2020.

Wavemaker US Fund Holdings, LLC

Represented by:

DocuSigned by:

BF48E423C85D44C
FREDERICK MANLUNAS
Managing Partner

**ANNEX “C”
SCHEDULE A**

1. Storm Technologies Inc., PT. Storm Benefits Indonesia, and such other subsidiaries/affiliates of Storm Technologies Inc.
2. Seer Technologies Inc., Codesignate Inc., and such other subsidiaries/affiliates of Codesignate Inc.
3. ODX Pte. Ltd.
4. CTX Technologies Inc.
5. Art of Click Pte. Ltd.
6. Xurpas Enterprise Inc.
7. Xeleb Technologies Inc. and Xeleb Inc.
8. PT Sembilan Digital Investama
9. Matchme Pte. LTd
10. Micro Benefits Limited
11. Altitude Games Inc.
12. Altitude Games Pte. Ltd.
13. Zowdow Inc.

Conforme:

DocuSigned by:
Frederick Manlunas
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FREDERICK MANLUNAS

DocuSigned by:
Frederick Manlunas
BF48E423C85D44C...
WAVEMAKER PARTNERS V, LP
By: Frederick Manlunas

DocuSigned by:
Benjamin Paul Bustamante Santos
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**BENJAMIN PAUL BUSTAMANTE
SANTOS**

DocuSigned by:
Frederick Manlunas
BF48E423C85D44C...
WAVEMAKER US FUND HOLDINGS, LLC
By: Frederick Manlunas

DocuSigned by:
James Buckley Jordan
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JAMES BUCKLY JORDAN

**ANNEX “D”
SUBSCRIBERS’ UNDERTAKING**

Each of the Subscribers acknowledge and undertake the following:

- 1.1. Each of the Subscribers acknowledge that Xurpas Inc., a corporation duly organized and existing under the laws of the Republic of the Philippines, has existing operations in the Philippines (the “**Company**”);
- 1.2. The Company’s cash / assets identified prior to completion of Post-Closing Deliverables, and all proceeds relating thereto, shall be used exclusively for the Company’s operations in the ordinary course of business, including the settlement of all of its liabilities, as the case may be.
- 1.3. For the avoidance of doubt, Company is understood to refer to Xurpas Inc. (parent company), its subsidiaries and affiliates (excluding Wavemaker Group Inc. and the Management Entities owned by Wavemaker Group Inc.).
- 1.4. Notwithstanding the purchase of Wavemaker Group Inc. and the Subscribers’ purchase of the Company’s shares, all existing assets of the Company and any income derived therefrom, shall only be used to support its current businesses and will not be used to support the operations of Wavemaker Group Inc., and any all entities therein.
- 1.5. Each of the Subscribers undertake to act / vote if needed to ensure that the above matters are implemented within the Company.

Executed on September 20, 2020.


SUBSCRIBERS:

DocuSigned by:

BF48E423C85D44C...
FREDERICK MANLUNAS
(Signature above Name)

DocuSigned by:

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BENJAMIN PAUL BUSTAMANTE SANTOS
(Signature above Name)

DocuSigned by:

643CF15AB4154DA...
JAMES BUCKLY JORDAN
(Signature above Name)

DocuSigned by:

BF48E423C85D44C...
WAVEMAKER PARTNERS V LP
(Signature above Name)

DocuSigned by:

BF48E423C85D44C...
WAVEMAKER US FUND HOLDINGS, LLC
(Signature above Name)

FINAL – Execution Version

**ANNEX “E”
Agreement**

AGREEMENT

This **Agreement** (this “**Agreement**”) is entered into on September 20, 2020 by and among:

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NICO JOSE S. NOLLEDO, Filipino, of legal age, with address at Urdaneta Tower, Ayala Avenue, Makati City (“**Mr. NolleDO**” and/or “**Founder**”);

FERNANDO JUDE F. GARCIA, Filipino, of legal age, with address at Jem 2 Subdivision, Tandang Sora, Quezon City (“**Mr. Garcia**”);

FREDERICK MANLUNAS, American, of legal age, with address at 1438 9th Street, Santa Monica, California 90401 (“**Mr. Manlunas**”);

DS
FM

BENJAMIN PAUL BUSTAMANTE SANTOS, Singaporean, of legal age, with address at 1 Nanson Road, Singapore 238909 (“**Mr. Santos**”);

JAMES BUCKLY JORDAN, American, of legal age, with address at 1438 9th Street, Santa Monica, California 90401 (“**Mr. Jordan**”);

DS
JB

WAVEMAKER PARTNERS V LP, a Delaware Limited Partnership, with address at 1438 9th Street, Santa Monica, CA 90401, represented herein by its Managing Partner, Frederick Manlunas (“**Wavemaker V**”); and

DS
WV

WAVEMAKER US FUND HOLDINGS, LLC, a Delaware Limited Liability Company, with address at 1438 9th Street, Santa Monica, CA 90401, represented herein by its Managing Partner, Frederick Manlunas (“**Wavemaker US Fund Holdings**”);

(Each shall be referred to as a “Party” and collectively, the “Parties”)

RECITALS:

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WHEREAS, the Parties are shareholders of Xurpas Inc., a corporation duly organized and existing under the laws of the Republic of the Philippines with principal office address at 7F Cambridge Centre Building 108 Tordesillas St., Salcedo Village, Makati City (the “**Company**”);

WHEREAS, Mr. Manlunas, Mr. Santos, Mr. Jordan, Wavemaker Partners V LP and Wavemaker US Fund Holdings, LLC (the “**Subscribers**”) have simultaneously executed a Subscription Agreement wherein they will subscribe to an aggregate of One Billion Seven Hundred Seven Million One Thousand and Nineteen (1,707,001,019) common shares of the Company which shall be taken from the unissued authorized capital stock of the Company (the “**Subscription Shares**” or “**Subscription Tranche**”);

WHEREAS, the Company shall also purchase all issued and outstanding shares in Wavemaker Group Inc., a corporation duly incorporated under the laws of Delaware (“**Sale Tranche**”);

WHEREAS, *Completion of all Post-Closing Deliverables for the Subscription Tranche* shall include fulfillment of the following conditions: (a) execution of the Subscription Agreement; (b) Subscription Shares have been issued in the name of the Subscribers, which may be in certificated or scripless form; (c) documentary stamp tax for the new issuance of

shares has been paid; (d) the name of the Subscribers have been recorded in the Company's corporate books and records as legal and beneficial owner of the Subscription Shares; and (e) the full payment on the Subscription Shares have been received by the Company;

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WHEREAS, *Closing for the Sale Tranche* shall be defined as completion of the following conditions: (a) execution of the Deed of Assignment, or any equivalent document; (b) payment of all taxes due on the transfer; (c) consents from the Limited Partners have been secured by the Subscribers for the transfer of One Hundred Percent (100%) interest to the Company; and (d) transfer of the 100% economic, legal and beneficial interest in Wavemaker Group Inc. to the Company;

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WHEREAS, the Company has a commitment to list the Subscription Shares within twelve (12) months from the completion of all Post-Closing Deliverables for the Subscription Tranche and Closing for the Sale Tranche;

WHEREAS, in case of failure to list the Subscription Shares due to reasons beyond the control of the Company within the period provided above, Mr. Nollado and Mr. Garcia (the "**Founders**") have committed to transfer a certain number of Listed Shares registered in their name to the Subscribers. Consequently, the Subscribers also committed to transfer the equivalent number of Unlisted Shares registered in their name to the Founders.

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NOW THEREFORE, in consideration of the mutual promises, covenants and agreements herein, and intending to be legally bound hereby, the Parties hereby agree as follows:

1. **COMMITMENT OF THE COMPANY.** In the Subscription Agreement executed between the Company and the Subscribers dated September 20, 2020, the Company shall exert reasonable commercial efforts to list the Subscription Shares in the Philippine Stock Exchange ("PSE") within twelve (12) months from completion of all Post-Closing Deliverables for the Subscription Tranche and Closing for the Sale Tranche ("**Deadline**"). Failure by the Company to list the Subscription Shares on or before the Deadline due to reasons beyond the control of the Company shall give rise to the right of the Subscribers to demand for the transfer of shares as described in detail in Section 2 herein.

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2. **TRANSFER OF SHARES.** If the Company fails to comply with the commitment on or before the Deadline, the Parties shall have the following obligations:

2.1. The Founders shall convey, transfer and assign the Listed Shares (as identified below) to the Subscribers.

DS

MS

2.2. The Subscribers shall convey, transfer and assign the Unlisted Shares (as identified below) to the Founders.

The Listed and Unlisted Shares to be transferred, conveyed and assigned as provided in Section 2 herein shall be free and clear of all liens, pledges, encumbrances, changes, restrictions or known claims of any kind, nature, or description.

Founders	Listed Shares to be transferred by the Founders to the Subscribers	Unlisted Shares to be received by the Founders from the Subscribers
Nico Jose S. Nollado	125,722,604	125,722,604

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FM

Fernando Jude F. Garcia	125,722,604	125,722,604
	251,445,208	251,445,208

DS
BPBS

Subscribers	Unlisted Shares to be transferred by the Subscribers to the Founders	Listed Shares to be received by the Subscribers from the Founders
Frederick Manlunas	127,643,404	127,643,404
Benjamin Paul Bustamante Santos	35,429,869	35,429,869
James Buckley Jordan	38,936,281	38,936,281
Wavemaker Partners V LP	4,499,763	4,499,763
Wavemaker US Fund Holdings, LLC	44,935,891	44,935,891
Total	251,445,208	251,445,208

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JB

3. **EXERCISE PERIOD.** The Subscribers have one (1) month from the lapse of the Deadline to demand the transfer of the Listed Shares as provided in Section 2.
4. **CLOSING.** Closing shall refer to implementation of the Transfer of Shares during the Exercise Period.

The Parties shall mutually agree on the date of Closing.

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[Signature]

5. **CLOSING DELIVERABLES.** On Closing, the following shall be delivered and/or executed by the Parties:

- 5.1. **Deliverables of the Subscribers.** The Subscribers shall deliver the following documents to the Company's Corporate Secretary:

- 5.1.1. For the Unlisted Shares to be received by the Founders:

- Deed of Donation or such other document as agreed upon by the Parties which shall set forth the transfer and conveyance of the Unlisted Shares to the Founders;
- Special Power of Attorney authorizing the Company, or any of its representatives, and such other document necessary to secure the Certificate Authorizing Registration (CAR) from the Bureau of Internal Revenue (BIR) for the transfer, conveyance and assignment of the Unlisted Shares in favor of the Founders;
- Original Stock Certificate which represents the Unlisted Shares, free and clear of all liens, pledges, encumbrances, changes, restrictions or known claims of any kind, nature, or description;

DS
[Signature]

DS
FM

- Donor's tax, documentary stamp tax and such other taxes which may be due on the transfer, conveyance and assignment of the Unlisted Shares to the Founders shall be for the account of the Subscribers;
- All other costs and expenses, including legal fees, relating to the transfer, conveyance and assignment of the Unlisted Shares to the Founders shall be for the account of the Subscribers.

5.1.2. For the Listed Shares to be received by the Subscribers:

- A letter of instruction issued by the Subscribers that authorizes the transfer, conveyance and assignment of the Listed Shares to its own designated broker's account;
- All taxes due (or may be due) on the transfer, conveyance and assignment of the Listed Shares to the Subscribers which are imposed on the Subscribers and the Founders and which shall be for the account of the Subscribers;
- All other costs and expenses, including legal fees, relating to the transfer, conveyance or assignment of the Listed Shares shall be for the account of the Subscribers.

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5.2. **Deliverables of the Founders.** The Founders shall deliver the following documents to the Company's Corporate Secretary:

5.2.1. For the Unlisted Shares to be received by the Founders:

- Deed of Donation or such other document as agreed upon by the Parties which shall set forth the transfer and conveyance of the Unlisted Shares to the Founders.
- Special Power of Attorney authorizing the Company, or any of its representatives, and such other documents necessary to secure the Certificate Authorizing Registration (CAR) from the Bureau of Internal Revenue for the transfer, conveyance and assignment of the Unlisted Shares in favor of the Founders.

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[Signature]

5.2.2. For the Listed Shares to be received by the Subscribers:

- Letter of Instruction issued by the Founders authorizing the transfer, conveyance and assignment of the Listed Shares to the Subscribers' designated broker's account.

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[Signature]

5.3. The Subscribers and the Founders undertake to execute any and all documents necessary to implement the transfer, conveyance and assignment of shares contemplated hereunder.

6. TAXES.

6.1. **Transfer of Listed Shares.** All taxes due on the transfer of Listed Shares to the Subscribers, such as, but not limited to Stock Transaction Tax, Broker's Commission, Value-Added Tax on the Broker's Fees/Commission, PSE Fee, and SCCP Fee

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which may be imposed on the Subscribers and the Founders shall be for the account of the Subscribers. The said amount shall be delivered to the Company on Closing.

- 6.2. **Transfer of Unlisted Shares.** All taxes due on the transfer of Unlisted Shares in favor of the Founders, such as, but not limited to documentary stamp tax, capital gains tax, and/or donor's tax, if any, shall be for the account of the Subscribers.

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- 6.3. **Date of Payment.** The Subscribers shall pay the corresponding taxes on or before Closing. All interest, surcharge and penalties that may be imposed as a result of late payment or non-payment, if such late payment or non-payment is attributed to the Subscribers, shall be for their own account.

7. **FEES.** All cost, expenses and other fees relating to the implementation of this Agreement, including legal fees, shall be for the account of the Subscribers. The Subscribers shall compensate the Company and Founders for all documented out-of-pocket expenses directly and properly incurred in connection with the Transfer, Conveyance and Assignment of Shares (as contemplated herein).

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8. **POST CLOSING DELIVERABLES.** The Parties shall assist the Company in the following:

- 8.1. Processing of the BIR Certificate Authorizing Registration for the transfer of Unlisted Shares in favor of the Founders.

- 8.2. Preparation of all documentary requirements and submission of all regulatory filings with the PSE and Securities and Exchange Commission ("SEC") for the transfer, conveyance and assignment of the Shares.

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- 8.3. Payment and Remittance of all taxes that may be due as a result of the transfer of Shares within the period provided under Philippine laws.

- 8.4. Process and remit payments of all costs and expenses in relation to this Agreement.

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- 8.5. Issuance of the share certificates for the Unlisted Shares in the name of the Founders, post-transaction.

- 8.6. Issuance of the corresponding share certificates for the Listed Shares in the name of the Subscribers, post-transaction, and if requested by the Subscribers.

- 8.7. Compliance with all regulatory filings with the SEC and PSE.

9. **LOCK-UP ON THE LISTED SHARES.** Unless otherwise agreed by the Parties, the Founders shall be prohibited from selling, conveying, or transferring any of the Listed Shares until the lapse of the Exercise Period. A lock-up letter in the form agreed upon by the Parties shall form part of this Agreement.

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10. **BEST EFFORTS.** The Subscribers, together with the Company, shall use all commercially reasonable efforts to timely list the Unlisted Shares with the PSE on or before the Deadline.

11. **REPRESENTATIONS AND WARRANTIES.** Each Party represents and warrants that as of Closing Date:

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11.1. He is of legal age, with full legal capacity to execute, deliver and perform this Agreement, and any other document or agreements required to be executed or delivered hereunder and to perform the terms and conditions thereof.

11.2. He has full legal right to execute and deliver, incur the obligations in, and observe the terms and conditions of, this Agreement. All appropriate and necessary acts and other proceedings required to be taken by it to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, have been or will have been, at or prior to the Closing Date, duly and properly taken.

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11.3. The Agreement has been duly executed and delivered by it or will be duly and validly executed and delivered by it.

11.4. The Agreement constitutes, or when executed and delivered, will constitute, the legal, valid and binding obligations enforceable against him in accordance with their respective terms.

DS
[Signature]

11.5. The execution and delivery of this Agreement, or the performance of any provision, condition, covenant or other term thereof or any transaction contemplated herein will not violate any applicable law, indenture or agreement to which it is a party or to which it is or any of its properties is bound and will not conflict with, or result in the breach of, or constitute an event which would either immediately or with the lapse of time or giving of notice or both, result in default under, any agreement or instrument to which he is a party or by which it or any of its properties is bound.

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[Signature]

11.6. No action is pending or, to his knowledge, threatened in writing against him which seeks to delay or prevent the consummation of the transaction contemplated herein or which would be reasonably expected to materially and adversely affect or restrict his ability to consummate the transaction contemplated herein.

11.7. He is not insolvent, and there is no petition seeking or acquiescing to any bankruptcy, rehabilitation, reorganization, insolvency or other similar relief or proceeding under applicable law that has been filed by him or by any party against him. He has access to sources of funding to be able to make the payments required of it under this Agreement.

12. **TERMINATION.** This Agreement shall immediately terminate upon:

12.1. The listing of the Subscription Shares with the PSE on or before the Deadline;

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- 12.2. If the Parties are able to complete the transfer, conveyance or assignment of the shares as contemplated hereunder in case there is failure to list the Subscription Shares on or before the Deadline;
- 12.3. Upon the lapse of the Exercise Period and the Subscribers failed to exercise their right and comply with obligations as provided herein; or
- 12.4. Upon mutual agreement of the Parties in writing.

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13. **CONFIDENTIALITY.** No party shall disclose the making of this Agreement or any of its terms (except those matters set out in a press release in an agreed form) and each Party shall procure that each of its representatives shall not make any disclosure, without the prior written consent of the other Parties, unless the disclosure is:

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- 13.1. To its professional advisers, on an as-needed basis, provided that such recipients agree to hold such information in accordance with the provisions of this Agreement; and
- 13.2. Required by applicable law or the rules of the PSE or other regulatory body with jurisdiction over the disclosing Party, and in this case, disclosure shall be made by that Party after it has taken all such steps as may be reasonable in the circumstances to agree on the content of such announcement with the other Party making such announcement, and provided that any announcement shall be made only after written notice to the other Party and in the form agreed between the Parties.
- 13.3. The restriction contained herein shall survive the termination of this Agreement.

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[Signature]

14. MISCELLANEOUS PROVISIONS

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[Signature]

- 14.1. **Notices.** All notices and other communications required or permitted to be given hereunder shall be given in writing and shall be addressed to the appropriate Party at the address of such Party as heretofore designated, or at such other address as such Party designate subsequently in writing:

To the FOUNDERS:

Attention:	Nico Jose S. Nollado
Address:	Urdaneta Tower, Ayala Avenue, Makati City
E-mail:	nix@xurpas.com
Attention:	Fernando Jude F. Garcia
Address:	Jem 2 Subdivision, Tandang Sora, Quezon City
E-mail:	andy@xurpas.com

Copy Furnished notices to the Founders:

Attention: Mark S. Gorriceta
Corporate Secretary

Address: Gorriceta Africa Cauton & Saavedra
15F and 4F Strata 2000 F. Ortigas Jr. Road
Ortigas Center, Pasig City
E-mail: msgorriceta@gorricetalaw.com

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To the SUBSCRIBERS:

Attention: Frederick Manlunas
Address: 1438 9th Street, Santa Monica, California 90401
E-mail: eric@wavemaker.vc

Attention: Benjamin Paul Bustamante Santos
Address: 1 Nanson Road, Singapore 238909
E-mail: paul@wavemaker.vc

Attention: James Buckly Jordan
Address: 1438 9th Street, Santa Monica, California 90401
E-mail: buck@wavemaker.vc

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Copy Furnished notices to Subscribers:

Attention: Jacob Milton C. Divino

Address: Divino and Gavino Law Offices
Suite 501 OMM-CITRA Bldg.,
San Miguel Ave., Ortigas Center,
Pasig City 1605, Metro Manila

Email: jmdivino@dglaw.net

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14.2. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Republic of the Philippines.

14.3. **Settlement of Disputes.** The Parties shall endeavor to settle all disputes amicably. Any claim, controversy or dispute between the Parties arising out of or in connection with or in respect of this Agreement or the transactions contemplated hereby, including the validity, construction or enforcement thereof, and the performance of the obligations hereunder shall be settled amicably by mutual consultations as far as practicable. In the event such a claim, controversy or dispute is not settled amicably within thirty (30) days from written notice thereof, the same claim, controversy or disputes shall be referred and finally resolved by arbitration in accordance with the rules of the Philippine Dispute Resolution Center, Inc. (PRDRCI) that are in force. Arbitration shall take place in Metro Manila and proceedings shall be conducted in English language.

DS
[Signature]

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[Signature]

The losing Party, as determined by the arbitrators, shall bear all costs of arbitration (including, without limitation, those incurred in

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the appointment of arbitrator) and the cost of the enforcement of the arbitration award.

The arbitral award made and granted by the arbitrators shall be final, binding on the Parties, and may be entered in any court of competent jurisdiction, without prejudice to any Party's right to seek injunctive or similar interim relief in any court of competent jurisdiction.

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14.4. **Entire Agreement.** This Agreement constitutes the entire agreement of the Parties and shall supersede any prior expressions of intent or understanding with respect to the transactions contemplated hereunder.

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14.5. **Venue.** All actions that may arise from or in connection with the Agreement shall be brought in the proper court of the City of Makati, Metro Manila, Philippines to the exclusion of all other courts.

14.6. **Non-Waiver of Rights.** Any failure to exercise or any delay in exercising the rights and privileges herein shall not operate as a waiver thereof. The rights contained herein are cumulative and not exclusive of any right provided by law.

14.7. **Modification.** The Parties agree that this Agreement will not be subject to change or modification except by an instrument executed in writing by the Parties.

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[Signature]

14.8. **Assignment.** The provisions of this Agreement shall be binding upon and accrue to the benefit of the Parties and their respective successors and permitted assigns. The respective rights and obligations of a Party shall not be assigned, transferred or disposed of to any person, in whole or in part, without the prior written consent of the other Party.

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[Signature]

14.9. **Severability.** If any provision contained herein is invalid, illegal or unenforceable in any respect under any applicable law or decision, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired in any way. The Parties shall in so far as practicable execute such additional documents in order to give effect to any provision hereof which is determined to be invalid, illegal or unenforceable.

14.10. **Data Privacy.** Each Party hereby gives full consent to the Company to collect, record, organize, store, update, use, consolidate, block, erase or otherwise process information, whether personal, sensitive or privileged, pertaining to itself and the transactions subject hereof which will be used for the implementation of this Agreement. In this connection, each Party acknowledges that he has read, understood and/or has been duly informed of the terms and conditions pertaining to the data privacy practices of the Company as reflected in the Company's Data Privacy Policy, and hereby express their full conformity thereto.

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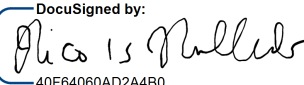
14.11. **Counterparts.** This Agreement may be executed in one or more counterparts, and by the Parties on separate counterparts, but shall not be effective until each Party has each executed at least one counterpart, and each of which shall be deemed an original but all of which shall constitute one and the same Agreement. The counterparts of this Agreement may be executed and delivered by facsimile or other electronic signature (including portable document format) by either of the parties and the receiving party may rely on the receipt of such document so executed and delivered electronically or by facsimile as if the original had been received. In the event that counterparts of this Agreement are executed and exchanged by electronic mail or facsimile transmission, the Parties shall endeavor to exchange original executed counterparts of this Agreement.

[Signature Page Follows]

DS
[Signature]

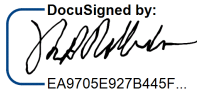
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[Signature]

IN WITNESS WHEREOF, the Parties have signed and caused the delivery of this Agreement as of the date first above mentioned.

DocuSigned by:

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NICO JOSE S. NOLLEDO
FOUNDER

Confirmed by:

DocuSigned by:

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MAITA AVINANTE NOLLEDO

IN WITNESS WHEREOF, the Parties have signed and caused the delivery of this Agreement as of the date first above mentioned.

DocuSigned by:

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FERNANDO JUDE F. GARCIA
FOUNDER

Confirmed by:

DocuSigned by:

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JOANNA GRACE ALDEA GARCIA

ACKNOWLEDGMENT

Republic of the Philippines)
) ss.

BEFORE ME, this [] day of [] 2020, personally appeared the following persons, each of whom exhibited their respective competent evidence of identities, to wit:

Name	Competent Evidence of Identity	Date/Place of Issue
Nico Jose S. Nollado	P3513313A	DFA Manila / June 28, 2017
Fernando Jude F. Garcia	P3524556B	DFA NCR East / October 15, 2019

and presented to me an integrally complete instrument for acknowledgment. They all represented and declared to me that they voluntarily affixed the signatures appearing on the instrument for the purposes stated therein and that they executed the instrument as their free and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal on the date and place first above written.

Doc. No.: _____
 Page No.: _____
 Book No.: _____
 Series of 2020.

IN WITNESS WHEREOF, the Parties have signed and caused the delivery of this Agreement as of the date first above mentioned.

DocuSigned by:
Frederick Manlunas
BF48E423C85D44C...

**FREDERICK MANLUNAS
SUBSCRIBER**

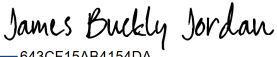
IN WITNESS WHEREOF, the Parties have signed and caused the delivery of this Agreement as of the date first above mentioned.

DocuSigned by:

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BENJAMIN PAUL BUSTAMANTE SANTOS
SUBSCRIBER

IN WITNESS WHEREOF, the Parties have signed and caused the delivery of this Agreement as of the date first above mentioned.

DocuSigned by:

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JAMES BUCKLY JORDAN
SUBSCRIBER

IN WITNESS WHEREOF, the Parties have signed and caused the delivery of this Agreement as of the date first above mentioned.

**WAVEMAKER PARTNERS V LP
SUBSCRIBER**

Represented by:

DocuSigned by:

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Frederick Manlunas
Managing Partner

IN WITNESS WHEREOF, the Parties have signed and caused the delivery of this Agreement as of the date first above mentioned.

**WAVEMAKER US FUND HOLDINGS, LLC
SUBSCRIBER**

Represented by:

DocuSigned by:

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Frederick Manlunas
Managing Partner

[Notary Page]

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Annex “F”

Stock Purchase Agreement

ANNEX “G”

**Certification from Wavemaker Founders on Complete Transfer of Management
Entities into Wavemaker Group, Inc.**

We, **FREDERICK MANLUNAS, BENAJAMIN PAUL BUSTAMANTE SANTOS, JAMES BUCKLY JORDAN, WAVEMAKER PARTNERS V LP and WAVEMAKER US FUND HOLDINGS, LLC.** hereby certify that **WAVEMAKER GROUP, INC.**, a Corporation organized and existing under the laws of Delaware, with office address at 221 N. Broad Street, Suite 3A, Middletown, DE 197909, New Castle County, Delaware, is the registered economic, legal and beneficial owner of the following entities:


- 56.50% of the membership interests of Siemer Ventures, LLC;
- 63.67% of the membership interests of Wavemaker Partners, LLC;
- 95.00% of the membership interests of WMP GP V, LLC;
- 100.00% of the Manager Units of Wavemaker Global Select, LLC; and
- 95.00% of the membership interests of Wavemaker Management, LLC

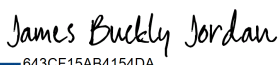
We also certify that all governance documents in relation to the foregoing entities are up to date.

IN WITNESS WHEREOF, we have hereunto set our hands this 20th day of September 2020.

DocuSigned by:

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FREDERICK MANLUNAS

DocuSigned by:

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**BENJAMIN PAUL BUSTAMANTE
SANTOS**

DocuSigned by:

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JAMES BUCKLY JORDAN

DocuSigned by:

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WAVEMAKER US FUND HOLDINGS, LLC

DocuSigned by:

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WAVEMAKER PARTNERS V LP

Annex “H”
Secretary’s Certificate on the Stockholders’ Approval on the Listing of the Shares
(Post-Closing)

SECRETARY’S CERTIFICATE

I, **MARK S. GORRICETA**, Filipino, of legal age, with office address at 15/F and 4/F Strata 2000, F. Ortigas Jr. Road, Ortigas Center, Pasig City, after being duly sworn in accordance with law, depose and say that:

- I am the duly elected Corporate Secretary of **XURPAS INC.**, (the “**Corporation**”), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 108 Tordesillas St., Salcedo Village, Makati City;
- At the Special Meeting of the Stockholders of the Corporation held on November 13, 2020 via videoconference at which meeting a quorum was present and acting throughout, the following resolution was unanimously agreed and approved, to wit:

“**RESOLVED**, that the stockholders of Xurpas Inc. approve the issuance of up to One Billion Seven Hundred Seven Million One Thousand and Nineteen (1,707,001,019) new common shares (“**Subscription Shares**”) from the unissued authorized capital stock and listing of the Subscription Shares with the Philippine Stock Exchange;

RESOLVED, that the Subscription Shares shall be issued to the following:

Name	No. of Shares	Subscription Price
Frederick Manlunas	866,540,356	Php0.10 per share
Benjamin Paul Bustamante Santos	240,524,858	Php0.10 per share
James Buckley Jordan	264,329,044	Php0.10 per share
Wavemaker Partners V LP	30,547,808	Php0.10 per share
Wavemaker US Fund Holdings, LLC	305,058,953	Php0.10 per share
Total	1,707,001,019	

- IN WITNESS WHEREOF**, I have hereunto set my hand this _____ day of _____ 2020 at _____.

MARK S. GORRICETA
Corporate Secretary

Republic of the Philippines)
) S.S.

SUBSCRIBED AND SWORN to before me this [_____] of [_____] 2020 at [_____] , affiant personally exhibiting to me his Passport No. 4531123B issued on January 24, 2020 and valid up to January 23, 2030 issued at DFA NCR East, who is the same person who

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personally signed the foregoing *Secretary's Certificate* before me and acknowledged that he executed the same.

Notary Public

Doc. No. ____;
Page No. ____;
Book No. ____;
Series of 2020.

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**Annex “I”
(Post-Closing)**

Resignation Letters

Date

XURPAS INC.

7F Cambridge Centre Building
108 Tordesillas Street
Salcedo Village, Makati City

Re: **LETTER OF RESIGNATION**

Gentlemen:

I hereby tender my resignation as Director of Xurpas Inc. effective immediately.

Very truly yours,

[NAME OF DIRECTOR]

**Annex “J”
(Post-Closing)
Appointment Letters**

FREDERICK MANLUNAS

1438 9th Street
Santa Monica
CA 90401
U.S.A.

JAMES BUCKLY JORDAN

1438 9th Street
Santa Monica
CA 90401
U.S.A.

Dear Mr. Manlunas and Mr. Jordan:

We are pleased to inform you that at the meeting of the board of directors (the “**Board**”) held on _____, the Board of **Xurpas Inc.** (the “**Corporation**”) has approved your appointment as Directors of the Corporation to hold office until the next election.

Kindly return the duplicate copy of this letter, duly signed by you in confirmation. Thank you.

Very truly yours,

ATTY. MARK S. GORRICETA

Corporate Secretary

Annex “K”

Lock-up Letter

XURPAS INC.

7F Cambridge Centre Building
108 Tordesillas St., Salcedo Village
Makati City, 1227

Ladies and Gentlemen:

We refer to the Subscription Agreement executed on September 20, 2020 (the “**Agreement**”) by and among Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckley Jordan, Wavemaker Partners V LP and Wavemaker US Fund Holdings, LLC (collectively, the “**Subscribers**”) and Xurpas Inc. (the “**Company**”).

In relation to the Agreement, I hereby acknowledge that the Stock Certificates shall only be issued by the Company upon full payment of the Subscription Shares as provided in the said Agreement. Moreover, pursuant to the Agreement, we hereby undertake that we will not be selling any of our rights, title, interest and ownership over the Subscription Shares until the Subscription Shares are successfully listed with the Philippine Stock Exchange, Inc (“**PSE**”).

Moreover, I hereby undertake to observe the rules, including any additional lock-up requirement, which the PSE may impose upon the Subscribers.

Very truly yours,

DocuSigned by:

Frederick Manlunas

BF48E423C85D44C...

FREDERICK MANLUNAS

Subscriber

DocuSigned by:

Benjamin Paul Bustamante Santos

BF48E423C85D44C...

BENJAMIN PAUL BUSTAMANTE SANTOS

Subscriber

DocuSigned by:

James Buckley Jordan

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JAMES BUCKLY JORDAN

Subscriber

DocuSigned by:

Frederick Manlunas

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Wavemaker Partners V LP

Subscriber

DocuSigned by:

Frederick Manlunas

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Wavemaker US Fund Holdings, LLC

Subscriber

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (this "**Agreement**") is made and entered into as of this 20th day of September by and among:

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FREDERICK MANLUNAS, American, of legal age, with address at 1438 9th Street, Santa Monica, CA 90401 ("**Mr. Manlunas**");

BENJAMIN PAUL BUSTAMANTE SANTOS, Singaporean, of legal age, with address at 1 Nanson Road, Singapore 238909 ("**Mr. Santos**");

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JAMES BUCKLY JORDAN, American, of legal age, with address at 1438 9th Street, Santa Monica, CA 90401 ("**Mr. Jordan**");

WAVEMAKER PARTNERS V, LP, a Delaware Limited Partnership, with address at 1438 9th Street, Santa Monica, CA 90401, represented herein by its Managing Partner, Frederick Manlunas ("**Wavemaker V LP**");

– and –

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XURPAS INC., a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at 7F Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines represented herein by its Chairman, **Nico Jose S. Nollado** as evidenced by a Secretary's Certificate attached herewith as Annex "A" ("**Xurpas**").

DS
[Signature]

*(Each shall be referred to as a "**Party**" and collectively, the "**Parties**"; Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckley Jordan and Wavemaker Partners V, LP) shall collectively be referred to herein as "**Sellers**". Xurpas Inc. shall be referred to as the "**Buyer**")*

RECITALS:

WHEREAS, Mr. Manlunas, Mr. Santos, Mr. Jordan and Wavemaker V LP are, collectively, the legal and beneficial owners of all of the issued and outstanding shares of capital stock (collectively, the "**Wavemaker Shares**") of Wavemaker Group Inc., a corporation incorporated and existing under the laws of Delaware with registered office at 221 N. Broad Street, Suite 3A, Middletown, DE 19709, New Castle County (the "**Holding Company**");

WHEREAS, all of the issued and outstanding shares in the Holding Company is as follows:

Name of Stockholder	Number of Shares	Ownership %
Frederick Manlunas	5,126	59.6%

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Benjamin Paul Bustamante Santos	1,522	17.7%
James Buckley Jordan	1,560	18.2%
Wavemaker Partners V, LP	384	4.5%
Total	8,592	100.0%

WHEREAS, the Holding Company has legal, beneficial, and economic interests in the following Management Entities (“**Management Entities**” and such interests, the “**Management Interests**”):

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- **56.50% of the membership interests of Siemer Ventures, LLC (“Siemer GP”).** Siemer GP was formed on July 21, 2011 by filing a Certificate of Formation with the Secretary of the State of Delaware. Siemer GP entered into an LLC Agreement effective as of July 21, 2011 which provides that it shall act as general partner of Siemer Ventures II, LP and its parallel funds.

- **63.67% of the membership interests of Wavemaker Partners, LLC (“Wavemaker Partners”).** Wavemaker Partners was formed on May 23, 2014 by filing a Certificate of Formation with the Secretary of State of the State of Delaware. Wavemaker Partners entered into an LLC Agreement effective as of May 24, 2014, which provides that it shall act as general partner of Wavemaker Partners III, L.P. and its parallel funds.

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- **95.00% of the membership interests of WMP GV V LLC (“WMP GP V”).** Wavemaker Management was formed on January 19, 2018 by filing a Certificate of Formation with the Secretary of State of Delaware. WMP GP V entered into an Amended and Restated Limited Partnership Agreement effective as of June 27, 2018, which provides that it shall act as general partner of Wavemaker Partners V, LP.
- **100.00% of the Manager Units of Wavemaker Global Select, LLC (“Wavemaker Select”).** Wavemaker Select was formed on August 10, 2018 by filing a Certificate of Formation with the Secretary of State of Delaware.

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- **95.00% of the membership interests of Wavemaker Management, LLC (“Wavemaker Management”).** Wavemaker Management was formed on January 19, 2018 by filing a Certificate of Formation with the Secretary of State of Delaware.

As used herein Siemer Ventures II, L.P., Wavemaker Partners III, L.P. and Wavemaker Partners V, L.P. are collectively referred to herein as the “**Partnerships**”; and each of the Holding Company, the Management Entities, and the Partnerships are collectively referred to herein as the “**Company Entities**” and, each, a “**Company Entity**.”

WHEREAS, the Parties enter into this Agreement setting out the terms and conditions for the sale by the Sellers, and the purchase by Buyer, of the full Wavemaker Shares in the Holding Company;

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NOW, THEREFORE, for and in consideration of the foregoing, and the representations, warranties and covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

**ARTICLE I
SALE AND PURCHASE OF INTERESTS**

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- 1.1. Sale and Purchase. Subject to the terms and conditions set forth herein, at the Closing (as defined below), the Sellers shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase, acquire, accept and receive from the Sellers, all of the Seller's right, title and interest in, under and to the Wavemaker Shares, free and clear of all liens, encumbrances, security interests, charges, mortgages, indentures, pledges, options, rights of other Persons (as defined below), voting trusts, restrictions and claims of any kind (collectively, "**Liens**").

Upon execution of this Agreement and upon Closing, the Holding Company has all rights, title, and interest in and to the following Management Interests:

- 56.50% of the membership interests of Siemer Ventures, LLC;
- 63.67% of the membership interests of Wavemaker Partners, LLC;
- 95.00% of the membership interests of WMP GP V, LLC;
- 100.00% of the Manager Units of Wavemaker Global Select, LLC; and
- 95.00% of the membership interests of Wavemaker Management, LLC

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- 1.2. Purchase Price. The total purchase price for the purchase of Wavemaker Shares in the Holding Company is at **One Hundred Seventy Million Seven Hundred Thousand One Hundred One Pesos and Ninety Centavos (Php170,700,101.90)** (the "Total Purchase Price") payable at the Closing by the Buyer.

The Total Purchase Price shall be paid to the Sellers, by wire transfer of immediately available funds, to the account provided herein:

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[Signature]

Bank: First Republic Bank
Bank Address: 111 Pine Street, San Francisco, CA 94111
Account Name: Wavemaker Management LLC
Account Holder Address: 1438 9th Street, Santa Monica, CA 90401
Account Number: 80006568044
ABA/Routing Number: 321 081 669

**ARTICLE II
THE CLOSING**

- 2.1. Closing. Subject to the satisfaction or waiver of each of the conditions set forth herein, the consummation of the transaction contemplated by this Agreement (the "**Closing**") shall take place at 7F Cambridge Centre

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Building, 108 Tordesillas St., Salcedo Village, Makati City on a date mutually agreed upon by the Parties, but not later than December 31, 2020 (the “**Closing Date**”).

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2.2. Deliveries by Sellers. At Closing, the Sellers shall deliver to Buyer the following documents or instruments, in form and substance reasonably satisfactory to Buyer:

2.2.1. stock certificates representing the Wavemaker Shares, together with and stock powers separate from assignment executed by the respective Sellers thereof;

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2.2.2. a counterpart of the Deed of Assignment substantially in the form attached hereto as Exhibit A, duly executed by each of the Sellers;

2.2.3. the executed limited liability company agreements for each of the Management Entities reflecting the ownership therein by the Holding Company;

2.2.4. The executed partnership agreements for each of the Partnerships;

2.2.5. true and correct copies of all consents of the Holding Company, the Management Entities and the Partnerships, in each case as required, to consummate the transactions contemplated by this Agreement. For the avoidance of doubt, this shall include any requisite consent of the limited partners of the Partnerships, to the extent that the partnership agreements of such Partnerships require consent in connection with a change of ownership or change of control of the Management Entity acting as the general partner of such Partnership;

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2.2.6. such other documentation with respect to each Company Entity as may be reasonably requested by Buyer (in such form as may be satisfactory to Buyer in its sole discretion) to allow Buyer to verify the ownership of each such Company Entity, including, without limitation, (x) the Seller's ownership of the Wavemaker Shares and (y) the Holding Company's ownership of the Management Interests, in each case free and clear of all Liens;

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2.2.7. Certificates of good standing of each Company Entity issued by the Secretary of State of the jurisdiction of formation of each such Company Entity of a date that is not more than 15 days prior to the Closing Date;

2.2.8. a release of claims from each Seller (releasing any known and unknown claims against Company Entities for actions or events arising on or prior to the Closing Date) in such form as reasonably acceptable to Buyer (collectively, the “**Releases**”);

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2.2.9. true and correct copies of all consents of all third parties and governmental entities, as applicable, required to consummate the transactions contemplated by this Agreement;

2.2.10. a certificate from the Sellers, substantially in the form attached hereto as Exhibit B, dated as of the Closing Date and duly executed by the Sellers, certifying as to the matters specified therein;

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2.2.11. the audited consolidated balance sheet of each Management Entity as of December 31, 2019 and the related audited consolidated statements of income, stockholders' equity, and cash flow for the twelve-month period then ended;

2.2.12. the the audited consolidated balance sheet of each of Siemer Ventures II, L.P., Wavemaker Partners III, L.P., Wavemaker Partners V, L.P. and Wavemaker Global Select, LLC of December 31, 2019 and the related audited consolidated statements of income, stockholders' equity, and cash flow for the twelve months then ended;

2.2.13. any documents or certificates required to be delivered by Sellers pursuant to Article V hereof; and,

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2.2.14. Such further documents (including, without limitation, instruments of assignment, conveyance, transfer or confirmation) as may be reasonably necessary for (i) the Sellers to convey and transfer to Buyer, and Buyer to acquire and accept from the Sellers, the Wavemaker Shares, free and clear of all Liens, and (ii) Buyer to become the owner of the Holding Company, or as may be otherwise reasonably requested by Buyer.

2.3. Deliveries by Buyer. At the Closing, Buyer shall pay the Total Purchase Price as provided in Section 1.2 hereof and deliver to the Sellers the following documents or instruments, in form and substance reasonably satisfactory to the Sellers:

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2.3.1. counterpart of the Deed of Assignment, duly executed by a representative of the Buyer;

2.3.2. Board Resolution from the Board of Directors of the Buyer authorizing the purchase of Wavemaker Shares in the Holding Company and certifying that requisite approval of Buyer's stockholders with respect to the purchase of the Wavemaker Shares has been obtained, in accordance with Philippine laws;

2.3.3. a certificate from Buyer, substantially in the form attached hereto as Exhibit C, dated as of the Closing Date and duly executed by Buyer, certifying as to the matters specified therein;

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2.3.4. any documents or certificates required to be delivered by Buyer pursuant to Article V hereof; and,

2.3.5. Such further documents (including, without limitation, instruments of assumption, acquisition, acceptance or confirmation) as may be reasonably necessary for (i) the Sellers to convey and transfer to Buyer, and Buyer to acquire and accept from the Sellers, the Wavemaker Shares, free and clear of all Liens, and (ii) Buyer to become the owner of the Holding Company, or as may be otherwise reasonably requested by the Sellers.

ARTICLE III**REPRESENTATIONS AND WARRANTIES**

3.1. Representations and Warranties of Sellers. Each Seller represents and warrants to Buyer, as of the date hereof and as of the Closing Date, as follows:

3.1.1. Power and Authority. Each Seller is duly authorized to execute, deliver, and perform his obligations under this Agreement. This Agreement constitutes and each of the other Seller Documents will constitute the legal, valid, and binding agreement of such Seller enforceable against such Seller in accordance with its terms. Each Seller represents that all consents and waivers have been secured for (a) the transfer of all Management Interests to the Holding Company; and (b) purchase by the Buyer of the Wavemaker Shares.

3.1.2. Organization.

(a) Holding Company is a corporation duly incorporated, validly existing, and in good standing under the laws of the State of Delaware and has all corporate powers and all governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted. Holding Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where such qualification is necessary, except for those jurisdictions where failure to be so qualified would not be material, individually or in the aggregate. Sellers have heretofore delivered to Buyer (or granted Buyer access to) true and complete copies of the Certificate of Incorporation and By-laws of Holding Company as currently in effect. Schedule 3.1.2(a) sets forth the jurisdictions in which the Holding Company is qualified to do business.

(b) Each Company Entity is duly organized, validly existing, and in good standing under the laws of the State of Delaware and has all limited liability company powers and all governmental licenses, authorizations, permits, consents, and approvals

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required to carry on its business as now conducted. Each Company Entity is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where such qualification is necessary, except for those jurisdictions where failure to be so qualified would not be material, individually or in the aggregate. Sellers have heretofore delivered to Buyer (or granted Buyer access to) true and complete copies of the organizational documents of each Company Entity (including the operating agreement or partnership agreement, as applicable) as currently in effect. Schedule 3.1.2(b) sets forth the jurisdictions in which each Company is qualified to do business.

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3.1.3. Non-Contravention.

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(a) The execution and delivery by the Sellers of, and the performance by the Sellers of its obligations under this Agreement and any other agreements, statements, certificates, instruments, or other documents to be executed and delivered by the Sellers at the Closing pursuant to this Agreement (collectively, the “**Seller Documents**”) and the consummation by the Sellers of the transaction contemplated hereby (i) have been or will be duly authorized and approved by all necessary action of such Seller, and, as applicable, each Company Entity (ii) do not and will not require any further or additional consent, approval or authorization of such Seller, or any Company Entity, (iii) do not and will not violate, contravene or conflict with the organizational documents of any Company Entity or any law, regulation, judgment, order or decree to which the Sellers or the Holding Company or any of its assets are subject, (iv) do not and will not require the consent, approval, waiver, clearance, permit, license or authorization of, by or from, any filing with, or any notice to, any person (beyond that which has already been obtained), (v) do not and will not result in a breach of, or constitute a default under, any Contract, instrument, commitment or arrangement to which such Seller or any Company Entity is a party, by which such individual or entity is bound or to which any of such individual's or entity's assets are subject, and (vi) do not and will not result in the imposition of a Lien on any of such Seller's or any Company Entity's assets.

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(b) The execution, delivery and performance by Sellers of this Agreement and the consummation of the transactions contemplated hereby require no action by or in respect of, or filing with, any Governmental Authority.

3.1.4. Litigation. There are no pending Claims (a) by or against any Company Entity, (b) to the Sellers' knowledge, by or against any of the directors or officers of any Company Entity in their capacities as such or (c) that challenge, or that may have the effect of

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preventing, delaying, making illegal, or otherwise interfering with any of the transactions contemplated by this Agreement. To the Sellers' knowledge, no other such Claim has been threatened, nor is there, to the knowledge of Sellers, any reasonable basis for any such Claim. As used herein, "**Claims**" means actions, suits, proceedings, claims, or demands of any kind.

3.1.5. Capitalization and Ownership.

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(a) Schedule 3.1.5 sets forth (i) the number of authorized shares of capital stock or other equity or ownership interests under of each Company Entity and (ii) the number of issued and outstanding shares of capital stock or other equity or ownership interests of each Company Entity, the record and beneficial ownership thereof, and the number of shares held in treasury or local equivalent. The Wavemaker Shares represent all of the issued and outstanding shares of capital stock or other equity or ownership interests of the Holding Company. The Sellers are and on the Closing Date will be the sole record holders and beneficial owners of all of the Wavemaker Shares, free and clear of all Liens, in the respective amounts set forth in Schedule 3.1.5(a). Upon the consummation of the Closing, the Buyer will be the beneficial owner of the entire equity interest in the Holding Company, free and clear of all Liens.

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(b) The Holding Company is the sole registered, legal, and beneficial owner of the Management Interests. The Management Interests are held by the Holding Company free and clear of any Liens, and the transactions contemplated by this Agreement do not and will not result in the imposition of any Liens on the Management Interests.

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(c) Except as set forth in Schedule 3.1.5(c), (i) there are no equity or other ownership interests of any class of any Company Entity, or any security exchangeable into or exercisable for such equity or other ownership interests, authorized, issued, reserved for issuance or outstanding and (ii) there are no options, warrants, securities, calls, rights or other Contracts to which any Company Entity is a party or by which any Company Entity is bound obligating any Company Entity to issue, exchange, transfer, deliver or sell, or cause to be issued, exchanged, transferred, delivered or sold, additional equity or other ownership interests of any Company Entity or any security or rights convertible into or exchangeable or exercisable for any such shares or other equity interests, or obligating any Company Entity to grant, extend, accelerate the vesting of, change the price of, otherwise modify or amend or enter into any such option, warrant, security, call, right, or other Contract. There are no outstanding or authorized stock appreciations, phantom stocks, profit participations, or similar rights with respect to any Company

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Entity. There are no Contracts to which any Company Entity or any Seller or any Affiliate of any Company Entity or any Seller is a party or by which any Company Entity or any Seller or any Affiliate of any Company Entity or any Seller is bound with respect to the voting (including voting trusts or proxies), registration under the Securities Act of 1933 (the “**Securities Act**”) or any foreign securities Law, or the sale or transfer (including Contracts imposing transfer restrictions) of any equity, or other ownership interests of any Company Entity. No holder of Indebtedness of any Company Entity has any right to convert or exchange such Indebtedness for any equity or other ownership interests of any Company Entity. No holder of Indebtedness of any Company Entity has any rights to vote for the election of directors or managers of any Company Entity, or to vote on any other matter.

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- (d) All of the Wavemaker Shares are duly authorized, validly issued, fully paid, nonassessable, not subject to or issued in violation of any purchase option, right of first refusal, preemptive right, subscription right or any similar right, and have been issued in compliance with all applicable laws. No legend or other reference to any purported Lien appears on any certificate representing the Wavemaker Shares.

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- (e) There are no obligations, contingent or otherwise, of any Company Entity to repurchase, redeem, or otherwise acquire any shares of capital stock, other equity, or ownership interests of any Company Entity. No Company Entity is subject to any obligation or requirement to provide funds to or make any investment (in the form of a loan, capital contribution, or otherwise) in any other Person.

- (f) Except as set forth in Schedule 3.1.5(f), the Company Entities do not have any Subsidiaries.

- (g) Schedule 3.1.5(g) sets forth all equity and debt securities of which the Partnership is an owner. Such list is complete and accurate in all respects.

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- (h) To date, no carried interest (or similar payment, in whatever form) has been paid under the partnership agreements of the Partnerships, or pursuant to any other Contract, to the Management Entities or to any Affiliate thereof.

3.1.6. Business Operations. Since its formation, the Holding Company and the Management Entities have not engaged in nor operated any business or otherwise engaged in or undertaken any activities outside of its duly authorized purpose.

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3.1.7. Compliance with Laws. Since its respective formation, each Company Entity has been and are currently in compliance with all applicable laws and regulations, including, without limitation, all laws and regulations relating to the ownership, management, and operation of the Partnerships.

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3.1.8. Financial Statements. Schedule 3.1.8 contains (i) the audited consolidated balance sheet of each of Siemer Ventures II, L.P., Wavemaker Partners III, L.P., Wavemaker Partners V, L.P. and Wavemaker Global Select, LLC as of December 31, 2019 and the related audited consolidated statements of income, stockholders' equity, and cash flow for the twelve months then ended; (ii) the audited consolidated balance sheet of each of Siemer Ventures II, L.P. and Wavemaker Partners III, L.P. as of December 31, 2018, 2017 and 2016 and the related audited consolidated statements of income, stockholders' equity, and cash flow for each of the twelve-month periods then ended, (iii) the audited consolidated balance sheet of Wavemaker Partners V, L.P. as of December 31, 2018 and the related audited consolidated statements of income, stockholders' equity, and cash flow for the twelve months then ended (the financial statements described in clauses (i), (ii), and (iii) of this Section 3.1.8, collectively, the "**Financial Statements**"). The Financial Statements are in accordance with the books and records of the Holding Company and its Subsidiaries, were prepared pursuant to the related work papers, are complete and correct in all material respects, have been prepared in accordance with GAAP, and have been consistently applied and presented fairly in all material respects with respect to the financial condition of Holding Company and its Subsidiaries as of the respective periods covered thereby and results of the operation of its business as of the respective dates and for the respective periods covered thereby, except that the interim statements do not include footnotes. The Holding Company and its Subsidiaries have not failed to correct any material weaknesses in their financial controls or reporting identified to management by their independent auditors. The Management Entities have no assets other than their respective interests in the Partnerships and have no sources of income other than their rights to carried interest from the profits of the Partnerships.

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3.1.9. Undisclosed liabilities. The Holding Company and the Management Entities have no outstanding obligations or liabilities. Any and all obligations of the Holding Company and of the Management Entities prior to Closing Date shall be for the account of the Sellers. No Company Entity has any accrued or outstanding management fees payable to the Management Entities, the Holding Company or the Sellers.

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3.1.10. Absence of Changes. The business of the Holding Company and the Management Entities has been conducted in the ordinary course consistent with past practices and there has not been:

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- (a) any event, occurrence, or development which has had or is reasonably expected to have a material adverse effect on the business, assets, liabilities, condition (financial or otherwise), prospects, or results of operations of the Company Entities;
- (b) any declaration, setting aside, or payment of any dividend or other distribution with respect to any shares of capital stock of the Holding Company, or any repurchase, redemption or other acquisition by the Holding Company or any Subsidiary of any outstanding shares of capital stock or other securities of the Holding Company or any Subsidiary;
- (c) any issuance or sale of, or grant of an option, right of warrant to purchase, any equity interests of the Holding Company or any Subsidiary, or any security convertible into such equity interests, or an option warrant or right to acquire equity interests;
- (d) any amendment of any term of any outstanding security of the Holding Company or any Subsidiary;
- (e) any incurrence, assumption, or guarantee by the Holding Company or any Subsidiary of any Indebtedness for borrowed money;
- (f) any making of any loan, advance, or capital contributions to or investment in any Person by the Holding Company or any Subsidiary;
- (g) any transaction or commitment made, or any contract or agreement entered into, by the Holding Company or any Subsidiary relating to its assets or business, in either case, material to the Holding Company or any Subsidiary, other than transactions and commitments in the ordinary course of business consistent with past practices;
- (h) any change in any method of accounting or accounting practice by the Holding Company or any Subsidiary;
- (i) any (A) employment, deferred compensation, severance, retirement, change of control, retention or other similar agreement entered into by the Holding Company or any Subsidiary with any director, officer, or employee of the Holding Company or any Subsidiary (or any amendment to any such existing agreement), (B) grant of any severance, termination, retention, or change in control, pay by the Holding Company or any Subsidiary to any director, officer or employee of the Holding Company or any Subsidiary, or (C) change in compensation, salary, bonus or other benefits payable by the Holding Company or any Subsidiary to any director, officer, or employee of the Holding Company or any Subsidiary, in each case other than with respect to employees who are not officers or directors in the ordinary course of business consistent with past practices.

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- (j) None of Sellers, the Holding Company, or any Subsidiary has amended, rescinded, or terminated (and not renewed) any existing material contract or arrangement, and no such material contract or arrangement has expired or terminated (and not been renewed) by its terms;
- (k) Neither the Holding Company nor any Subsidiary has made any capital expenditure (or series of related capital expenditures) that is either material or outside the ordinary course of business, or has acquired (by merger, consolidation, acquisition of stock or assets or otherwise) any corporation, partnership, other business organization or division or material assets thereof;
- (l) Neither Sellers, the Holding Company, nor any Subsidiary has sold, transferred, licensed, disposed of, or agreed to sell, transfer, license, or dispose of, any of its assets, properties, intellectual property rights or rights related to the business of the Company Entities, other than in the ordinary course of business consistent with past practice;
- (m) Neither Sellers, the Holding Company, nor any Subsidiary has created or incurred, or discharged, or satisfied any Lien (other than Permitted Liens) upon any of the assets or properties of the business of the Company Entities;
- (n) No material asset or property of the Holding Company or any Subsidiary has been destroyed, damaged, or otherwise lost (whether or not covered by insurance);
- (o) There has been no material revaluation by Sellers, the Holding Company or any Subsidiary of any of the assets or liabilities of the Holding Company or any Subsidiary, including without limitation, any material write-offs, material increases or decreases in any reserves or warranty expense, or any material write-up of the value of accounts receivable, inventory, property, plant, equipment or any other asset;
- (p) Any acceleration of collection of accounts receivable or delay or failure in the payment of accounts payable;
- (q) Any material changes in the facilities (including information technology infrastructure) of the Holding Company or any Subsidiary; and
- (r) Neither Sellers, the Holding Company, nor any Subsidiary has entered into any commitment (contingent or otherwise) to do any of the foregoing.

3.1.11. Properties. The Holding Company and the Subsidiaries have good and marketable title to, or in the case of leased property and assets have valid leasehold interests in, all property and assets (whether real, personal, tangible or intangible) used in their respective business, or reflected on the Balance Sheet or acquired after the Balance Sheet date, except for properties and assets sold since the Balance Sheet date in the ordinary course of business consistent with past practices. There are no assets or properties used in the conduct of the business of the Company Entities and owned by any Person other than the Holding Company or any

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Subsidiary that will not continue to be leased or licensed to the Holding Company or such Subsidiary under valid, current leases, or licenses following the Closing Date. None of such properties or assets are subject to any Lien.

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- 3.1.12. Permits. Each Company Entity holds all Permits needed to entitle it to own or lease, operate and use its assets, and to lawfully conduct its business as presently conducted. None of Sellers, or any Company Entity, to the knowledge of Sellers, or any Company Entity's directors, officers, consultants or employees (in their capacity as such), is in default with respect to any order, writ, injunction, or decree of any Governmental Authority with respect to the business of any Company Entity. Schedule 3.1.12 contains a true and complete list of all such Permits. All of the Permits are in full force and effect and no Claim is pending nor, to the knowledge of Sellers, is any Permit threatened to be revoked, or terminated, or to be declared invalid in any material respect. Each Company Entity has taken all necessary actions to maintain such Permits. Without limiting the scope of the foregoing, no Company Entity other than Wavemaker Management, LLC is required to be registered with any Governmental Authority (including, without limitation, FINRA) as an investment advisor or broker or in any similar capacity.

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3.1.13. Tax Matters.

- (a) Each Company Entity has timely filed all Tax Returns that it was required to file in accordance with applicable laws, and each such Tax Return is accurate and complete in all material respects. Each Company Entity has timely paid all Taxes due with respect to the taxable periods covered by such Tax Returns and all other Taxes due and payable by such Company Entity (whether or not shown on any Tax Return). No written claim has ever been made by a Governmental Authority in a jurisdiction where a Company Entity does not file a Tax Return that it is or may be subject to taxation by that jurisdiction. No Company Entity has requested an extension of time within which to file any Tax Return which has not since been filed. The Sellers have delivered or made available to the Buyer accurate and complete copies of all income Tax Returns of the Company Entities (and their respective predecessors) for the prior three taxable years.
- (b) The amounts reflected as liabilities in line items on the Balance Sheet for all Taxes are adequate to cover all unpaid liabilities for all Taxes, whether or not disputed, that have accrued with respect to, or are applicable to, the period ended on and including the Closing Date. Since the date of the Balance Sheet, except as contemplated by this Agreement, no Company Entity has incurred any liability for Taxes arising from extraordinary gains or losses, as that term is used in GAAP.
- (c) All Taxes that each Company Entity is required by law to withhold or collect, including sales and use Taxes and amounts

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required to be withheld or collected in connection with any amount paid or owing to any employee, independent contractor, creditor, stockholder, or other Person, have been duly withheld or collected. To the extent required by applicable law, all such amounts have been paid over to the proper Governmental Authority or, to the extent not yet due and payable, are held for such purpose.

- (d) No audits or other Claims are pending or being conducted with respect to Taxes or Tax Returns of any Company Entity, and no Company Entity has received any (i) written notice from any Governmental Authority that an audit or other Claim is pending, threatened or contemplated, which audit or other Claim has not been resolved, (ii) written request for information related to Tax matters, which request has not been addressed or (iii) written notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted or assessed by any Governmental Authority against any Company Entity with respect to any Taxes due from or with respect to any Company Entity or any Tax Return filed by or with respect to any Company Entity, which notice of deficiency or proposed adjustment has not been resolved. No Company Entity has granted or been requested in writing to grant any waiver of any statutes of limitations applicable to any claim for Taxes or with respect to any Tax assessment or deficiency to a date subsequent to the Closing Date. The Sellers have delivered to the Buyer accurate and complete copies of all examination reports and statements of deficiencies assessed against or agreed to by any Company Entity for the prior six taxable years.
- (e) All Tax deficiencies that have been claimed, proposed, or asserted in writing against any Company Entity have been fully paid or finally settled.
- (f) Each Company Entity has disclosed on its U.S. federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of Income Tax under Section 6662 of the Code.
- (g) No Company Entity is a party to or bound by any agreement, the principal purpose of which is the sharing or indemnity for Taxes.
- (h) No Company Entity is or has been a member of an affiliated group within the meaning of Section 1504(a) of the Code (or any similar group defined under a similar provision of foreign, state or local law), other than a group of which a Company Entity is the common parent, and no Company Entity has any liability for Taxes of any other Person (other than a Company Entity) under Section 1.1502-6 of the Treasury Regulations (or any similar provision of foreign, state or local law), as a transferee or successor, by Contract or otherwise.
- (i) No Company Entity: (i) is a partner for Tax purposes with respect to any joint venture, partnership, or other arrangement or Contract which is treated as a partnership for Tax purposes;

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(ii) owns a single member limited liability company which is treated as a disregarded entity; (iii) is a “personal holding company” as defined in Section 542 of the Code (or any similar provision of state, local or foreign law); (iv) is a stockholder in a “passive foreign investment company” within the meaning of Section 1297 of the Code; or (v) is a stockholder of a “controlled foreign corporation” as defined in Section 957 of the Code (or any similar provision of state, local or foreign law).

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(j) No Company Entity is or has been a United States real property holding corporation (as defined in Section 897(c)(2) of the Code) during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

(k) There are no Liens upon any properties or assets of any Company Entity arising from any failure or alleged failure to pay any Tax (other than Liens for Taxes that are Permitted Liens).

(l) There are no outstanding rulings of, or requests for rulings with, any Tax authority expressly addressed to any Company Entity or any of their respective Affiliates that are, or if issued would be, binding upon the Buyer for any Post-Closing Tax Period.

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(m) No Company Entity will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of (i) a change in method of accounting for a pre-Closing period; (ii) a “closing agreement” as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or foreign Tax law) executed on or prior to the Closing Date; (iii) an installment sale or open transaction disposition made on or prior to the Closing Date; (iv) any prepaid amount received on or prior to the Closing Date; or (v) any election under Section 108(i) of the Code made prior to the Closing.

(n) No Company Entity has entered into any “listed transactions” as defined under Section 1.6011-4 of the Treasury Regulations. In the past two years, no Company Entity has been a distributing corporation within the meaning of Sections 355 and 361 of the Code.

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(o) All of the employees of each Company Entity have been properly classified as employees for all Tax purposes, and all of the independent contractors of each Company Entity have been properly classified as independent contractors for all Tax purposes.

(p) There are no outstanding powers of attorney (other than powers of attorney given in the ordinary course of business consistent with past practice) authorizing anyone to act on behalf of a Company Entity in connection with a Tax liability, Tax Return, or Tax Claim, and there is no outstanding closing agreement, ruling request, or request to change a method of accounting pending with a Governmental Authority.

(q) The prices for any property or services (or for the use of any property) provided by or to a Company Entity are arm’s-length

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prices for purposes of all transfer pricing applicable laws, including Code Section 482 and the Treasury Regulations promulgated thereunder.

- (r) Notwithstanding anything to the contrary in this Agreement, the Sellers are not making, and shall not be construed to have made, any representation or warranty as to the amount or utilization of any net operating loss, capital loss, tax credit, tax basis, or other Tax asset or attribute of the Company Entities for any Tax period or portion thereof following the Closing Date. No representation or warranty is made in respect of Tax matters in any Section of this Agreement other than this Section 3.14, and any claim for breach of representation with respect to Taxes shall be based on the representations made in this Section 3.14 and shall not be based on the representations set forth in any other provision of this Agreement.

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- 3.1.14. Books and Records. The books and records of each Company Entity are complete and correct in all material respects and each Company Entity maintains accounting controls sufficient to ensure that such transactions are (a) in all material respects executed in accordance with its management's general or specific authorization and (b) recorded as necessary to permit the preparation of financial statements in conformity with GAAP. None of Sellers or any Company Entity has engaged in any transaction with respect to its business, maintained any bank account for its business, or used any of its funds in the conduct of its business, except for transactions, bank accounts, and funds which have been and are reflected in its normally maintained books and records. Such books and records have been made available to Buyer in full.

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- 3.1.15. Transactions with Affiliates. Schedule 3.1.15 sets forth a true and complete list and description of all transactions engaged in between (i) Sellers or their Affiliates, on the one hand, and (ii) any Company Entity, or any director, officer, employee, stockholder, partner or agent of any Company Entity (other than a Seller), on the other hand.

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- 3.1.16. No Illegal Transactions. No Company Entity nor any of its officers, directors, employees, agents or Affiliates has, with respect to its business, offered, paid or agreed to pay to any person or entity (including any governmental official) or solicited, received or agreed to receive from any such person or entity, directly or indirectly, any money or anything of value for the purpose or with the intent of (a) obtaining or maintaining business, (b) facilitating the purchase or sale of any product or service, or (c) avoiding the imposition of any fine or penalty, in any such case in any manner, which is in violation of any applicable ordinance, regulation or law; and there have been no false or fictitious entries made in the books or records of the Company Entities to disguise any such payment. All payments to agents, consultants, and others made by any

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Company Entity in connection with its business have been in payment of bona fide fees and commissions.

3.1.17. Bank Accounts and Powers of Attorney. Schedule 3.1.17 contains a complete and correct list of the names and locations of all banks in which the Holding Company has accounts or safe deposit boxes. Except as set forth on Schedule 3.1.17, there are no outstanding powers of attorney executed on behalf of the Holding Company.

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3.1.18. Insurance. Schedule 3.1.18 sets forth an accurate and complete list of all certificates of insurance, binders for insurance policies and insurance maintained by any Company Entity, or under which any Company Entity has been the beneficiary of coverage at any time since January 1, 2017. The Sellers have no knowledge of any threatened termination of any such certificate of insurance, binder, or policy. No Company Entity has ever maintained, established, sponsored, participated in or contributed to any self-insurance program, retrospective premium program, or captive insurance program.

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3.1.19. No Guarantees. None of the liabilities of any Company Entity is guaranteed by or subject to a similar contingent obligation of any other Person. No Company Entity has guaranteed or become subject to a similar contingent obligation in respect of the liabilities of any other Person. There are no outstanding letters of credit, surety bonds, or similar instruments of any Company Entity or any Affiliate of any Company Entity in connection with or relating to the business, properties, or assets of any Company Entity.

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3.1.20. No Brokers. Except as set forth on Schedule 3.1.20, there is no investment banker, broker, finder, director, officer, employee or other intermediary, who has been retained by, or who is authorized to act on behalf of Sellers or any Company Entity, or who might be entitled to any fee, commission, or payment in connection with the transactions contemplated by this Agreement.

3.1.21. Employees. Sellers have provided to Buyer a list of all the names, employers (e.g., the applicable Company Entity), nationalities, and current annual rates of salary of and other compensation payments of all of the Company Employees (including any severance obligations that may be due upon such Company Employee's termination). Buyer will not incur any liability for the improper classification by Sellers, or any Company Employee of the Company Employees as independent contractors or leased employees prior to the Closing or as being exempt from overtime pay. There are no collective bargaining agreements with any union or other bargaining group for any employees of any Company Entity and Sellers have no knowledge of any union organizational efforts involving such employees during the past two (2) years. No person holding title as an officer or manager of any Company Entity

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(a “Key Employee”) has left the Company or the Subsidiary since December 31, 2017 and no current Key Employee has indicated any present or future intention to terminate his or her employment with any Company Entity. With respect to the Company Employees, each of Sellers and the Company Entities are in compliance with all provisions of applicable laws pertaining to the employment and terminating of employees, including, without limitation all applicable laws relating to labor relations, equal employment practices, fair employment practices, entitlements, prohibited discrimination, terms and conditions of employment, employment safety, wages and hours, independent contractor classification, withholding requirements, or other similar employment or hiring practices or acts, and neither the Sellers nor the company Entities are engaged in any unfair labor practice or parties to any Claim involving a violation or alleged violation of any of the foregoing laws. The consummation of the transactions contemplated by this Agreement will not (either alone or in conjunction with another event, such as a termination of employment or other services) entitle any employee or other person to receive severance or other compensation which would not otherwise be payable absent the consummation of the transactions contemplated by this Agreement or cause the vesting or acceleration of the time of payment of any award or entitlement under any employee benefit plan or arrangement.

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3.1.22. Disclosures Generally. Section 3.1 and the disclosures in the Schedules hereto do not contain any untrue statement of material fact or omit to state any material fact necessary in order to make any such representations, warranties, or disclosures not misleading.

3.2. Representations and Warranties of Buyer. Unless otherwise provided herein, the Buyer represents and warrants to the Sellers, as of the date hereof and as of the Closing Date, as follows:

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[Signature]

3.2.1. Buyer is a corporation duly organized, validly existing, and in good standing under the laws of the Republic of the Philippines. Buyer has the requisite corporate power and authority to carry on the business in which it is engaged, to own its assets, to execute, deliver, and perform its obligations under this Agreement and any other agreements, statements, certificates, instruments, or other documents to be executed and delivered by the Buyer at the Closing pursuant to this Agreement (collectively, the “**Buyer Documents**”) and to consummate the transaction contemplated hereby.

3.2.2. This Agreement constitutes and each of the other Buyer Documents will constitute the legal, valid, and binding agreement of Buyer enforceable against Buyer in accordance with its terms.

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3.2.3. Except as set forth on Schedule 3.2.4, there is no investment banker, broker, finder, director, officer, employee or other intermediary, who has been retained by, or is authorized to act on behalf of Buyer, or who might be entitled to any fee, commission, or payment in connection with the transactions contemplated by this Agreement.

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3.2.4. Section 3.2 and the disclosures in the Schedules hereto do not contain any untrue statement of material fact or omit to state any material fact necessary in order to make any such representations, warranties or disclosures not misleading.

ARTICLE IV COVENANTS

4.1. Pre-Closing Covenants of Sellers. Prior to the Closing, each of the Sellers shall perform or comply with the following covenants:

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4.1.1. Each Seller shall refrain from, directly or indirectly, asserting, commencing or instituting, or causing to be asserted, commenced or instituted, any Claim before any Governmental Authority, or taking any other action whatsoever to attempt to invalidate, void, or otherwise challenge the validity or enforceability of all or any part of this Agreement.

4.1.2. Each Seller shall use all commercially reasonable efforts to fulfill and perform all conditions and obligations to be fulfilled and performed by it under this Agreement at the earliest practicable time, and to cause the transaction contemplated by this Agreement to be consummated in accordance herewith.

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[Signature]

4.1.3. Each Seller shall cause the Holding Company and the Management Entities to be managed and operated in the ordinary course of business and consistent with past practices, and shall not cause, permit, or consent to any action that is inconsistent therewith without the prior written consent of Buyer.

4.1.4. None of the Sellers may cause or permit the Holding Company to incur any additional obligations or liabilities (outside the ordinary course of business consistent with past practice) without the prior written consent of Buyer.

4.1.5. None of the Sellers shall directly or indirectly cause or permit the Holding Company to: (i) sell, lease, hypothecate, or otherwise dispose of the Wavemaker Shares, any interests of the Holding Company in the Management Entities, or of any interests of the Management Entities in the Partnerships (ii) enter into any agreement providing therefor, or (iii) impose or allow to be imposed

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any Lien on the Wavemaker Shares or the Management Interests without the prior written consent of Buyer.

- 4.1.6. Except as set forth in Schedule 4.1.6, none of the Sellers may directly or indirectly cause or permit any Company Entity to take any of the actions described in Section 3.1.10 without the prior written consent of Buyer.

- 4.2. Pre-Closing Covenants of Buyer. Prior to the Closing, Buyer shall perform or comply with the following covenants:

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- 4.2.1. Buyer shall refrain from, directly or indirectly, asserting, commencing or instituting, or causing to be asserted, commenced or instituted, any Claim before any Governmental Authority, or taking any other action whatsoever to attempt to invalidate, void, or otherwise challenge the validity or enforceability of all or any part of this Agreement.

- 4.2.2. Buyer shall use all commercially reasonable efforts to fulfill and perform all conditions and obligations to be fulfilled and performed by it under this Agreement at the earliest practicable time, and to cause the transaction contemplated by this Agreement to be consummated in accordance herewith.

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- 4.3. Pre-Closing Joint Covenants.

- (a) Prior to the Closing, each of the Sellers and Buyer shall use its commercially reasonable efforts to cooperate with one another in taking any actions necessary or advisable to effect the consummation of the transaction contemplated by this Agreement.
- (b) Without limiting the scope of the foregoing, Sellers and Buyer shall cooperate with one another (i) in determining whether any action by or in respect of, or filing with, any governmental body, agency, official or authority is required, or any actions, consents, approvals, or waivers are required to be obtained from parties to any material contracts, in connection with the consummation of the transactions contemplated by this Agreement, and (ii) in taking such actions or making any such filings, furnishing information required in connection therewith and seeking timely to obtain any such actions, consents, approvals or waivers.
- (c) The Parties agree to consult with each other before issuing any press release or making any public statement with respect to this Agreement or the transactions contemplated hereby and, except for any press releases and public announcements the making of which may be required by applicable law or any listing agreement with any national securities exchange, will not issue any such press release or make any such public statement prior to such consultation.

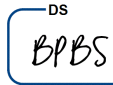
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- 4.4. Ownership in Holding Company. Each of the Sellers hereby acknowledge and agree that, at the Closing, such Seller shall cease (i)

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to be a stockholder of the Holding Company and (ii) to have the power to exercise any right, power, or remedy as a stockholder of the Holding Company.

4.5. Access to Information.



(a) From the date hereof until the Closing Date, Sellers will (i) give, and will cause the Company Entities to give, Buyer, its counsel, financial advisors, auditors and other authorized representatives full access to the offices, properties, contracts, employees, Permits, books and records of the Company Entities, and to the books and records of Sellers relating to the Company Entities, (ii) furnish, and will cause the Company Entities to furnish, to Buyer, its counsel, financial advisors, auditors and other authorized representatives such financial and operating data and other information relating to the Company Entities as such Persons may reasonably request, and (iii) instruct the employees, counsel, and financial advisors of Sellers or the Company Entities to cooperate with Buyer in its investigation of the Company Entities. Any investigation pursuant to this Section shall be conducted in such manner as not to interfere unreasonably with the conduct of the business of the Company Entities. Without limiting the generality of the foregoing, Sellers shall, as promptly as practicable, inform Buyer in writing of any change or event which renders any representation or warranty in or any Schedule to this Agreement inaccurate or incomplete in any material respect, it being understood that no such disclosure after the date hereof shall in any way limit Sellers' liability for any breach of any representation or warranty set forth in this Agreement. No investigation by Buyer shall be deemed to limit in any manner the representations, warranties, covenants, or agreements of Sellers set forth herein or delivered in connection with the transactions contemplated hereby.



(b) On and after the Closing Date, Sellers will afford promptly to Buyer and its agents reasonable access to its books of account, financial and other records (including, without limitation, accountant's work papers), information, employees and auditors to the extent necessary or useful for Buyer in connection with any audit, investigation, dispute or litigation, or any other reasonable business purpose relating to the Company Entities; provided, that any such access by Buyer shall not unreasonably interfere with the conduct of the business by the Sellers. Buyer shall bear all of the out-of-pocket costs and expenses (including, without limitation, copying, but excluding reimbursement for general overhead, salaries and employee benefits) reasonably incurred in connection with the foregoing.



4.6. Confidential Information.

(a) After the Closing Date, Sellers and its Affiliates shall not at any time, disclose to any Person other than Buyer any confidential information or intellectual property rights owned, possessed, licensed, or used by

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or relating to the business of the Company Entities, whether or not such information is embodied in writing or other physical form.

- (b) At Closing, Sellers shall promptly deliver to Buyer all documents and other materials containing all confidential information relating to the Business, to the extent it is in physical form (including, without limitation, electronic form).

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- 4.7. No-Shop Agreement. Until the earlier of the Closing Date or a termination of this Agreement pursuant to Article IX, each Seller shall not, and shall not cause the Company and its employees, officers, directors, representatives, and agents (including, without limitation, investment bankers, attorneys, accountants and other financial advisors or consultants) to (a) make, solicit, assist, initiate, or in any way facilitate or encourage any inquiries, proposals, offers or bids from any Person or group (other than Buyer) relating to a purchase, merger, reorganization, share exchange, consolidation or similar transaction involving the sale of all or substantially all of the assets of any Company Entity or of any capital stock or any other equity interest of any Company Entity (a "Sale Transaction"), (b) enter into any understanding, arrangement, agreement or agreement in principle with any Person or group (other than Buyer) relating to any proposed or contemplated Sale Transaction, nor (c) proceed or continue with any discussions or negotiations in respect of any of the foregoing which may be in progress as of the date of this Agreement.

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ARTICLE V CONDITIONS TO CLOSING

- 5.1. Conditions Precedent to Obligations of Sellers. The obligation of the Sellers to sell and transfer the Wavemaker Shares and to consummate the transaction contemplated by this Agreement shall be subject to the satisfaction, at or prior to the Closing, of all of the conditions precedent set forth in this Section 5.1. Sellers may waive any or all of these conditions, in whole or in part, without prior notice, in its sole and absolute discretion.

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[Signature]

- 5.1.1. All representations and warranties of Buyer contained in this Agreement or in any of the Buyer Documents shall be true and correct in all material respects as of the date hereof or thereof and as of the Closing Date, and Sellers shall have received a certificate signed by the Buyer to the foregoing effect;
- 5.1.2. Buyer shall have performed and complied with, in all material respects, all covenants, obligations, and conditions required by this Agreement to be performed or complied with by Buyer prior to or on the Closing Date, and Sellers shall have received a certificate signed by the Buyer to the foregoing effect;

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5.1.3. No injunction, order, or decree of any Governmental Authority shall be in effect which restrains or prohibits the consummation of the transaction contemplated by this Agreement at the Closing;

5.1.4. The Sellers shall have received the documents required to be delivered by Buyer pursuant to Section 2.3 hereof;

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5.1.5. The form and substance of all Buyer Documents shall be reasonably satisfactory to the Sellers;

5.1.6. Buyer shall have paid the Total Purchase Price to the Sellers in accordance with Section 1.2 hereof.

5.2. Conditions Precedent to Obligations of Buyer. The obligation of Buyer to purchase the Wavemaker Shares and to consummate the transaction contemplated by this Agreement shall be subject to the satisfaction, at or prior to the Closing, of all of the conditions precedent set forth in this Section 5.2. Buyer may waive any or all of these conditions, in whole or in part, without prior notice, in its sole and absolute discretion.

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5.2.1. All representations and warranties of the Sellers contained in this Agreement or in any of the Seller Documents shall be true and correct in all material respects as of the date hereof or thereof and as of the Closing Date, and Buyer shall have received a certificate signed by the Sellers to the foregoing effect;

5.2.2. The Sellers shall have performed and complied with, in all material respects, all covenants, obligations and conditions required by this Agreement to be performed or complied with by the Sellers prior to or on the Closing Date, and Buyer shall have received a certificate signed by the Sellers to the foregoing effect;

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[Signature]

5.2.3. No injunction, order, or decree of any Governmental Authority shall be in effect which restrains or prohibits the consummation of the transaction contemplated by this Agreement at the Closing;

5.2.4. On Closing Date (i) there have been no material adverse changes or developments involving a prospective material adverse change in the condition or prospects or the business activities, financial or otherwise, of the Holding Company and the Management Entities from the latest disclosures made by the Sellers to the Buyer, or (ii) no action, suit, or proceeding, at law or in equity, shall have been pending or threatened against the Holding Company or any Management Entities before or by any court or federal or state commission, board, or other administrative agency wherein an unfavorable decision, ruling, or finding may materially adversely affect the business, operations, prospects, financial condition, or income of the Holding Company and/or Management Entities.

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5.2.5. Buyer shall have received the documents required to be delivered by the Sellers pursuant to Section 2.2 hereof;

5.2.6. The form and substance of all Seller Documents shall be reasonably satisfactory to Buyer; and

5.2.7. The Sellers shall have conveyed the Wavemaker Shares to Buyer in accordance with this Agreement.

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ARTICLE VI
SURVIVAL; DISCLAIMER; INDEMNIFICATION

6.1. Survival of Provisions. All representations and warranties of Buyer and the Sellers contained in this Agreement or in any Buyer Documents or Seller Documents shall survive the Closing for a period of one (1) year; provided that the representations set forth in Sections 3.1.1, 3.1.2, 3.1.3, 3.1.5, 3.1.13, 3.1.15, 3.1.16 and 3.1.20 shall survive until the sixty (60) day period following the expiration of the statute of limitation applicable to the subject matter covered by such representation. Any claim for indemnification hereunder for a breach of a representation or warranty may not be brought after the expiration of such applicable period. Any claim for indemnification in respect of a covenant or obligation of Buyer or the Sellers hereunder to be performed prior to the Closing may not be made after a one year period following the Closing Date. The covenants and obligations under this Agreement to be performed after the Closing shall survive the Closing until fully performed.

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6.2. Indemnification

6.2.1. The Sellers shall, jointly and severally, indemnify, defend and hold harmless Buyer and its Affiliates and their respective shareholders, directors, officers, managers, employees, agents and representatives (individually a "Buyer Indemnified Party" and, collectively, the "Buyer Indemnified Parties") from and against any and all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, liabilities, penalties, fines, amounts paid in settlement, obligations, losses, costs, expenses and fees, including, without limitation, court costs and reasonable attorneys' fees and expenses (collectively "Losses") arising out of, resulting from, or in connection with:

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[Signature]

- (a) any inaccuracy in or breach of any representation or warranty or other statement of any Seller contained in this Agreement, or any Seller Document;
- (b) any nonfulfillment, nonperformance, or other breach of any covenant or agreement of any Seller or (on or prior to the Closing) the Company Entities contained in this Agreement, or any Seller Document;
- (c) any Pre-Closing Taxes (as defined below);

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- (d) any Indebtedness of any Company Entity existing prior to the Closing that is not fully extinguished prior to or as of the Closing; and
- (e) any Claims arising from or related to any failure or alleged failure of the Sellers or any Company Entity to obtain required approvals to the transactions contemplated by this Agreement.

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- 6.2.2. Buyer shall indemnify, defend, and hold harmless each of the Sellers and their Affiliates and their respective shareholders, partners, directors, officers, managers, employees, agents and representatives (individually a “Seller Indemnified Party” and, collectively, the “Seller Indemnified Parties”) from and against any and all Losses arising out of, resulting from, or in connection with:
- (a) any inaccuracy in or breach of any representation or warranty or other statement of any Buyer contained in this Agreement, or any Buyer Document; and
 - (b) any nonfulfillment, nonperformance or other breach of any covenant or agreement of Buyer contained in this Agreement, or any Buyer Document.

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6.3. Procedures.

- 6.3.1. Except as may be otherwise provided in this Agreement, the party seeking indemnification under Section 6.2 (the “Indemnified Party”) shall comply with the procedures set forth in this Section 9.03.
- 6.3.2. The Indemnified Party agrees to give prompt notice to the party against whom indemnity is sought (the “Indemnifying Party”) of the assertion Claim in respect of which indemnity may be sought under such Section and will provide the Indemnifying Party such information with respect thereto that the Indemnifying Party may reasonably request. The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except to the extent such failure shall have adversely prejudiced the Indemnifying Party.
- 6.3.3. The Indemnifying Party shall be entitled to participate in the defense of any Claim asserted by any third party (“Third Party Claim”) and, subject to the limitations set forth in this Section, shall be entitled to control and appoint lead counsel for such defense, but in each case at its expense.
- 6.3.4. If the Indemnifying Party shall assume the control of the defense of any Third Party Claim in accordance with the provisions of this Section 6.3.4, (i) the Indemnifying Party shall obtain the prior written consent of the Indemnified Party (which shall not be unreasonably withheld) before entering into any settlement of such Third Party Claim, but such consent may be withheld if the settlement does not release the Indemnified Party from all liabilities and obligations with respect to such Third Party Claim, the settlement imposes injunctive or other equitable relief against the Indemnified Party or the settlement would result in the imposition of additional costs in the operations of the Indemnified Party, and (ii) the Indemnified

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Party shall be entitled to participate in the defense of such Third Party Claim at its own expense and to employ separate counsel of its choice for such purpose. The fees and expenses of such separate counsel shall be paid by the Indemnified Party.

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6.3.5. Each party shall cooperate, and cause their respective Affiliates to cooperate, in the defense or prosecution of any Third Party Claim and shall furnish or cause to be furnished such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials or appeals, as may be reasonably requested in connection therewith; provided, that the Indemnifying Party shall compensate the Indemnified Party for the reasonable cost of time spent by the Indemnified Party's employees (including Sellers, in their capacity as such) in connection with the defense of such third Party Claim.

6.3.6. Each Indemnified Party shall use reasonable efforts to collect any amounts available under insurance coverage, or from any other Person alleged to be responsible, for any Losses payable under Section 6.2.

6.4. Exclusive Remedy. After the Closing, Article VI will provide the exclusive remedy for any misrepresentation, breach of warranty, covenant or other agreement or other claim arising out of this Agreement or the transactions contemplated hereby, other than claims for fraud or specific performance or injunctive relief.

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6.5. Purchase Price Adjustment. Any amount paid by Sellers or Buyer as indemnification under Article VI will be treated as an adjustment to the Purchase Price to the extent permitted under applicable law.

ARTICLE VII TAXES, FEES AND EXPENSES

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7.1. Taxes, Fees and Expenses. All taxes, fees and expenses in relation to the transfer of Wavemaker Shares from the Sellers to the Buyer ("Transfer Taxes") shall be for the account of the Sellers.

7.2. Gain. All taxes due arising from the gain which the Seller/s may receive shall be for his own account.

ARTICLE VIII RESTRICTIVE COVENANTS

8.1 For a period of three (3) years from and after the Closing Date (the "Restrictive Period"), each Seller shall not, and shall cause its Affiliates (excluding the Excepted Parties, as defined below) not to, directly or indirectly (i) render services (as an employee, consultant, advisor, manager or otherwise) to any venture capital firm or investment or financial adviser, except for the Excepted Parties or (ii) raise venture capital or other funding, or assist in the raising of venture capital or other funding, other than for the benefit of the Excepted Parties; Provided,

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however, that the Sellers, individually or collectively, shall not be prohibited from rendering services, or raise venture capital or other funding, or assist in the raising of venture capital or other funding for the companies or entities involved under Wavemaker Asia Active Funds (“Wavemaker Asia”) that was removed from the coverage of this transaction by agreement of the Parties. Schedule 8.1. sets forth the entities forming part of Wavemaker Asia. As used herein, “Excepted Parties” means the Company Entities, Xurpas or any Affiliate of Xurpas (including any fund created under Xurpas from time to time).

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8.2 During the Restrictive Period, the Sellers shall not, and shall cause its Affiliates (excluding the Excepted Parties), not to, directly or indirectly (i) induce or attempt to induce any officer, employee, representative or agent of any Company Entities (or any of their Affiliates) to leave the employ of any Company Entity (or any of its Affiliates) (provided, that this clause (i) shall not prohibit any Person from making general employment solicitations such as through advertisements in publicly available media so long as such advertisements are not specifically targeted at employees of any Company Entity (or any of its Affiliates), (ii) hire any Person who was an employee or service provider of any Company Entity (or any of its Affiliates) at any time during the six (6) months prior to the date hereof or any Person who is otherwise an employee or service provider of any Company Entity (or any of its Affiliates) during the Restrictive Period, within six (6) months following the date of termination of such Person’s employment with such Company Entity (or any of its Affiliates), or (iii) in any other way interfere with the relationship between any Company Entity (or any of its Affiliates), on the one hand, and any employee thereof, on the other hand. During the Restrictive Period, the Sellers shall not take any action that causes any lessor, licensor, customer, supplier or other business associate of any Company Entity (or any of its Affiliates) to cease maintaining the same business relationships with such Person after the Closing as it maintained with such Person prior to the Closing.

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8.3 If the final judgment of a court of competent jurisdiction declares that any term or provision of this Article VIII is invalid, illegal or unenforceable, the Parties agree that the court making the determination of invalidity, illegality or unenforceability shall have the power to reduce the scope, duration or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid, illegal or unenforceable term or provision, and this Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

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ARTICLE IX TERMINATION

9.1. Right of Termination. Neither the Sellers nor Buyer shall have the right to terminate this Agreement except as expressly provided below:

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9.1.1. Either Party may terminate this Agreement, provided that such Party is not in material breach of any of its representations, warranties, covenants or obligations set forth herein, by giving written notice to the other Party, at any time prior to the Closing, in the event that such other Party is in material breach of any of its representations, warranties, covenants, or obligations set forth herein and such breach remains uncured for a period of twenty (20) calendar days after notice of breach is received by the breaching Party from the Party terminating this Agreement.

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9.1.2. The Parties may terminate this Agreement by mutual written consent at any time prior to the Closing.

9.2. Automatic Termination. Unless otherwise mutually agreed upon by the Parties in writing, this Agreement shall automatically expire if any of the Parties fail to provide any of its covenants or obligations on or before Closing Date as provided in Section 2.1.

9.3. Sole and Exclusive Remedy. Notwithstanding any provision in this Agreement to the contrary, and for the avoidance of doubt, the exercise by any Party of any right of termination under this Article IX shall constitute the sole and exclusive remedy of such Party for the matters giving rise to such right of termination and such Party waives all other remedies on account of such matters.

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9.4. Survival Following Termination. Notwithstanding anything to the contrary contained herein, the provisions of Articles VI through X inclusive, shall survive the termination of this Agreement.

ARTICLE X MISCELLANEOUS

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[Signature]

10.1. Notices. All notices, requests, consents, demands and other communications required or permitted to be given under this Agreement (collectively, “Notices”) shall be in writing, be in the English language and be sent by certified or registered mail (return receipt requested), reputable overnight courier service, hand or confirmed facsimile. Notices shall be deemed to have been properly given and made five (5) business days after having been sent by mail, two (2) business days after having been sent by courier service, and one (1) business day after having been sent by hand or facsimile, in each case in compliance with this Section 8.1. Notices shall be addressed to the intended recipient at its address set forth below or to such other address as the intended recipient designates in writing to the other Parties:

If to each of the Sellers:

Frederick Manlunas

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Address: 1438 9th Street, Santa Monica, CA 90401
E-mail: eric@wavemaker.vc
Telephone: (310) 310-2410

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Benjamin Paul Bustamante Santos

Address: 1 Nanson Road, Singapore 238909
E-mail: paul@wavemaker.vc
Telephone: (310) 310-2410

James Buckly Jordan

Address: 1438 9th Street, Santa Monica, CA 90401
E-mail: buck@wavemaker.vc
Telephone: (310) 310-2410

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Wavemaker Partners V, LP

Address: 1438 9th Street, Santa Monica, CA 90401
E-mail: eric@wavemaker.vc
Telephone: (310) 310-2410

With a copy to:

Jacob Milton C. Divino

Divino and Gavino Law Office's
Suite 501 OMM-Citra Bldg., San Miguel Ave.,
Ortigas Center, Pasig City 1605
jmdivino@dgllaw.net
Telephone: (632) 8687-1231

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If to Buyer:

Xurpas Inc.

7F Cambridge Centre Building 108 Tordesillas St.,
Salcedo Village, Makati City 1227
E-mail: nix@xurpas.com
Telephone: (632) 8889-6467

With a copy to:

Atty. Mark S. Gorriceta

Corporate Secretary / Chief Legal Officer
Gorriceta Africa Cauton & Saavedra
15F Strata 2000 F. Ortigas Jr. Road Ortigas Center,
Pasig City, 1605
msgorriceta@gorricetalaw.com
Telephone: (632) 8696-0687

- 10.2. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware.

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- 10.3. Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.
- 10.4. Further Assurances. From time to time prior to, at, and after the Closing, each Party shall execute and deliver all such documents and instruments and take all such actions as the other Party, being advised by counsel, shall reasonably request for the purpose of carrying out and effectuating the intent and purpose of this Agreement and the transaction contemplated hereby, including, without limitation, the execution and delivery of any and all confirmatory and other instruments, in addition to those to be delivered at the Closing, and any and all actions which may reasonably be necessary to effect the transaction contemplated hereby.
- 10.5. Severability. Any provision of this Agreement which is illegal, invalid, or unenforceable in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction or the remaining provisions of this Agreement in any jurisdiction. If the final judgment of a court of competent jurisdiction declares that any provision of this Agreement is illegal, invalid or unenforceable, the Parties agree that such court shall have the power to modify such provision consistent with the intent of the Parties.
- 10.6. Binding Nature; No Beneficiaries; Cumulative Rights. This Agreement shall be binding upon, and shall inure to the benefit of, the Parties and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any Person, other than the Parties and their respective successors and permitted assigns, any rights, remedies, benefits, obligations or liabilities under this Agreement, except as specifically provided in this Agreement or otherwise specifically agreed to in writing by the Parties. Except as otherwise expressly provided in this Agreement, the rights and remedies provided herein shall be cumulative and not exclusive of any other rights or remedies provided at law or in equity.
- 10.7. Assignments. No Party may assign, transfer, or delegate this Agreement or any of its rights or obligations under this Agreement without the prior written consent of the other Parties, which may be given or withheld in such other Party's sole and absolute discretion.
- 10.8. Entire Agreement. This Agreement contains and constitutes the entire agreement of or among the Parties with respect to the subject matter of this Agreement, and supersedes all other prior or contemporaneous understandings, communications, commitments, undertakings, representations and agreements, oral or written, expressed or implied, of or among the Parties with respect to the subject matter of this Agreement.

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10.9. Amendments. This Agreement may not be amended, modified, discharged, or waived orally or by course of conduct, but only by an agreement in writing, signed by or on behalf of the Party against whom enforcement of any amendment, modification, discharge or waiver is sought.

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10.10. No Waivers. The failure or delay on the part of either Party to insist upon or enforce strict performance of any provision of this Agreement by the other Party, or to exercise any right, power or remedy under this Agreement, shall not be deemed or construed as a waiver thereof. A waiver by either Party of any provision of this Agreement or of any breach thereof shall not be deemed or construed as a general or continuing waiver of such provision or of any other provision, of any subsequent or other breach hereof or of any rights hereunder.

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10.11. Headings; Exhibits. The section headings contained in this Agreement are for convenience only and shall not be considered in the interpretation or construction of the provisions of this Agreement. The term "this Agreement" shall be deemed to include each of the exhibits hereto, any documents based on such exhibits and any other statement, certificate, instrument or other document furnished or delivered by the Parties in connection with this Agreement or the transaction contemplated hereby.

10.12. Certain Terms. The words "hereof," "herein," "hereunder" or "hereto" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision or paragraph of this Agreement. Defined terms in the singular include the plural and vice versa. The terms "including," "includes," and "include" shall be deemed to be followed by the words "without limitation" unless already so expressly stated. Additionally, the following terms shall have the following meanings:

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- (a) "Affiliate" means, in respect of any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such first Person or, in the case of an individual, any individual Person who is related by blood, marriage or adoption to such first Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (i) vote 50% or more of the securities having ordinary voting power for the election of directors (or individuals performing similar functions) of such Person, or (ii) direct or cause the direction of the management and policies of such Person, whether by Contract or otherwise.
- (b) "Company Employee" means each individual who on the Closing Date is actively employed by any Company Entity, and not on long term disability or a leave of absence.
- (c) "Contract" means any contract, agreement, lease, license, commitment, franchise, warranty, guaranty, mortgage, note, bond, option, warrant, right or other instrument or consensual obligation, whether written or oral.

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- (d) “knowledge” means (i) the actual knowledge of a Person, and, if applicable, such Person’s directors and executive officers or, (ii) in the case of the Sellers, the actual knowledge of the Sellers, after reasonable inquiry.
- (e) “Manager Units” means as Manager Units as defined in the limited liability company operating agreement of Wavemaker Select.
- (f) “Person” means an individual, corporation, company, limited liability company, partnership, limited liability partnership, association, joint venture, Governmental Authority, trust, or any other entity or organization.
- (g) “Pre-Closing Taxes” means any Taxes (i) of any Company Entity attributable to a Pre-Closing Period, (ii) imposed on an Company Entity as a result of being a member of an affiliated group for prior to the Closing with which such Company Entity has filed a Tax Return on a consolidated, combined or unitary basis prior to the Closing (other than a group of which the common parent is an Company Entity), (iii) of any Person (other than the Company Entities) imposed on an Company Entity as a transferee or successor, by Contract or pursuant to any law, which Taxes relate to an event or transaction occurring before the Closing and are properly allocable to a Pre-Closing Period, and (iv) any Transfer Taxes.
- (h) “GAAP” means U.S. generally accepted accounting principles, applied on a consistent basis in accordance with past practices.
- (i) “Governmental Authority” means any federal, state, local or foreign court or governmental or regulatory agency or authority, or any multinational or organizational body.
- (j) “Subsidiary” means ” means, with respect to a specified Person, any corporation or other Person of which securities or other interests having the power to elect a majority of that corporation’s or other Person’s board of directors or similar governing body, or otherwise having the power to direct the business and policies of that corporation or other Person (other than securities or other interests having such power only upon the happening of a contingency that has not occurred) are held by the specified Person or one or more of its Subsidiaries. For the avoidance of doubt, each Company Entity shall be considered a “Subsidiary” of the Holding Company for the purposes of this Agreement.
- (k) “Tax” means means (a) any U.S. federal, state, municipal, local, foreign or other tax, charge, fee, duty (including customs duty), levy or assessment imposed by a Governmental Authority in the nature of a tax, including any income, gross receipts, net proceeds, alternative or add-on minimum, corporation, margin, general business, ad valorem, turnover, real property, personal property (tangible or intangible), sales, use, franchise, excise, value added, stamp, leasing, lease, user, transfer, conveyance, production, unclaimed property, escheat, repatriation, fuel, excess profits, profits, occupational, premium, interest equalization, windfall profits, severance, license, registration, payroll, environmental, capital stock, capital duty, disability, estimated, gains, wealth, welfare, employee’s income withholding, non-resident withholding, other withholding,

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employment, unemployment or social security, tax on “global low-taxed intangible income” (as defined in Section 951A of the Code) or other tax of whatever kind (including any fee, assessment or other charges in the nature of or in lieu of any tax) that is imposed by any Governmental Authority, (b) any interest, fines, penalties or additions resulting from, attributable to, or incurred in connection with any items described in this paragraph or any related contest or dispute.

- (l) “Tax Return” means any report, return, filing, declaration, claim for refund, or information return or statement related to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

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10.13. Construction. The Parties have each participated in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

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10.14. Counterparts. This Agreement may be executed in any number of counterparts and such counterparts may be exchanged by means of electronic mail or facsimile transmission, and each of such counterparts shall be deemed an original but all of them together shall constitute one and the same instrument. Each Party agrees that the delivery of the Agreement by facsimile or e-mail shall have the same force and effect as delivery of original signatures and that each party may use such facsimile or electronic signature as evidence of the execution and delivery of the Agreement by the Parties to the same extent that original signature could be used. In the event that counterparts of this Agreement are executed and exchanged by electronic mail or facsimile transmission, the Parties shall endeavor to exchange original executed counterparts of this Agreement.

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[Signature]

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IN WITNESS WHEREOF, the Parties have caused this Stock Purchase Agreement to be duly executed and delivered by their duly authorized representatives as of the date first written above.

DocuSigned by:

BF48E423C85D44C...
FREDERICK MANLUNAS
Seller

DocuSigned by:

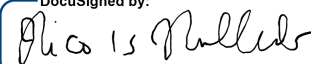
6CE2B5330BBB417...
BENJAMIN PAUL BUSTAMANTE SANTOS
Seller

DocuSigned by:

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JAMES BUCKLY JORDAN
Seller

WAVEMAKER PARTNERS V, LP
Seller

By: 
BF48E423C85D44C...
Name: FREDERICK MANLUNAS
Title: Managing Partner

XURPAS INC.
Buyer

By: 
40F64060AD2A4B0...
Name: NICO JOSE S. NOLLEDO
Title: Chairman

**EXHIBIT A
DEED OF ASSIGNMENT**

This Deed of Assignment (this “Deed”) is made as of this [_____] day of [_____] 2020 by and among:

FREDERICK MANLUNAS, American, of legal age, with address at 1438 9th Street, Santa Monica, CA 90401 (“**Mr. Manlunas**”);

BENJAMIN PAUL BUSTAMANTE SANTOS, Singaporean, of legal age, with address at 1 Nanson Road, Singapore 238909 (“**Mr. Santos**”);

JAMES BUCKLY JORDAN, American, of legal age, with address at 1438 9th Street, Santa Monica, CA 90401 (“**Mr. Jordan**”);

WAVEMAKER PARTNERS V, LP, a Delaware Limited Partnership, with address at 1438 9th Street, Santa Monica, CA 90401, represented herein by its Managing Partner, Frederick Manlunas (“**Wavemaker V LP**”);

– and –

XURPAS INC., a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at 7F Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines represented herein by its Chairman, **Nico Jose S. Nollado** as evidenced by a Secretary’s Certificate attached herewith as Annex “A” (“**Xurpas**”).

*(Each shall be referred to as a “**Party**” and collectively, the “**Parties**”; Mr. Manlunas, Mr. Santos, Mr. Jordan and Wavemaker V LP shall collectively be referred to herein as “**Assignors**”. Xurpas shall be referred to as the “**Assignee**”)*

RECITALS:

WHEREAS, pursuant to the Stock Purchase Agreement (the “**Agreement**”) executed by the Parties on September 20, 2020, all Closing Conditions for the sale and purchase of the Wavemaker Shares have been completed;

WHEREAS, Assignors and Assignee wish to effect the assignment and transfer of the Wavemaker Shares by Assignors to Assignee pursuant to the Agreement;

NOW, THEREFORE, for and in consideration of the foregoing, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto hereby agree as follows:

1. Assignment. Assignor hereby assigns, transfers, conveys and sets over to Assignee, its successors and assigns, all of Assignor’s right, title and interest in, under and to the Wavemaker Shares, including, without limitation, all rights otherwise inuring to Assignors by virtue of owning the Wavemaker Shares.

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2. Acceptance. Assignee hereby accepts the assignment and transfer of the Wavemaker Shares as provided in Section 1 hereof.

3. Ownership in Holding Company. Assignor hereby (a) consents to Assignee becoming a stockholder of the Holding Company upon the execution and delivery of this Assignment, and (b) acknowledges and agrees that Assignor hereby ceases, unless otherwise duly authorized by the Assignee in writing, (i) to be a stockholder of the Holding Company and (ii) to have the power to exercise any right, power or remedy as a stockholder of the Holding Company.

4. Miscellaneous.

(a) Governing Law. This Assignment shall be governed by, and construed in accordance with, the laws of the State of Delaware.

(b) Severability. Any provision of this Assignment which is illegal, invalid or unenforceable in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction or the remaining provisions of this Assignment in any jurisdiction. If the final judgment of a court of competent jurisdiction declares that any provision of this Assignment is illegal, invalid or unenforceable, the parties hereto agree that such court shall have the power to modify such provision consistent with the intent of the parties hereto.

(c) Headings. The section headings contained in this Assignment are for convenience only and shall not be considered in the interpretation or construction of the provisions of this Assignment.

(d) Binding Nature. This Assignment shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and permitted assigns.

(e) Counterparts. This Assignment may be executed in any number of counterparts and such counterparts may be exchanged by means of electronic mail or facsimile transmission, and each of such counterparts shall be deemed an original but all of them together shall constitute one and the same instrument. In the event that counterparts of this Assignment are executed and exchanged by electronic mail or facsimile transmission, the parties hereto shall endeavor to exchange original executed counterparts of this Assignment.

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IN WITNESS WHEREOF, the parties hereto have caused this Deed of Assignment to be duly executed and delivered as of the date first written above.

FREDERICK MANLUNAS

Seller

BENJAMIN PAUL BUSTAMANTE SANTOS

Seller

JAMES BUCKLY JORDAN

Seller

WAVEMAKER PARTNERS V, LP

By:

Name: FREDERICK MANLUNAS

Title: Managing Partner

XURPAS INC.

Buyer

By:

Name: NICO JOSE S. NOLLEDO

Title: Chairman

EXHIBIT B
FORM OF SELLER'S CLOSING CERTIFICATE
CERTIFICATE

This Certificate is executed and delivered by the following Sellers:

FREDERICK MANLUNAS, American, of legal age, with address at 1438 9th Street, Santa Monica, CA 90401 ("**Mr. Manlunas**");

BENJAMIN PAUL BUSTAMANTE SANTOS, Singaporean, of legal age, with address at 1 Nanson Road, Singapore 238909 ("**Mr. Santos**");

JAMES BUCKLY JORDAN, American, of legal age, with address at 1438 9th Street, Santa Monica, CA 90401 ("**Mr. Jordan**");

WAVEMAKER PARTNERS V, LP, a Delaware Limited Partnership, with address at 1438 9th Street, Santa Monica, CA 90401, represented herein by its Managing Partner, Frederick Manlunas ("**Wavemaker V LP**");

Each of the Sellers hereby certifies to Buyer as follows:

1. Attached hereto is a true and correct copy of the unanimous written consent of the following entities/members to the purchase by the Buyer of Wavemaker Group Inc.:
 - 1.1. Siemer Ventures, LLC
 - 1.2. Wavemaker Partners, LLC
 - 1.3. WM GP V LLC
 - 1.4. Wavemaker Management, LLC
 - 1.5. Wavemaker Global Select, LLC
- and such unanimous written consent has not been amended, repealed, or rescinded, and remains in full force and effect as of the date hereof.
2. All representations and warranties of the Sellers contained in the Agreement or in any of the Seller Documents were true and correct in all material respects as of the date of the Agreement or the Seller Documents, as the case may be, and are true and correct in all material respects as of the date hereof.
3. The Sellers have performed and complied with, in all material respects, all covenants, obligations and conditions required by the Agreement to be performed or complied with by the Sellers prior to or on the date hereof.
4. No injunction, order or decree of any Governmental Authority is in effect which restrains or prohibits the consummation of the transaction contemplated by the Agreement on the date hereof.

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5. In reliance on the certifications made by Buyer in the Certificate of Buyer dated the date hereof, all of the conditions precedent to the obligation of the Sellers to consummate the transaction contemplated by the Agreement have been satisfied.

IN WITNESS WHEREOF, the Sellers have duly executed and delivered this Certificate on this [] day of [], 2020.

FREDERICK MANLUNAS

Seller

BENJAMIN PAUL BUSTAMANTE SANTOS

Seller

JAMES BUCKLY JORDAN

Seller

WAVEMAKER PARTNERS V, LP

Seller

By:

Name: **FREDERICK MANLUNAS**

Title: Managing Partner

EXHIBIT C
FORM OF BUYER'S CLOSING CERTIFICATE
CERTIFICATE

This Certificate is executed and delivered by:

XURPAS INC., a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at 7F Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines represented herein by its Chairman, **Nico Jose S. Nollado**.

Buyer hereby certifies to the Sellers as follows:

1. Attached hereto is a copy of the resolutions of the Board of Directors of Buyer, authorizing the execution and delivery of the Agreement and the other Buyer Documents and the consummation by Buyer of the transaction contemplated thereby, and such resolutions have not been amended, repealed or rescinded and remains in full force and effect as of the date hereof.
2. All representations and warranties of Buyer contained in the Agreement or in any of the Buyer Documents were true and correct in all material respects as of the date of the Agreement or the Buyer Documents, as the case may be, and are true and correct in all material respects as of the date hereof.
3. Buyer has performed and complied with, in all material respects, all covenants, obligations and conditions required by the Agreement to be performed or complied with by Buyer prior to or on the date hereof.
4. In reliance on the certifications made by the Sellers in the Certificate of the Sellers dated the date hereof, all of the conditions precedent to the obligation of Buyer to consummate the transaction contemplated by the Agreement have been satisfied.

IN WITNESS WHEREOF, Buyer has duly executed and delivered this Certificate on this [] day of [] 2020.

Xurpas Inc.

By: _____
Name: **Nico Jose S. Nollado**
Title: *Chairman*



Project Wolverine SPA Schedule from Wavemaker

Schedule 3.1.2 - Organization

(a)

The Holding Company is in good standing under the laws of Delaware, and is qualified to do business in the State of Delaware.

(b)

Entity	Jurisdictions Qualified to Do Business
Siemer Ventures II, L.P.	Delaware, California
Wavemaker Partners III, L.P.	Delaware, California
Wavemaker Partners V, L.P.	Delaware
Siemer Ventures, LLC	Delaware, California
Wavemaker Partners, LLC	Delaware, California
WMP GP V, LLC	Delaware
Wavemaker Global Select, LLC	Delaware, California
Wavemaker Management, LLC	Delaware, California

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Schedule 3.1.5 - Capitalization and Ownership

(a)

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Capitalization of the Management Entities

Siemer Ventures, LLC

- Wavemaker Group Inc. - 56.5% fully-diluted membership interest
- David Siemer - 43.5% fully-diluted membership interest

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Wavemaker Partners LLC

- Wavemaker Group Inc. - 63.67% fully-diluted membership interest
- David Siemer - 36.33% fully-diluted membership interest

WMP GP V, LLC

- Wavemaker Group Inc. - 95.0% fully-diluted membership interest
- David Siemer - 5.0% fully-diluted membership interest

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Wavemaker Management, LLC

- Wavemaker Group Inc. - 95.0% fully-diluted membership interest
- David Siemer - 5.0% fully-diluted membership interest

Ownership of Manager Units of Wavemaker Global Select, LLC

- Wavemaker Group Inc. - 100% of the fully-diluted Manager Units

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Wavemaker Group Inc. Cap Table:

Total Authorized Shares: 20,000; 10,000 shares of Common Stock and 10,000 shares of Preferred Stock.

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Name	# of Shares of Common Stock:	Ownership %
Eric Manlunas	5,126	59.6%
James Jordan	1,560	18.2%
Paul Santos	1,522	17.7%
Wavemaker Partners V, LP	384	4.5%
Total	8,592	100.0%

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(c)

Membership Interests of the following LLCs, as further set forth in Schedule 3.1.5(a):

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- Siemer Ventures, LLC
- Wavemaker Partners, LLC
- WMP GP V, LLC
- Wavemaker Management, LLC

Manager Units of Wavemaker Global Select, LLC, including the following classes:

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- Class B
- Class C
- Class D
- Class E
- Class F
- Class G
- Class H
- Class I
- Class J
- Class K
- Class L
- Class M
- Class N

(f)

None.



(g)

Siemer Ventures, II	
Name of Issuer of Securities	Type of Security Held (Equity/Debt)
Denim.LA, Inc. (dba DSTLD f/k/a 20 Jeans)	2,235,361 - Series Seed Preferred Stock
	112,409 - Reg A-1 Shares
	55,668 - Common Shares
30Bouqs.com, Inc. (DBA The Bouqs Co.)	1,243,629 - Series A Preferred Stock
500 Startups, LP	\$500,000 - LP Units
AFTY, LLC (DBA Affinity Networks)	\$150,000 - Convertible Note
Amplify.LA Capital, LLC	\$92,945 - LP Units
Amplify.LA Capital II, LLC	\$207,055 - LP Units
Be the Beast, Inc.	\$59,000 - Convertible Note
	656,064 - Series B Stock
	200,000 Warrants @ \$0.01 (expire 11/14/2023)
	29,957 Warrants @ \$0.10 (expire 5/29/2024)
	31,673 Warrants @ \$0.10 (expire 10/2/2024)
	13,370 Warrants @ \$0.10 (expire 04/30/2025)
BitVault, Inc. dba Gem	175,871 - Series Seed Preferred Stock
Breaker KK	10 - Common shares
Bridg, Inc. (F/K/A Ecinity)	154,540 - Series A Preferred Stock
Caplinked, Inc.	34,902 - Series A-3 Preferred Stock
Cardlike, Inc. dba Card.com	96,510 - Series Seed Preferred stock
CloudAccess, Inc.	200,000 - Common Stock



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Siemer Ventures, II	
Name of Issuer of Securities	Type of Security Held (Equity/Debt)
Club W, Inc. (dba WINC)	869,771 - Series Seed Preferred Stock
	132,522 - Series A Preferred Stock
	250,000 - Common Stock
DFR Asia Ltd	1,012.56 - Shares
EAT Club, Inc.	434,632 - Series Seed Preferred Stock
	185,004 - Series A Preferred Stock
Eko Communication	24,508 - Series A Preferred Shares
Floqast, Inc.	60,000 - Series A2 Preferred Stock
Frenzoo Holdings Limited	14,794 Series AA Preferred Stock
JustAd T.V. LTD	348,148 - Ordinary A-1 Shares
Hawk Applications Corp. (DBA Shiphawk)	500,000 - Series A Preferred Stock
	277,777 - Series A-1 Preferred Stock
Kitterly	\$115,000 - Convertible Note
Daily Pay (fka Ribbon / Payout)	26,287 - Series A-1 Preferred Stock
Lucrative Gaming	257,685 Series A Preferred Stock
Maven Ventures Growth Labs I, LP	\$250,000 - LP Units
Naritiv, Inc. (f/k/a Cogo, Inc.)	149,614 - Series A Preferred Stock
Nativo, Inc.	139,782 - Series A Preferred Stock
Optimal Brand Holdco LLC	61,152 - Membership Units
Pathmathics, Inc.	383,935 - Series A Preferred Shares
Phunware, Inc.	526,219 - Common Shares



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Siemer Ventures, II

Name of Issuer of Securities	Type of Security Held (Equity/Debt)
Pollenizer Global Ltd	1,666,667 - Ordinary Shares
Ranker, Inc.	158,831 - Series A Preferred Stock 238,246 - Series S-2A Preferred Stock 254,550 - Series A-1 Preferred Stock
Science Media, LLC	20,000 - Series A Preferred Units
Service Scout, Inc (dba TakeLessons)	383,141 - Series C-1 Preferred Stock
Shift-Brand Holdco, LLC	1,100,110 - Units
Shop Holding, LLC (dba Connexity)	142,056 - Shop Holding LLC Units
Simple Reach	7,733 - Series A-1 Preferred Stock 43,819 - Common Stock
Clean Mobility Singapore Pte Ltd (dba Smove)	4,235 - Preference Shares
Social Annex, Inc.	1,450,013 - Series AA Preferred Stock
StackSocial, Inc. (dba StackCommerce)	189,859 - Series Seed 2 Preferred Stock
Staff Ranker	\$200,000 - Note
Strong Seed Fund I, LP	100,000 - Membership Units
Surf Airlines	89,261 - Series A Preferred Stock 51,000 - Series B-1 Preferred Stock
Fixx Ventures Pte. Ltd.	1,716 - Series A2 Preferred Shares
Titan Gaming, Inc. (dba Playsino)	141,733 - Series Seed Preferred Stock
Tradesparq, Inc.	890,442 - Subscribed Shares



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Siemer Ventures, II	
Name of Issuer of Securities	Type of Security Held (Equity/Debt)
Veritas Mobile Partners, Ltd. (dba Ayannah)	43,483 - Series B Common Shares
Wavemaker Labs PTE LTD	50,000 - Preferred Shares Class A
XCast Labs, Inc.	\$415,000 - Promissory Note 182,101 - Series A Preferred Shares 415,000 - Warrants for Series A Preferred Stock 6,898 - Series A Preferred Shares (PIK)
Xyleme, Inc.	210,995 - Series A Preferred Stock 320,000 - Common Stock 125,000 - Warrants for Common Stock
YouMail, Inc.	2,000,000 - Series A-1 Preferred Stock 622,902 - Series B Preferred Stock 217,580 - Warrants exercisable into 108,790 series B preferred shares at \$0.1666666667 cost
Zumata Technology	\$80,000 - Note

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Wavemaker Partners III	
Name of Issuer of Securities	Type of Security Held (Equity/Debt)
A-AAV-02-Fund, a series of AngelList-ArEs-Funds, LLC DBA Arsenic Magazine	\$139,885 - Convertible Note
A-AAV-03-Fund, a series of AngelList-ArEs-Funds, LLC DBA India Boulevard	\$100,000 - Convertible Note
Amplify Capital II, LLC	\$250,000 - LP Units



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Wavemaker Partners III	
Name of Issuer of Securities	Type of Security Held (Equity/Debt)
Amplify Capital III, LLC	\$250,000 - LP Units
Arena Alpha, L.P.	\$1,700,000 - LP Units
Be the Beast, Inc.	282,853 - Series B Stock \$65,000 - Convertible Note
Bloom Software (dba Thrively)	\$350,000 - Note
Capsul	\$250,000 - Note
CarPay	\$111,000 - Note
Cielo24, Inc.	693,288 - Series A-1 Preferred Stock \$200,000 - Note
Closer Mobile, Inc. (Migo)	425,627 - Series Seed 2 Stock
Social Annex, Inc. (DBA Annex Cloud)	503,221 - Series AA Preferred Stock
Clutter, Inc.	56,841 - Series Seed Preferred Stock 5,914 - Series Seed-2 Preferred Stock
Contender.com, Inc.	\$150,000 - Note
Discotech LLC	\$100,000 - Note
Ecinity, Inc. DBA Bridg	135,996 - Series A Preferred Stock
Enhance, Inc.	1,299,100 - Series Seed Stock \$85,000 - Note
FAMA Technologies, Inc.	138,907 Series Seed Preferred Stock 173,627 Series Seed-2 Preferred Stock
Pike13, Inc. (FKA Front Desk, Inc.)	480,745 - Series A Preferred Stock

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Wavemaker Partners III

Name of Issuer of Securities	Type of Security Held (Equity/Debt)
Halogen Ventures, L.P.	\$250,000 - LP Units
Hawk Applications Corp. DBA Shiphawk	1,111,111 - Series A-1 Preferred Stock 1,104,242 - Series A-2 Preferred Stock 7,240,548 - Series 1 Preferred Stock
Haawk, Inc.	710,564 - Series Seed Preferred
Hellotech, Inc. f/k/a Big Monday, Inc.	54,368 - Series A Preferred Stock 117,281 - Common Stock
Jeremy Bodenhamer	662,544 - Option to purchase Shiphawk Common Stock \$135,000 - Note
iDreamBooks, Inc. DBA Instaread	457,343 - Series Seed Preferred Stock 297,704 - Common Stock
Isomnio, Inc. DBA 17Hats	762,963 - Series A-1 Preferred Stock 776,869 - Series A-2 Preferred Stock
J&Y Business Group DBA Leaseville	\$200,000 - Note
Key Travel Concierge	160,493 - Series A Preferred Stock
Kitterly, Inc.	\$385,000 - Note
Landit, Inc.	215,554 - Series Seed Preferred Stock
Linqia, Inc.	\$1,071,712 - Safe
Local Store Identity, Inc.	195,083 - Series Seed Preferred Stock 500,543 - Series Seed-2 Preferred Stock 7,005,561 - Series Seed-4 Preferred Stock
Markett, Inc.	377,606 - Series Seed Preferred Stock



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Wavemaker Partners III	
Name of Issuer of Securities	Type of Security Held (Equity/Debt)
Maven Ventures Fund II, L.P.	\$137,500 - LP Units
Miiddle, Inc.	\$600,000 - Safe
Mycotechnology, Inc. DBA Myco Tech	55,289 - Series A Preferred Stock
Naritiv, Inc.	86,888 - Series A Preferred Stock
Neutrino8, Inc.	199,796 - Preferred Shares
Paper G, Inc. (dba Thunder Labs)	1,559,575 - Series B Preferred Stock
Partyslate, LLC	90,187 - Series Seed Preferred
Pathmatics, Inc.	\$50,000 - Note
Phunware, Inc.	166,834 - Common Stock
Pray, Inc.	209,214 - Series Seed Preferred Stock
Quick.ly, Inc.	333,333 - Series A Preferred Stock
Raj Chauhan	\$100,000 - Non-recourse note for Open X Software Ltd
Daily Pay (fka Ribbon / Payout)	20,408 - Series A-1 Preferred Stock
Rock You, Inc.	172,541 - Series 3 Preferred Stock
Sense360, Inc.	48,904 - Series A Preferred Stock
Shelvspace, Inc.	\$200,000 - Note
Snap Credit, Inc. (dba Credit Key)	413,745 - Series Seed-1 Preferred Stock
Sojourn Destinations Holdings, Inc.	100,000 - Series Seed Preferred Shares \$100,000 - Note

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Wavemaker Partners III

Name of Issuer of Securities	Type of Security Held (Equity/Debt)
Songspace, Inc.	1,506,139 - Series Seed Preferred Shares
Strong Seed Fund II, LP	\$633,000 - LP Units
Take Lessons (Service Scout)	\$250,000 - Note
The Bouqs Company	164,437 - Series B Preferred Stock \$150,000 - Note
The Venue Report, Inc.	1,436,383 - Series Seed Preferred Stock
Unglue, Inc.	\$250,000 - Note
UsePencil, Inc. DBA Comma	\$49,777 - Safe
Videoamp, Inc.	463,430 - Series Seed Preferred Stock 284,6060 - Series A Preferred Stock
Wavemaker Labs	130,000 - Ordinary Shares
Wavemaker Pacific 1 Pte. Ltd.	195,000 - Preference Shares
Xyleme, Inc.	1,074,135 - Series B-1 Preferred Shares 125,000 - Warrants for Common Stock

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Wavemaker V

Name of Issuer of Securities	Type of Security Held (Equity/Debt)
Alleyoop, Inc. (fka Sphynx Collection LLC)	\$450,000 - Convertible Note
Amplify.LA Capital IV LP	\$250,000 - LP Units
ArtLocal, Inc.	92,416 - Series B Preferred Shares



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Wavemaker V	
Name of Issuer of Securities	Type of Security Held (Equity/Debt)
	50,378 - Series E Preferred Shares 64,049 - Series F Preferred Shares
Baloonr, Inc.	1,414,380 - Series Seed Preferred Stock
Bamboo Learning, Inc.	134,228 - Series Seed Preferred Stock
Care Birds, Inc. (formerly Passing Guide, Inc.)	\$375,000 - Convertible Note
Closer Mobile, Inc. (Migo)	170,250 - Series Seed 2 Preferred Stock
Curate Solutions, Inc.	183,119 - Common Stock
eTail Pet, Inc.	1,243,008 - Series Seed Preferred Stock
FAMA Technologies, Inc.	149,718 - Series A Preferred Stock
First Resonance	477,023 - Series Seed Preferred Stock
Future Labs V, Inc.	\$200,000 - Convertible Note in Graze \$2,700,000 - Subscription Units (Bucks' Share) \$2,700,000 - Subscription Units (Eric's Share) \$750,000 - Subscription Units
Isomnio, Inc. (17 hats)	26,550 - Series A-2 Preferred Stock
Landit, Inc.	171,786 - Series A Preferred Stock
Local Store Identity, Inc.	1,324,889 - Series Seed-2 Preferred Stock
Neutrino8 Inc.	499,306 - Series A1 Preferred Stock
Outer, Inc.	217,296 - Series Seed Preferred Stock
PartySlate	56,269 - Series Seed-2 Preferred Stock
PathSpot Technologies, Inc.	40,401 - Series Seed-2 Preferred Stock

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Wavemaker V

Name of Issuer of Securities	Type of Security Held (Equity/Debt)
Polycade Inc.	\$300,000 - Safe
PopID Inc.	354,087 - Series A-1 Preferred Stock
Radical Group, Inc.	200,803 - Series Seed Preferred Stock
Sadie Wavemaker Ventures Fund I, LP	\$251,200 - Subscription
Snap Credit Inc.	463,588 - Series Seed-1 Preferred Stock
Stackin Inc.	87,688 - Series A-1 Preferred Stock 371,417 - Series A-2 Preferred Stock 62,862 - Warrants to Purchase Common
Stout Street Capital Fund II LP	\$100,000 - Subscription Units
Titan School Solutions	487,487 - Series A Preferred Stock
Tonik Holdings, LLC	500,000 - Series Seed Preferred Stock
Trail Mix Ventures Fund LP	\$350,000 - Subscription Units
Tribunat LLC (d/b/a Intrinio)	1,190,480 - Class A Units
unGlue Inc.	231,760 - Series Seed Preferred Stock
Venue Report	1,134,658 - Series Seed Preferred Stock
Wavemaker 360 Health LP	\$1,125,000 - Subscription
Wavemaker Global Select LLC	Class C Units - Containing 200,000 Shares of the Bouqs
Wavemaker Global Select LLC	\$849,985 - Class M Units which contains interest in Thin Line Capital
WeeCare, Inc.	267,753 - Series Seed Preferred Stock

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Wavemaker V	
Name of Issuer of Securities	Type of Security Held (Equity/Debt)
Winc, Inc.	769,231 - Common Stock
Wheel Labs Inc.	111,408 - Series Seed Prime Preferred Stock
Xyleme, Inc.	72,748 - Series B1 Preferred Stock
PreShow	Series Seed Preferred Stock
Field Day	Series A Preferred Stock
Backyard Box	\$250,000 - Safe
Performa	Series Seed Preferred Stock

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Wavemaker Global Select	
Name of Issuer of Securities	Type of Security Held (Equity/Debt)
Class B - 4 th MVMT	661,668 - Series Seed Preferred Stock
	166,231 - Options
	381,707 - Warrants
Class C - The Bouqs	Convertible Note
Class D - Bespoke Financial, Inc.	5,376,344 - Series Seed Preferred Stock
Class E - Wheels Labs, Inc.	\$4,766,750 worth of Series A Preferred Stock
Class F - Wavemaker Pacific 1 PTE LTD.	\$2,000,000 worth of LP Investment
Class G - PopID, Inc.	173,748 - Series Seed Preferred Stock
Class H - Marcy Venture Partners Fund LP	\$500,000 worth of LP Units
Class I - Wheels Labs, Inc.	\$865,632 worth of Series B Preferred Stock

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Wavemaker Global Select	
Name of Issuer of Securities	Type of Security Held (Equity/Debt)
Class J - Relativity Space, Inc.	\$2,535,000 worth of Series C Preferred Stock
Class K - Future Labs V, Inc. (DBA Graze)	\$265,000 - Crowd Safe Note
Class L - Icon Build	\$25,000 worth of Series A Preferred Stock
Class M - Thin Line Capital	\$3,350,000 worth of LP Units
Class N - Future Labs VIII, Inc. (DBA Backyard Box)	\$10,000 - Safe

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Schedule 3.1.8 - Financial Statements

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See Appendix 1.

Schedule 3.1.12 - Permits

1. Wavemaker Partners, LLC Santa Monica business license number is 230695 and it expires 6/30/2021.
2. Wavemaker Management, LLC filed Form ADV on January 23rd 2020 (CRD Number: 305099). We are still waiting on hearing back from them, however, we expect that they are delayed due to the global pandemic. No Company Entity other than Wavemaker Management, LLC is required to be registered with any Governmental Authority (including, without limitation, FINRA) as an investment advisor or broker or in any similar capacity.

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Schedule 3.1.15 - Transactions with Affiliates

1. Interest Contribution Agreement dated as of August 21, 2020, by and between the Holding Company and Frederick Manlunas.
2. Interest Contribution Agreement dated as of August 21, 2020, by and between the Holding Company and James Buckly Jordan.
3. Interest Contribution Agreement dated as of August 21, 2020, by and between the Holding Company and Benjamin Paul Bustamante Santos.
4. David Siemer, Paul Santos and Eric Manlunas intend to enter into a certain Memorandum of Understanding ("MOU"), which outlines the agreed-on split of carried interests of certain Partnerships among the parties, as well as the corresponding ownership interests in Siemer Ventures, LLC and Wavemaker Partners, LLC. The parties expect to execute the MOU on or before October 16, 2020.



Schedule 3.1.17 - Bank Accounts and Powers of Attorney

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Entity	Bank Info	Account Number
Siemer Ventures II, L.P.	Silicon Valley Bank 3003 Tasman Drive Santa Clarita, CA 95054	
Siemer Ventures, LLC	Silicon Valley Bank 3003 Tasman Drive Santa Clarita, CA 95054	
Wavemaker Partners III, LP	Silicon Valley Bank 3003 Tasman Drive Santa Clarita, CA 95054	
Wavemaker Partners, LLC	Silicon Valley Bank 3003 Tasman Drive Santa Clarita, CA 95054	
Wavemaker Partners V, LP	First Republic Bank 101 Pine Street San Francisco, CA 94111	
Wavemaker Management, LLC	First Republic Bank 101 Pine Street San Francisco, CA 94111	
Wavemaker Global Select, LLC	First Republic Bank 101 Pine Street San Francisco, CA 94111	

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Wavemaker Group Inc. does not have a bank account in its name.

Schedule 3.1.18 - Insurance

Type of Insurance	Provider	Policy Number
Commercial General Liability	Travelers Casualty Insurance Company of America	
Workers Compensation and Employers' Liability	American Zurich Insurance Company	

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Schedule 3.1.20 - No Brokers

None.



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Schedule 8.1 - Entities Constituting "Wavemaker Asia"

The following entities are the Wavemaker Asia Active Funds constituting "Wavemaker Asia" as defined in Section 8.1 of the Agreement:

- Wavemaker Labs I, LP
- Wavemaker Labs Pte. Ltd.
- Wavemaker Pacific SEA II, LP
- Wavemaker Pacific 1 PTE LTD
- Wavemaker Pacific 3 LP

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Appendix 1
Schedule 3.1.8 – Financial Statements

Annex “G”

Disclaimers

- (1) The Income Statements and Balance Sheets have not been audited by a certified public accountant.
- (2) We wish to emphasize that the financials provided herein do not take into account the carried interest which may arise from future exits in Wavemaker’s investments through its parallel funds. As provided in its operating agreements, the fund management entities are entitled to 20% of the carried interest stemming from investment exit proceeds, subject to full repayment of all the capital contributions by the limited partners of each fund.
- (3) The financial statements are in US Dollars

Siemer Ventures, LLC
Balance Sheet
ending December 31, 2018 2019

	<u>Dec 31, 18</u>	<u>Dec 31, 19</u>
ASSETS		
Current Assets		
Checking/Savings		
SVB - Checking	73.74	3,727.72
Total Checking/Savings	73.74	3,727.72
Other Current Assets		
Due from Wavemaker, LLC	-1,675.00	-3,767.29
Due (to)/from SVII LP	0.00	-6,283.98
Total Other Current Assets	-1,675.00	-10,051.27
Total Current Assets	-1,601.26	-6,323.55
Other Assets		
Security Deposit - Office Lease	5,013.53	
Investment in SV II, LP		
Contributions	200,101.31	200,101.31
Distributions	-42,987.70	-42,987.70
Total Investment in SV II, LP	157,113.61	157,113.61
Total Other Assets	162,127.14	157,113.61
TOTAL ASSETS	<u>160,525.88</u>	<u>150,790.06</u>
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Other Current Liabilities		
Due (to)/from SVII LP Contribut	192,101.31	192,101.31
Total Other Current Liabilities	192,101.31	192,101.31
Total Current Liabilities	192,101.31	192,101.31
Total Liabilities	192,101.31	192,101.31
Equity		
Member Draw - David Siemer	-692,076.76	-692,076.76
Member Draw - Eric Manlunas	-692,076.76	-692,076.76
Retained Earnings	1,357,018.06	1,352,578.09
Net Income	-4,439.97	-9,735.82
Total Equity	-31,575.43	-41,311.25
TOTAL LIABILITIES & EQUITY	<u>160,525.88</u>	<u>150,790.06</u>

Siemer Ventures, LLC
Profit & Loss YTD Comparison
January 2016 through December 2019

	<u>Jan - Dec 16</u>	<u>Jan - Dec 17</u>	<u>Jan - Dec 18</u>	<u>Jan - Dec 19</u>	<u>TOTAL</u>
Ordinary Income/Expense					
Income					
Management Fee	275,697.96	275,697.96	0.00	0.00	551,395.92
Total Income	275,697.96	275,697.96	0.00	0.00	551,395.92
Expense					
Placement Fees	17,545.41	0.00	0.00	0.00	17,545.41
Legal Fees	5,004.95	0.00	0.00	0.00	5,004.95
State Tax	2,500.00	1,700.00	1,704.18	1,700.00	7,604.18
Fundraising	1,403.00	0.00	0.00	0.00	1,403.00
Accounting Expense	3,337.50	2,312.45	2,100.00	6,990.00	14,739.95
Advertising and Promotion	21,000.00	0.00	0.00	0.00	21,000.00
Bank Service Charges	0.00	45.00	0.00	0.00	45.00
Parking	4,905.00	0.00	0.00	0.00	4,905.00
Payroll Expenses	0.00	-6.00	0.00	0.00	-6.00
Postage	0.00	0.00	29.79	0.00	29.79
Professional Fees	5,387.40	5,200.00	604.00	630.00	11,821.40
Rent Expense	0.00	14,602.50	0.00	0.00	14,602.50
Taxes & Licenses	10,923.36	709.99	2.00	415.82	12,051.17
Travel Expense	0.00	630.00	0.00	0.00	630.00
Total Expense	72,006.62	25,193.94	4,439.97	9,735.82	111,376.35
Net Ordinary Income	203,691.34	250,504.02	-4,439.97	-9,735.82	440,019.57
Net Income	<u>203,691.34</u>	<u>250,504.02</u>	<u>-4,439.97</u>	<u>-9,735.82</u>	<u>440,019.57</u>

Wavemaker Partners, LLC

Balance Sheet

ending December 31, 2018 2019

	Dec 31, 18	Dec 31, 19
ASSETS		
Current Assets		
Checking/Savings		
SVB Checking Account	1,720.27	1,008.97
Total Checking/Savings	1,720.27	1,008.97
Other Current Assets		
Due from (to) Fund V	925,468.66	931,850.09
Due from (to) Wavemaker III, LP	55,336.12	0.00
Due from SE Wavemaker Entities	-958,000.00	-958,000.00
Due from Siemer Ventures, LLC	8,780.82	3,767.29
Due to/from WM GP V LLC	-3,508.34	0.00
Due to/from WM Mgmt LLC	29,312.95	55,664.60
Management Fee Receivable	10,000.00	19,000.00
Total Other Current Assets	67,390.21	52,281.98
Total Current Assets	69,110.48	53,290.95
TOTAL ASSETS	69,110.48	53,290.95
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable	19,078.62	368.84
Total Accounts Payable	19,078.62	368.84
Other Current Liabilities		
Due from (to) Siemer II, LLP	-21,634.22	0.00
Total Other Current Liabilities	-21,634.22	0.00
Total Current Liabilities	-2,555.60	368.84
Total Liabilities	-2,555.60	368.84
Equity		
David Siemer Draws	-694,402.40	-948,351.00
Eric Manlunas Draws	-779,809.72	-948,351.00
Paul Santos Draws	-29,000.00	-29,000.00
Retained Earnings	1,343,940.51	1,574,878.20
Net Income	230,937.69	403,745.91
Total Equity	71,666.08	52,922.11
TOTAL LIABILITIES & EQUITY	69,110.48	53,290.95

Wavemaker Partners, LLC

Profit & Loss

January 2016 through December 2019

	Jan - Dec 16	Jan - Dec 17	Jan - Dec 18	Jan - Dec 19	TOTAL
Ordinary Income/Expense					
Income					
Consulting Income	450,000.00	0.00	0.00	0.00	450,000.00
Management Fee Income	273,818.89	635,906.74	575,500.00	575,500.00	2,060,725.63
Other Income	0.00	34,500.00	0.00	0.00	34,500.00
Total Income	723,818.89	670,406.74	575,500.00	575,500.00	2,545,225.63
Expense					0.00
Accounting Expense	5,475.00	10,006.83	11,751.66	16,397.06	43,630.55
Advertising and Promotion	0.00	0.00	0.00	0.00	0.00
Bank Service Charges	0.00	0.00	25.00	0.00	25.00
Cellphone Expense	214.55	555.26	0.00	0.00	769.81
Computer and Internet Expenses	0.00	3,600.00	207.00	0.00	3,807.00
Events	0.00	21,077.96	0.00	0.00	21,077.96
Insurance Expense	0.00	18,190.72	27,466.96	6,839.74	52,497.42
Legal Fees	1,590.00	28,108.25	4,994.50	190.50	34,883.25
Marketing	21,000.00	0.00	654.83	0.00	21,654.83
Meals and Entertainment	854.22	4,005.27	6,060.90	0.00	10,920.39
Office Supplies	279.60	11,979.65	5,027.39	601.96	17,888.60
Parking expense	7,642.80	5,905.97	7,939.00	0.00	21,487.77
Payroll Expenses	50,437.72	86,264.07	125,094.80	50,020.96	311,817.55
Postage and Delivery	20.00	6.65	116.90	0.00	143.55
Professional Fees	39,473.36	32,867.50	120,074.44	20,176.49	212,591.79
Rent Expense	16,900.00	49,254.85	29,159.50	45.00	95,359.35
State Tax	2,600.00	5,287.37	3,388.76	-448.26	10,827.87
Syndication Costs	0.00	25,323.24	0.00	0.00	25,323.24
Taxes and Licenses	4,510.63	3,764.00	844.92	5,930.64	15,050.19
Telephone Expense	0.00	1,282.70	2,999.15	0.00	4,281.85
Travel Expense	90.56	12,206.89	7,756.60	0.00	20,054.05
WM Mgmt Operating Expenses	0.00	0.00	0.00	72,000.00	72,000.00
Total Expense	151,088.44	319,687.18	353,562.31	171,754.09	996,092.02
Net Ordinary Income	572,730.45	350,719.56	221,937.69	403,745.91	1,549,133.61
Other Income/Expense					0.00
Other Income					0.00
Sponsorship	0.00	0.00	9,000.00	0.00	9,000.00
Total Other Income	0.00	0.00	9,000.00	0.00	9,000.00
Net Other Income	0.00	0.00	9,000.00	0.00	9,000.00
Net Income	572,730.45	350,719.56	230,937.69	403,745.91	1,558,133.61

WMP GP V, LLC
Balance Sheet
As of December 31, 2018

Dec 31, 18

ASSETS

Current Assets

Checking/Savings

101 · FRB - 8101 12,394.96

Total Checking/Savings 12,394.96

Other Current Assets

135 · I/C Receivable

I/C Rec - Wavemaker Mgmt LLC -20,226.86

135.1 · I/C Rec - Wavemaker Prtners LLC 2,410.70

Total 135 · I/C Receivable -17,816.16

Total Other Current Assets -17,816.16

Total Current Assets -5,421.20

TOTAL ASSETS -5,421.20

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Other Current Liabilities

435 · I/C Liability

435.1 · I/C Liab - WM V LP 767.32

Total 435 · I/C Liability 767.32

Total Other Current Liabilities 767.32

Total Current Liabilities 767.32

Total Liabilities 767.32

Equity

Net Income -6,188.52

Total Equity -6,188.52

TOTAL LIABILITIES & EQUITY -5,421.20

WMP GP V, LLC

Profit & Loss YTD Comparison

January 2016 through December 2018

	Jan - Dec 16	Jan - Dec 17	Jan - Dec 18	TOTAL
Ordinary Income/Expense				
Income				
Management Fee Income	0.00	0.00	937.50	937.50
Total Income	0.00	0.00	937.50	937.50
Expense				
840 · Travel	0.00	0.00	248.48	248.48
830 · Utilities	0.00	0.00	233.26	233.26
Telephone Expense	0.00	0.00	434.34	434.34
Computer and Software Expense	0.00	0.00	86.51	86.51
Office Supplies	0.00	0.00	666.74	666.74
Meals & Entertainment	0.00	0.00	155.03	155.03
820 · Professional Fees and Other				
820.100 · Professional Fees				
820.105 · Accounting Expense	0.00	0.00	5,301.66	5,301.66
Total 820.100 · Professional Fees	0.00	0.00	5,301.66	5,301.66
Total 820 · Professional Fees and Other	0.00	0.00	5,301.66	5,301.66
Total Expense	0.00	0.00	7,126.02	7,126.02
Net Ordinary Income	0.00	0.00	-6,188.52	-6,188.52
Net Income	0.00	0.00	-6,188.52	-6,188.52

Wavemaker Management LLC

Balance Sheet

As of December 31, 2019

Dec 31, 19

ASSETS

Current Assets

Checking/Savings

101 · FRB 8044 168.74

Total Checking/Savings 168.74

Other Current Assets

125 · Prepaid Expense - Other 14,520.00

135 · I/C Receivable

135.2 · I/C Rec Wavemaker Partners LLC -55,664.60

135.1 · I/C Rec - Wavemaker GP V LLC 11,136.25

Total 135 · I/C Receivable -44,528.35

Total Other Current Assets -30,008.35

Total Current Assets -29,839.61

Fixed Assets

Fixtures and Furnishings 10,375.98

Office Equipment 10,918.89

Total Fixed Assets 21,294.87

Other Assets

150 · Investment Holding Account 250,000.00

Total Other Assets 250,000.00

TOTAL ASSETS 241,455.26

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

400 · Accounts Payable 11,082.52

Total Accounts Payable 11,082.52

Other Current Liabilities

Due to/from WM Global Select 152,800.00

Due to/from Wavemaker V, LP -8,535.83

Loan

Loan - Eric Manlunas -100,469.77

Total Loan -100,469.77

425 · Management Fee Payable -100,025.00

435 · I/C Liability

I/C Liability - Eric Manlunas -0.02

I/C Liability - WM SPV 250,000.00

Total 435 · I/C Liability 249,999.98

Total Other Current Liabilities 193,769.38

Total Current Liabilities 204,851.90

Total Liabilities 204,851.90

Equity

675 · Retained Earnings 16,205.04

Net Income 20,398.32

Total Equity 36,603.36

TOTAL LIABILITIES & EQUITY 241,455.26

Wavemaker Management LLC

Profit & Loss

January through December 2019

Jan - Dec 19

Ordinary Income/Expense

Income

Management Fee Income	396,041.34
700 · Income	
715 · Contributions from WMP LLC	72,000.00
Total 700 · Income	72,000.00

Total Income	468,041.34
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Expense

Gifts	300.00
Benefits Expense	4,408.64
Fundraising/Formation	15,614.64
Marketing	9.92
Postage	173.57
Payroll Expense	235,748.83
Parking	990.10
Telephone	1,641.79
Office Meals	1,619.58
Health Insurance	35,872.37
Travel	4,803.94
Rent	-7,793.00
Other Expense	38,642.67
Phone, Utilities	3,518.49
Professional Services	57,724.96
Computer and Internet Expense	1,207.33
Office Supplies	8,859.64

820 · Professional Fees and Other

820.100 · Professional Fees

820.102 · Legal	15,895.00
820.105 · Accounting Expense	19,757.45
820.100 · Professional Fees - Other	8,789.00

Total 820.100 · Professional Fees	44,441.45
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820.200 · Other

820.201 · Bank Service Charges	0.00
820.202 · Taxes	4,443.48
820.203 · Insurance Expense	3,186.57

Total 820.200 · Other	7,630.05
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Total 820 · Professional Fees and Other	52,071.50
---	-----------

Total Expense	455,414.97
---------------	------------

Net Ordinary Income	12,626.37
---------------------	-----------

Other Income/Expense

Other Income

Sponsorship

Sponsorship Expenses	-6,435.96
Fox Rothschild LLP	1,500.00
Avid Bank	2,700.00
O'Melveny & Myers	2,000.00
First Republic Bank	5,007.90

Wavemaker Management LLC
Profit & Loss
January through December 2019

	Jan - Dec 19
Early Growth Financial	1,000.01
Salem Partners, LLC	2,000.00
Total Sponsorship	7,771.95
Total Other Income	7,771.95
Net Other Income	7,771.95
Net Income	20,398.32

COVER SHEET

A	2	0	0	1	1	7	7	0	8	
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S.E.C. Registration No.

[illegible]

(Company's Full Name)

[illegible]

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

MARK S. GORRICETA

MARK S. GORRICETA

(02) 8889-6467

(02) 8889-6467

Contact Person

Company Telephone Number

1	2
---	---

3	1
---	---

Month _____ Day _____

Fiscal Year _____

17-A

FORM TYPE

2nd Monday of May

Month _____ Day _____
Annual Meeting

	N/A
--	-----

Secondary License Type, If Applicable

M	S	R	D
---	---	---	---

Dept. Requiring this Doc.

	N/A
--	-----

Amended Articles Number/Section

Total No. of Stockholders

	N/A
--	-----

Domestic

	N/A
--	-----

Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document I.D.

Cashier


STAMPS

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended December 31, 2019
2. SEC Identification Number A200117708 3. BIR Tax Identification No. 219-934-330-000
4. Exact name of issuer as specified in its charter XURPAS INC.
5. PHILIPPINES 6.  (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. 7th Floor, Cambridge Centre 108 Tordesillas St.
Salcedo Village, Makati City 1227 1227
Address of principal office Postal Code
8. (632) 889-6467
Issuer's telephone number, including area code
9. Not Applicable
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
---------------------	--

Common Shares	1,871,830,210
----------------------	----------------------

As of December 31, 2019, 42.54% of Xurpas Inc.'s common shares are owned by the public.

11. Are any or all of these securities listed in the Philippine Stock Exchange.

Yes [X] No []

A total of 1,797,700,660 common shares are listed in the Philippine Stock Exchange as of December 31, 2019.

12. Check whether the issuer:

(a.) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [X] No []

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

Yes [**X**] No []

13. Aggregate market value of the voting stock held by non-affiliates as of December 31, 2019 amounted to ₱613,084,680.67. The price used for this computation is the closing price as of December 27, 2019 is ₱0.77.

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [**X**] No []

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

- (a) Any annual report to security holders;
- (b) Any information statement filed pursuant to SRC Rule 20;
- (c) Any prospectus filed pursuant to SRC Rule 8.1.

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PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

Xurpas Inc. (“**Xurpas**” or the “**Company**”) is a technology company specializing in the creation and development of digital products and services, as well as the creation, development, and management of proprietary platforms for its clients. Xurpas provides mobile marketing and advertising solutions integrated in these consumer digital products and platforms for the consumption of mobile users. The Company is also engaged in platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This includes information technology (IT) staff augmentation and various enterprise solutions-based services to Telcos and other companies for network and applications development.

The Company’s main business units comprise of: 1) Mobile consumer products and services; 2) Enterprise solutions; and 3) Other services (HR technology services). *See Products and Services for a detailed discussion.*

Listing with the Philippine Stock Exchange

On November 12, 2014, the Philippine Stock Exchange (“PSE”) approved the initial public offering of the Company and offer of 344.00 million common shares at an offer price of ₱3.97 per share. On December 2, 2014, the common shares of Xurpas were listed in the PSE.

After its initial public offering, Xurpas acquired several companies to expand its portfolio of mobile technology products and services, enterprise services, and invest in companies that will aid in the distribution of the aforementioned products and services.

On April 26, 2016, Xurpas conducted an overnight placement with partial top up (“**Overnight Top Up Placement**”) wherein three substantial shareholders sold an aggregate of 155,400,000 common shares and accordingly, subscribed to 77,700,000 common shares (“**Subscription Shares**”) from the Company’s authorized capital stock. The Company raised an aggregate of ₱1.2 billion gross proceeds from issuance of the Subscription Shares, which was intended to support its growth strategy and fund its capital expenditure program. The Subscription Shares were listed with the PSE in 2016.

Acquisitions and Investments

Altitude Games Pte. Ltd. The Company purchased 21.78% ownership in Altitude Games Pte. Ltd. in 2014, a Singaporean IT company engaged in computer game development and publishing. In 2019, Altitude accepted game development projects outsourced to it by certain offshore game publishers.

Storm Technologies Inc. In February 2015, the Company acquired a 51.06% controlling stake in Storm Flex Systems, Inc. (currently registered as Storm Technologies Inc., referred herein as “**Storm**”), to enable Xurpas to expand beyond telecommunication networks and into corporations through offering human resource (“HR”) technology solutions. As of date, Xurpas owns 51.31% controlling stake in Storm.

Seer Technologies Inc. Xurpas acquired 70% controlling stake in Seer Technologies Inc. (“**Seer**”), a company engaged in software consultancy, design, development and managed services focused on mobile, cloud and data technologies. Seer has been operationally absorbed by the Parent Company.

Xurpas Enterprise Inc. Xurpas also registered Xurpas Enterprise with the Philippine Securities and Exchange Commission in March 2016. Xurpas Enterprise was created to primarily engage in the business of software development including designing, upgrading, and marketing all kinds of information technology systems to corporate clients.

PT Sembilan Digital Investama On March 26, 2015, Xurpas acquired 49% shareholdings in PT Sembilan Digital Investama (“SDI”). The acquisition gave the Parent Company access to PT Ninelives Interactive (“Ninelives”), a mobile content and distribution company in Indonesia, which SDI owns. In 2019, clients included Hooq and Viu.

MatchMe Pte. Ltd. On March 30, 2015, the Parent Company acquired 1,000,000 ordinary shares of MatchMe, an international game development company based in Singapore, for a total consideration amounting to ₱61.60 million. In 2018, MatchMe issued 1,547,729 ordinary shares worth US\$0.079 per share or a total of US\$122,944. The Parent Company subscribed to 467,820 ordinary shares for a total of US\$37,161 or ₱1,977,018 resulting to increase in percentage ownership from 28.59% to 29.10%. MatchMe was not able to level-up its operations in 2019 and has eventually resulted in it becoming dormant.

Micro Benefits Limited. The Company also acquired 23.53% ownership in Micro Benefits Limited (“Micro Benefits”), a company registered in Hong Kong in March 2016. Micro Benefits is engaged in the business of providing HR benefits to Chinese workers through its operating company, Micro Benefits Financial Consulting (Suzhou) Co. Ltd, China. It developed a mobile application called CompanyIQ, which focuses on four key areas to improve employee engagement and business operations: Worker Voice, Digital Learning, Employee Portal, and Business Intelligence.

Art of Click Pte. Ltd. On October 6, 2016, Xurpas acquired 100% stake in Art of Click Pte. Ltd (“AOC”), a company registered under the laws of Singapore and engaged in the business of mobile media advertising that offers a marketing platform for advertisers. The Company has recently disclosed that to prevent further losses, AOC will limit its operations.

Xeleb Technologies Inc. and Xeleb Inc. develops digital products and services, with a particular focus on celebrity-branded and themed mobile Casual Games and Content for consumers. With the decline in the Company’s mobile consumer business, the Company has announced in 2019 that it intends to dissolve the said entities.

CTX Technologies Inc. The Company incorporated CTX Technologies Inc. in 2018. As of date, the said subsidiary has no operations. The Company’s board of directors has recently approved the sale of 80% of CTX to one of its principal shareholders, Mr. Fernando Jude F. Garcia.

Yondu Inc. In September 2015, the Company acquired 51% controlling stake in Yondu Inc. (“Yondu”), originally a Globe Telecom wholly-owned subsidiary which is presently engaged in the development and creation of wireless products and services accessible through telephones or other forms of communication devices and media networks. ***Xurpas sold its 51% interest in Yondu in September 2019.***

The list of companies on which Xurpas has voting interest as of December 31, 2019 and 2018 are as follows:

	Percentage of Voting Interest	
	2019	2018
Xeleb Technologies Inc. (formerly Fluxion, Inc.) ¹	100.00%	67.00%
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.)	51.31%	53.96%
Seer Technologies Inc.	70.00%	70.00%
Yondu Inc.	—	51.00%

¹ *Xeleb Technologies Inc. is in the process of dissolution.*

Xurpas Enterprise Inc.	100.00%	100.00%
Art of Click Pte. Ltd.	100.00%	100.00%
PT Sembilan Digital Investama	49.00%	49.00%
MatchMe Pte. Ltd.	29.10%	29.10%
Micro Benefits limited	23.53%	23.53%
Altitude Games Pte. Ltd	21.78%	21.78%
Altitude Games Inc.	21.17%	21.17%
Zowdow, Inc. (formerly Quick.ly Inc.)	3.56%	3.56%
ODX Pte. Ltd.	100.00%	100.00%
CTX Technologies Inc.	100.00%	—

PRODUCTS AND SERVICES

Mobile Consumer Services

Mobile Consumer Services includes airtime management, content development and management, and marketing and advertising solutions. The Company creates and develops mobile consumer content and other value-added services for mobile phone subscribers such as online casual games, info-on-demand services (e.g., news, social and other entertainment information), chat and messaging applications (e.g., mobile stickers), ringtones, licensed or unlicensed content such as music, videos, as well as mobile marketing and advertising solutions.

Content Provider Agreements with Telcos

As of December 31, 2019, the Company is a party to content provider agreements with all three of the Philippines leading Telcos, namely, Smart Communications, Inc. and Globe Telecom Inc.

Under these arrangements, the Company is primarily responsible for conceptualizing, designing, sourcing, generating, and maintaining (including, where necessary, de-bugging) mobile consumer content and services that its client Telco may avail of for distribution to or access, subscription or use by its mobile phone subscribers. On the other hand, the client Telco shall be responsible for all costs incurred in maintaining and operating its telecommunications network, as well as the billing and collection of the fees prescribed by the Telco for access, subscription or use of the mobile consumer content and services paid for by the Telco's mobile phone subscribers.

Access or subscription fees payable for access or subscription to the Company's mobile consumer content are paid exclusively through a mobile subscriber's outstanding mobile airtime credits, and payment of such fees is made by a subscriber by crediting a short code (which is a specific network access code assigned by the Telco to the Company) with the corresponding amount of mobile airtime credit. For instance, a mobile subscriber who wishes to subscribe to a news service offered by the Company, subscription to which is available for a price of ₱2.50, will need to send an instruction by SMS to the Telco through the short code (in the form of brief text commands) to debit his or her outstanding mobile airtime credit with the amount of ₱2.50. All access or subscription fees paid (or deemed paid) by the mobile subscriber are received and collected by the Telco.

In consideration for providing mobile consumer content and services (or access to such content, as for example, licensed content such as music or videos) to the client Telco, the Company receives a share in the revenues derived by the Telco from the fees paid by its mobile phone subscribers to the Telco to access, subscribe to or use such mobile consumer content and services. This share may vary depending on the type of content or service provided by the Company, but is typically equivalent to at least 50% of such access, subscription or usage fees, and is distributed to the Company by the Telco on a monthly basis.

In 2018, Globe Telecom Inc. implemented new policies which directly affected all of its VAS providers, including the Company. The said new policies caused a significant decline in the Company's mobile consumer services revenue.

For the year ended December 31, 2019, the Group's total revenue and net loss from its mobile consumer products business before intersegment adjustments were ₱68.33 million and ₱2,799.43 million, respectively, while total revenue and net loss before intersegment adjustments from its mobile consumer products business for the year ended December 31, 2018 amounted ₱314.24 million and ₱801.28 million, respectively.

Since the Parent Company operates under mobile consumer services, the segment suffered, as well, from the impairment losses on its goodwill and investments in associates and loss from sale of Yondu. Results of the segment's operations excluding one-off charges, will show net loss of ₱401.94 million.

Enterprise Services

The Company develops, on its own or in close collaboration with other technology companies, mobile platform solutions for the benefit of clients such as Telcos, government agencies, and other top-tiered companies. These products, which are tailored to a client's particular requirements and are used by millions of mobile subscribers at any given time, comprise the Company's enterprise services segment and include mission-critical applications such as customized call/SMS/data bundles, peer-to-peer mobile airtime credit transfers and various forms of mobile commerce.

The Company, through its subsidiaries, develops and customizes information technology platforms, provides system integration, mobile platform consultancy, manages off-the-shelf application and social media-related services.

Enterprise Services also includes information technology staff augmentation and various enterprise solutions-based services to Telcos and other companies for network and applications development.

For the year ended December 31, 2019, the Company's total revenue and net loss from its enterprise business before intersegment adjustments were ₱861.82 million and ₱57.46 million, respectively, while total revenue and net loss before intersegment adjustments from its enterprise business were ₱909.85 million and ₱54.66 million, respectively, for the year ended December 31, 2018.

Other Services

The Company, through its subsidiary Storm, provides HR technology solutions to its clients. Storm developed a proprietary online platform which allows employees of any company that has signed with Storm to exchange his or her current employee benefits and transform them into products and services such as mobile phones, gadgets, or financial training services, called 'StormFlex.' Storm also offers the same service for employees who are rewarded with points for accomplishing set milestones or objectives by their employer. The Company's subsidiary designs, develops, and customizes the HR technology platforms and streamlines the logistical requirements for product and service fulfillment.

For the year ended December 31, 2019, the Company's total revenue and net loss from its other services before intersegment adjustments were ₱97.31 million and ₱79.82 million, respectively. While for the year ended December 31, 2018, the Company's total revenue and net loss before intersegment adjustments from its other services were ₱95.99 million and ₱104.65 million.

Blockchain Technology

In 2018, the Company announced the incorporation of its wholly owned subsidiary, ODX Pte. Ltd. (“ODX”), an entity registered in Singapore, that will allow consumers in emerging markets to access the internet for free, through sponsored data packages. ODX pre-sold tokens and the proceeds from the said sale, amounting to \$4,999,960 will be used to start building the ODX infrastructure and for business development. The Company announced that some of its subsidiaries/affiliates also launched blockchain technology projects. In 2019, ODX started the distribution of tokens to all its investors, pre-sale purchasers, and advisors (collectively the “Token Holders”).

COMPETITION

For its mobile consumer content development business, the Company competes with over 100 mobile consumer content providers, which include Information Gateway, Inc., G-Gateway, Zed, Wolfpac and Rising Tide as competitors.

For its mobile marketing and advertising solutions business, the Company considers the following as competitors: TradeMob, Fiksu, Mobvista, Glispa, and Avazu.

For its enterprise development business including Seer Technologies Inc., the Company considers Stratpoint, Pointwest, and Novare, as its main competitors, providing outsourced web and mobile applications development services or cloud services for their clients.

For the Company’s other services, which refers to the flexible benefits and performance benefits business of Storm, the main competitor is Takatack Rewards, Towers Watson, Mercer, Ventyen, Kudos Canada, Globoforce, and My Checkpoints.

KEY RISKS

Stiff Competition and fast-paced evolution of the IT industry

The Company operates in a highly competitive environment given the numerous existing and new technology companies that has the capacity to provide the same services with competitive pricing. Likewise, the speed at which technology evolves to cater the demand of individuals and businesses for technological advancements poses risks such as costly upgrades of systems and obsolescence of some services. Nevertheless, the Company mitigates these things through establishing good relationships with its customers by providing quality services. In addition, the Company is continually identifying new, upgradable, and cost-effective solutions for its offered services.

Reliance on third party transmission and distribution infrastructure

As a mobile telecommunications value-added services provider, the Company relies on the transmission, switching and local distribution facilities of Telcos to which it provides mobile digital content and services. The Telcos own, operate and maintain these transmissions, switching and local distribution facilities and the Company itself does not have any right to participate or intervene in the operation or maintenance thereof. In 2018, the Company’s business was severely affected when Globe Telecom, Inc. implemented new and stricter opt-in guidelines for customers who sign up for VAS subscription. The Company’s revenue from its mobile consumer services significantly declined as a result of this. The Company has disclosed that it is strengthening and enhancing its enterprise services in light of the ongoing challenges in its mobile consumer segment.

Short Term Agreement with Telcos

The Company derives a small portion of its revenues from its share of the fees paid by mobile phone subscribers of its client Telcos to access, subscribe to or to use mobile consumer content and services created or developed by the Company pursuant to its content provider agreements with such Telcos. The Company's existing content provider agreements with its client Telcos are generally short-term in nature, with terms ranging from one to five years. In each case, there is no guarantee that such agreements will be renewed upon expiration thereof. Nevertheless, to mitigate reliance on its existing content provider agreements with such Telcos, the Company has acquired/invested in a foreign entity to expand its mobile operator client base to Telcos or other mobile operators outside the Philippines.

Ability to maximize and adapt to new technologies

The Company has disclosed that its acquisition and investment in various technology entities is aimed at creating platforms that offers a marketplace of technology products that consumers can choose from. The Company has equipped itself with various technologies to create the necessary platforms it can offer to the consumers. The Company's success will depend on its ability to maximize the potentials of these acquired technologies. Moreover, since the technology industry continues to develop at a robust pace, the Company will need to consider as part of its growth strategy that these technologies will need to be consistently updated, enhanced or developed to minimize risk on these becoming obsolete or impractical.

TRANSACTIONS WITH RELATED PARTIES

The Company has likewise secured loans from its key shareholders. See Note 20 of the Company's consolidated financial statements for transactions as of December 31, 2019.

On February 20, 2019, the board of directors approved the execution of a loan agreement wherein the key shareholders of the Company agreed to extend an aggregate of Php150 million loan to be used to fund enterprise projects and for general corporate purposes.

In 2020, the Board of the Company has also approved the sale of CTX Technologies Inc. to a director of Xurpas, Mr. Fernando Jude F. Garcia.

INTELLECTUAL PROPERTY

As the Company creates, develops and maintains substantially all of its mobile consumer content, the Company owns and holds exclusive rights to its entire product portfolio, excluding mobile consumer content in the form of licensed content such as music, videos and other content of a similar nature, which it licenses through third party licensors.

Platforms

Key intellectual property of the Company includes the Griffin SMS Gateway program, which is a proprietary platform developed by the Company through which the Company deploys mobile applications through any telecommunications network protocol. The Griffin SMS Gateway program is built on a modular architecture and is written in Java, an industry standard programming language that allows the program to be deployed using most common operating systems, with the following key features:

- The Griffin SMS Gateway allows the Company to connect to any of its client Telco's SMS center, which represents the heart of any Telco's wireless network handling all SMS operations, such as routing, forwarding and storing SMS messages, using popular protocols.
- The Griffin SMS Gateway contains a "Multi-Function Middleware" feature that allows the Company to interface with its client Telco's "Intelligent Network", which is the network that allows a Telco to offer value-added services to its mobile subscribers on top of its standard services (voice and call services) through UCIP or Diameter, MMSCs via MM7, or billing systems via proprietary SOAP-XML or other proprietary HTTP-based protocols.
- The Java API of the Griffin SMS Gateway allows the Company's application developers to write code that can easily be integrated or deployed across multiple carriers that may have different systems.

Key Intellectual Property of Yondu (which the Company sold in September 2019) includes Mobile360 SMS, which is a proprietary platform developed through which it delivers mobile services through various telecommunications connectivity. The Mobile360 SMS platform is built on a modular architecture and is written using industry standard programming languages with the following key features:

- The Mobile360 SMS platform allows the Company to create, process, and analyze SMS services through connectivity with partner Telcos' wireless network.
- The Mobile360 SMS platform allows the Company to provide SMS connectivity to third-party independent developers, software development houses, solutions integrators, and content providers through APIs that can be incorporated into their codes.
- The Do-It-Yourself feature of the Mobile360 SMS platform allows the Company to enable its clients to gain control over their SMS campaigns and services in terms of content, schedule and customer reach.

Trademarks

The Company likewise owns exclusive rights to its corporate name, as well as various brand names and marks that are used for its operations. Provided below is the summary of all marks registered in the name of the Company or any of its subsidiaries:

Holder	Mark	Registration Number	Date Filed	Date Registered
Xurpas Inc.	SELFIE.PH	42014009255	July 25, 2014	June 25, 2015
Xurpas Inc.	GRAB-A-GOLD	42014009260	July 25, 2014	December 11, 2014
Xurpas Inc.	FLUXION	42014009259	July 25, 2014	December 11, 2014
Xurpas Inc.	PLAYSMART	42014009254	July 25, 2014	December 11, 2014
Xurpas Inc.	#SELFIE	42014009257	July 25, 2014	December 11, 2014
Xurpas Inc.	SWAG	42014009261	July 25, 2014	February 12, 2015
Xurpas Inc.	Xurpas	42007004775	May 11, 2007	October 8, 2007
Xurpas Inc.	Xurpas	42017003342	March 8, 2018	October 5, 2017
Xurpas Inc.	Xurpas	42017003343	June 29, 2017	March 8, 2017
Xurpas Inc.	Art of Click	42017003340	August 31, 2017	March 8, 2017
Xurpas Inc.	Seer	42017003341	August 31, 2017	March 8, 2017

Xurpas Inc.	XE	42017003346	August 31, 2017	March 8, 2017
Xurpas Inc.	AppXentral	42017003344	June 29, 2017	March 8, 2017
Xurpas Inc.	Xurpas Enterprise	42017003345	June 29, 2017	March 8, 2017
Xurpas Inc.	Balikbayan Box It	42017017366	August 12, 2018	October 26, 2017
Xurpas Inc.	Xuper Tsikot	42017017362	October 26, 2017	March 29, 2018
Xurpas Inc.	Supernova Escape	42017017365	October 26, 2017	March 29, 2018
Xurpas Inc.	Beast Mode On	42017017363	October 26, 2017	March 29, 2018
Xurpas Inc.	Kumander Kuting	42017017364	October 26, 2017	March 29, 2018
Xurpas Inc.	ODX	42018008396	May 21, 2018	May 12, 2019
Xurpas Inc.	X	42018008395	May 21, 2018	May 12, 2019
Xurpas Inc.	Makefree	42018022480	December 19, 2018	December 8, 2019
Xeleb Technologies Inc.	Xeleb	42015005359	May 19, 2015	October 19, 2015
Xeleb Technologies Inc.	Trivia Time with Kuya Kim	42016004316	April 25, 2016	December 22, 2016
Xeleb Technologies Inc.	Xeleb Technologies	42017003700	March 14, 2017	August 31, 2017
Xeleb Technologies Inc.	Popster	42017003704	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jejemonster	42017003703	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jologs	42017003699	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jejemon	42017003702	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Super Belle	42017000346	January 11, 2017	May 4, 2017
Xeleb Technologies Inc.	Master Erwan's Foodcart	42017000082	January 4, 2017	May 4, 2017
Xeleb Technologies Inc.	Empire of Pink	42017000345	January 11, 2017	May 4, 2017
Xeleb Technologies Inc.	Trivia Time with Kuya Kim	42016004316	April 25, 2016	December 22, 2016
Xeleb Technologies Inc.	Xeleb Live	42018003222	February 21, 2018	September 6, 2018
Xeleb	Xeleb Live	42018003220	February 21, 2018	September 6, 2018

Technologies Inc.			2018	
Xeleb Technologies Inc.	Xeleb Live	42018003224	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Xeleb Live	42018003225	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	No Verbal Elements	42018003219	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Adventures of Kuya Kim	42017018334	November 10, 2017	May 24, 2018
Xeleb Technologies Inc.	Anne Kulit ni Mogwai	4201717358	October 26, 2017	March 29, 2018
Xeleb Technologies Inc.	Train Ubusan	42017017360	October 26, 2017	March 29, 2018
Xeleb Technologies Inc.	Erwan Youchop	42017017359	October 26, 2017	March 29, 2018
Xeleb Technologies Inc.	Anne-Galing	42015005360	May 19, 2015	November 19, 2015

REGULATION AND KEY LICENSES

The Company's mobile consumer business which refers to the development and delivery of mobile consumer content to its client Telcos, is considered as a form of value-added services regulated by the NTC under the Public Telecommunications Policy Act and related implementing regulations issued by the NTC.

While a value-added services provider (unlike other entities regulated under the Public Telecommunications Policy Act) is not required to obtain a franchise to operate, the NTC requires that any such provider obtain and maintain a Value-Added Services (VAS) License, which shall expressly indicate the value-added services that such provider is authorized to provide. Under existing regulations, the following services may be rendered by a holder of a VAS License:

- SMS and MMS Content Provider (cute texts, news, jokes, forwardable quotes, horoscopes, tips, chat, trivia, twitter and stickers)
- Mobile Tones (true tones, ringback tones, and text tones)
- Games (Grab-a-Gold, Games with Friends, Let's Playsmart, Anne Galing, Market Master Erwan, Trip ni Belle, Sarah G Popsters, Adventure of Kuya Kim, Aldub You)
- Mobile Promotions and Services for Consumer Brands and Third Party Corporate Clients

The Company holds a VAS License issued by the NTC valid until January 3, 2021, pursuant to which the Company is authorized to engage in all of the foregoing value-added services.

EMPLOYEES

The Company believes that its relationship with its employees is generally good and, since the start of its operations, the Company has not experienced a work stoppage as a result of any labor or labor-related disagreements. None of the Company's employees belong to a union. The Company has implemented cost-cutting measures to manage its day to day operations taking into account the challenges encountered by its mobile consumer services segment.

The table below sets forth the breakdown of the Company's labor complement, grouped according to function, as of December 31, 2019:

Executives	3
Accounting, Finance, Human Resources and Administrative.....	8
Marketing.....	9
Technical Staff.....	<u>15</u>
 Total	 <u>35</u>

The Company has adopted a rewards and recognition policy that is competitive with industry standards in the Philippines. Salaries and benefits are reviewed periodically and adjusted to retain current employees and attract new talents. Tied to these is a performance management system that calls for the alignment of individual key results, competencies, and development plans with the Company's overall business targets and strategy. Performance is reviewed periodically and employees are rewarded based on the attainment of pre-defined objectives. The Company also maintains programs for its employees' professional, technical and personal development.

PLANS AND PROSPECTS

Moving forward, Xurpas aims to expand and sustain its overall business, as it continually implements reorganization to refocus the business on recurring and stable revenue stream. The Company is gearing to strengthen its enterprise business which provides services such as custom software development, cloud services, HR technology, solutions architecture and blockchain technology. For its mobile consumer business segment, the Company is also adopting the same concept of strengthening recurring and stable revenue. For example, its consumer businesses with its subsidiaries or affiliates are now implementing business measures such as charging set up license fees; license ad tech to other third parties; publish own games and outsourcing development work for overseas game companies. Another envisaged component to the recovery and growth is global tech management, wherein Xurpas gains access to high-value, emerging, innovative and disruptive technologies in the US.

The Company intends to seize the opportunity to support various companies in their digital transformation. Xurpas will continue to create and provide custom tools and solutions for these transformations using its technology capabilities and experience. For this purpose, the Company aims to work with other local or international technology companies with content, capabilities, and technologies consistent with the Company's over-all market strategy. It will expand their ability to distribute their products and services globally to reach new corporate customers.

In particular, the Company intends to grow its overall business by:

- 1) Developing lead generations capability by using digital ads/marketing (social media ads and search engine optimization) and more efficient and aggressive leads management;
- 2) Growing portfolio by productizing existing services, and forging alliance/partnerships to enhance distribution and cross-selling opportunities ; and

- 3) Building competency in talent solutions business by building up the onboarding staff, outsourcing (when applicable), and astute resource management.

ITEM 2. Properties

Xurpas does not hold any real property of material value. As of December 31, 2019, properties held are transportation, office equipment, IT equipment, furniture and fixtures, leasehold improvements and leased assets with a net book value of ₱8.76 million.

The Company's offices are presently located at 7th Floor, Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines, which is leased by the Company from Gervel, Inc.

Operating Lease Commitments

- a. The Parent Company has noncancellable lease contract with Gervel, Inc. for the 7th floor office space which expired on March 21, 2020. The applicable rate per month is ₱0.27 million and a corresponding annual increase of 4%.

In March 2020, the Company renewed its lease contract for a period of one (1) year commencing on April 1, 2020 and expiring on March 31, 2021. The applicable rate per month is ₱0.33 million. The lease contract may be renewed in writing by mutual agreement of the parties.

- b. The Parent Company has noncancellable lease contract with Gervel, Inc. for the 4th floor office space which expired on March 31, 2020. The applicable rate per month is ₱0.29 million and a corresponding annual increase of 4%. The lease contract was pre-terminated through mutual agreement of the parties on March 30, 2019.
- c. In 2017, the Parent Company entered into a noncancellable lease contract with Gervel, Inc. for the 6th floor office space for a period of two (2) years and four and a half (4.5) months which commenced on November 16, 2017 and expired on March 31, 2020. The applicable rate per month is ₱0.33 million. The lease contract may be renewed in writing by mutual agreement of the parties.

In 2019, the Parent Company assigned the contract of lease to Xurpas Enterprise, Inc.

(See Note 19 of Audited FS for the complete list of leased properties of the subsidiaries)

Xurpas will acquire and/or lease additional property and equipment for its operations when deemed necessary. The cost of such acquisitions will depend on negotiations with vendors and lessors. Xurpas plans to finance such acquisitions from internally generated funds.

There were no property and equipment pledged as collateral as at December 31, 2019.

ITEM 3. Legal Proceedings

There are no material pending legal proceedings (including any bankruptcy, receivership or similar proceedings) to which the Company or any of its subsidiaries is a party or to which any of their material assets are subject.

In 2017, Art of Click ("AoC") and Pocketmath entered into an agreement ("the IO Agreement") for the performance of advertising campaigns amounting to USD4.77 million. Pocketmath failed to pay the invoices as they fell due. Thus, on 18 February 2020, AoC was compelled to issue and serve Statutory Demand to Pocketmath for the outstanding invoices as well as accrued late payment interest.

Pocketmath likewise failed to pay its liability as reflected in the Statutory Demand. Thereafter, AoC initiated a winding-up proceeding against Pocketmath in the Singapore High Court. After several proceedings, the parties entered into Settlement Agreement dated 1 July 2020.

On February 8, 2020, AMA Computer University Inc. filed a case at the Quezon City RTC Branch 84 against Seer Technologies Inc for breach of contract and damages. The plaintiff argued that Seer did not perform the services according to the agreement entered by the 2 parties. On March 6, 2020, the case was settled. At the same time, the court ordered the release of hold on the bond amounting to ₱ 5.04 million.

ITEM 4. Submission of Matters to a Vote of Security Holders

Xurpas Inc. held its Annual Stockholders' Meeting on November 8, 2019, wherein the following matters were acted upon:

Agenda 1: Approval of Minutes of Previous Meeting		
Yes	No	Abstain
99.54%	-	0.46%
Resolution: <p>“RESOLVED, to approve the minutes of the Annual Stockholders’ Meeting held on July 17, 2018.”</p>		

Agenda 2: Approval of the Consolidated Audited Financial Statements as of December 31, 2018		
Yes	No	Abstain
99.54%	-	0.46%
Resolution: <p>“RESOLVED, to note the Corporation’s Annual Report and to approve the consolidated Audited Financial Statements of the Corporation as of December 31, 2018, as audited by Sycip Gorres Velayo & Co.”</p>		

Agenda 3: Election of Directors			
Names	Yes	No	Abstain
Nico Jose S. Nollado	99.67%	-	0.01%
Alexander D. Corpuz	99.67%	-	0.02%
Fernando Jude F. Garcia	99.67%	-	0.02%
Mercedita S. Nollado	99.52%	-	0.02%
Wilfredo O. Racaza	99.52%	-	0.02%
Jonathan Gerard A. Gurango, Independent Director	99.52%	-	0.02%
Resolution: <p>“RESOLVED, to elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified:</p> <ul style="list-style-type: none"> • Nico Jose S. Nollado • Fernando Jude F. Garcia • Alexander D. Corpuz • Mercedita S. Nollado • Wilfredo O. Racaza • Jonathan Gerard A. Gurango (Independent Director)” 			

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Agenda 4: Appointment of External Auditor		
Yes	No	Abstain
99.99%	-	0.46%
Resolution: “RESOLVED, as endorsed by the Board of Directors, to approve the re-appointment of Sycip Gorres Velayo & Co. as the Corporation’s External Auditor for the year 2019.”		

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters

Market Information

Principal market where the registrant's common equity is traded.

Xurpas' common shares were listed with the Philippine Stock Exchange, Inc. on December 2, 2014. The high and low stock prices for 2017, 2018, 2019 and the 1st quarter of 2020 are indicated below:

	High	Low
2020		
2 nd Quarter	1.37	0.40
1 st Quarter	0.95	0.40
2019		
4 th Quarter	1.16	0.75
3 rd Quarter	1.22	0.87
2 nd Quarter	1.37	0.91
1 st Quarter	2.33	1.09
2018		
4 th Quarter	2.39	1.04
3 rd Quarter	3.72	2.02
2 nd Quarter	3.92	2.80
1 st Quarter	5.93	3.10
2017		
4 th Quarter	5.94	3.10
3 rd Quarter	9.07	5.20
2 nd Quarter	10.84	7.40
1 st Quarter	10.50	7.09

The market capitalization of the Company's common shares as of end-2019, based on the closing price of ₱0.77/share, was approximately ₱1.44 billion versus ₱3.22 billion the previous year.²

The price information of Xurpas' common shares as of the close of the latest practicable trading date, May 28, 2020, is ₱0.57.

Holders

There are twenty-five registered holders of common shares, as of July 31, 2020 (based on number of accounts registered with the Stock Transfer Agent).³

	Stockholder's Name	Number of shares	Percentage to total	Nationality
1.	PCD Nominee Corp. (Filipino) ⁴	1,416,814,479	73.22	Filipino
2.	PCD Nominee Corp. (Non-	290,040,558	14.99	Others

² Xurpas has 1,870,940,210 outstanding common shares as of December 31, 2019.

³ Based on the list of stockholders issued by BDO Unibank Inc. Stock and Investment Group, list includes PCD Nominees.

⁴ PCD Nominee Corp. (Filipino) includes shares directly and indirectly owned by a) Mr. Nico Jose S. Nollado; b) Mr. Raymond Gerard S. Racaza; and c) Mr. Fernando Jude F. Garcia. We note that a portion of shares of Messrs. Nollado, Racaza and Garcia are not yet listed with the Exchange, but are included in PCD Nominee Corp. (Filipino). Further, PCD Nominee Corp. (Filipino) includes treasury shares.

	Filipino)			
3.	Raymond Gerard S. Racaza	174,100,010	8.99	Filipino
4.	Nelson Gatmaitan	400,000	0.02	Filipino
5.	Emilie Grace S. Nollado	251,889	0.01	Filipino
6.	Aquilina V. Redo	6,500	0	Filipino
7.	Rogina C. Guda	6,000	0	Filipino
8.	Dahlia C. Aspillera	2,900	0	Filipino
9.	Mercedita S. Nollado	1,060	0	Filipino
10.	Wilfredo O. Racaza	1,060	0	Filipino
11.	Roberto B. Redo	1,000	0	Filipino
12.	Shareholders' Association of the Philippines	1,000	0	Filipino
13.	Frederick D. Go	500	0	Filipino
14.	Dondi Ron R. Limgenco	111	0	Filipino
15.	Marietta V. Cabreza	100	0	Filipino
16.	Milagros P. Villanueva	100	0	Filipino
17.	Myra P. Villanueva	100	0	Filipino
18.	Myrna P. Villanueva	100	0	Filipino
19.	Philip &/or Elnora Turner	99	0	British-Indian
20.	Fernando Jude F. Garcia	10	0	Filipino
21.	Nico Jose S. Nollado	10	0	Filipino
22.	Jonathan Gerard A. Gurango	10	0	Filipino
23.	Alvin D. Lao	10	0	Filipino
24.	Owen Nathaniel S. AUITF: Li Marcus Au	3	0	Filipino
25.	Joselito T. Bautista	1	0	Filipino
	Total	1,881,627,610⁵	100%	Filipino

Dividends and Dividend Policy

Information on the Company's declaration of dividends follow:

Parent Company	Per Share	Total Amount	Record Date	Payable Date
Cash dividend declared on:				
May 8, 2017	0.05	92.85 million	May 23, 2017	June 15, 2017
May 10, 2016	0.048	86.27 million	May 31, 2016	June 23, 2016
April 29, 2015	0.40	68.80 million	May 14, 2015	June 2, 2015
September 20, 2014	0.56	36.00 million	June 30, 2014	September 30, 2014
June 5, 2014	0.47	30.25 million	December 31, 2013	June 30, 2014
November 18, 2013	5.13	16.67 million	September 30, 2013	November 29, 2013
July 22, 2013	1.03	3.33 million	June 30, 2013	July 31, 2013
May 6 2013	0.83	2.70 million	December 31, 2012	May 31, 2013
March 13, 2013	3.08	10.00 million	December 31, 2012	March 31, 2013

⁵ This includes Treasury Shares under PCD Nominee Corp (Filipino)

Stock dividend declared on:				
July 10, 2014	0.95 shares	61.25 million	September 20, 2014	September 20, 2014
May 5, 2014	18.85 shares	61.25 million	May 5, 2014	May 5, 2014

The Company has adopted a dividend policy pursuant to which stockholders may be entitled to receive, upon declaration by the Company's Board of Directors and subject to the availability of the unrestricted retained earnings, dividends equivalent to at least 30% of the prior year's net income after tax based on the Company's audited consolidated financial statements as of such year, except when: (i) justified by definite corporate expansion projects or programs approved by the Board; or (ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserves for probable contingencies.

The Company cannot provide assurance that it will pay any dividends in the future. In making a decision to declare dividends, the Board may consider various factors including the Company's cash, gearing, return on equity and retained earnings, the results of its operations or the Company's financial condition at the end of the year and such other factors as the Board may deem appropriate. The Company's Board may, at any time, modify such dividend payout ratio depending upon the results of operations and future projects and plans of the Company.

Recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction

1. Overnight Top-up Placement – April 26, 2016

On April 26, 2016, the Board of Directors of Xurpas approved the holding of a Placing and Subscription Transaction ("the Overnight Top-up Placement") wherein Messrs. Nico Jose S. Nollado, Raymond Gerard S. Racaza and Fernando Jude F. Garcia (the "Selling Shareholders") sold an aggregate of 155,400,000 common shares (the "Offer Shares") to investors (the "Placing tranche") and the Selling Shareholders subscribed to an aggregate of 77,700,000 common shares (the "Subscription Shares") or 4.32% of the new issued and outstanding capital shares of the Company ("Subscription tranche").

The first part of the Overnight Top-up Placement consists of the offer and sale of the Offer Shares by the Selling Shareholders to (i) Qualified institutional investors in the Philippines qualified as an exempt transaction in reliance on Section 10.1(c) and 10.1(l) of the Philippine Securities Regulation Code (the "SRC"); (ii) outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"); and (iii) within the United States to "qualified institutional buyers" as defined in, and in reliance on, Rule 144A under the Securities Act. SB Capital Investment Corporation and Decker & Co., LLC are the Joint Global Coordinators and led the selling syndicate in placing the Offer Shares with investors.

The second part of the Overnight Top-up Placement consists of the subscription by each Selling Shareholder to 1.4% of the Company's total issued and outstanding capital shares, in the form of new shares issued out of the authorized capital stock of the Company at a subscription price equivalent to the Offer Price. Xurpas claimed exemption from registration under Section 10.1(e) and (k) of the Securities and Regulation Code.

2. Acquisition of Art of Click Pte. Ltd (“AOC”) – October 6, 2016

On October 6, 2016, Xurpas signed a Share Purchase Agreement with Emmanuel Michel Jean Allix and Wavemaker Labs Pte. Ltd. (the "Sellers") for the acquisition of 100% shares in AOC for an aggregate consideration of ₱1.40 billion in cash and in Xurpas shares. AOC is a Singaporean start-up firm established in 2011 that specializes on mobile marketing solutions for advertisers, publishers, app developers and other operators. Its key markets include Japan, Korea, Hong Kong, Taiwan, Southeast Asia, North America and Europe.

The cash consideration consists of (1) an Upfront Payment to the Sellers amounting to US\$2,797,106 (135,379,930) and (2) cancellation of employee stockholder options through Xurpas’ subscription to one ordinary share in the capital of AOC for US\$2,202,894 (106,620,070). This was used to pay the AOC’s Employee Stock Ownership Plan (“ESOP”) shareholders.

The Xurpas shares to be issued to the Sellers consist of (1) an Upfront Payment amounting to US\$19,451,739 payable in Xurpas shares to the Sellers on the acquisition date, (2) Installment Payment payable to the Sellers in Xurpas shares one year after the closing date and every year thereafter until three years after the closing date, and (3) a Deferred Purchase Consideration which shall be subject to a net income after tax floor per year that AOC has to meet as a condition precedent to the entitlement of the Sellers to the Deferred Purchase Consideration and payable in three (3) tranches. The aggregate amount of Deferred Payment Consideration for a three-year deferred payment period shall in no case be greater than US\$13,962,725. In the finalization of the purchase price, the parties have clarified that the Deferred Purchase Consideration shall be fixed at US\$13,962,725 and shall not be subject to the performance metrics of AOC, and such is intentionally part of the original consideration. Accordingly, the Deferred Purchase Consideration was considered as part of the acquisition cost in the final purchase price.

The number of Xurpas shares to be issued at each tranche shall be determined using the average market value of Xurpas common shares fifteen (15) days before and fifteen (15) days after the closing date or each commitment date, as applicable, agreed to by the parties.

Included in the Share Purchase Agreement is a call option granting the Sellers an option exercisable within fifty-one (51) months following the Closing Date and only upon the occurrence of a Call Option event to purchase from Xurpas their respective proportionate share in the Sale Shares. This was subsequently waived.

On June 2017, amendments were made to the share purchase agreement with one of the sellers, Emmanuel Michel Jean Allix (“Allix”), which (a) resulted in the payment of US\$7.24 million or 358.50 million, (b) changed the manner of payment of the Installment Payment payable and Deferred Purchase Consideration from being partly in cash and Xurpas shares to solely in cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year.

On July 18, 2017, Xurpas reacquired 53,298,242 common shares Upfront Payment issued at acquisition date to Allix, a former shareholder of AOC, for a consideration of US\$532,983 or 26.65 million.

On October 3, 2017, Xurpas entered into an agreement to amend the share purchase agreement with Wavemaker Labs Pte. Ltd. (“Wavemaker”), a former shareholder of AOC, which provides for (a) the adjusted purchase price, (b) the change in manner of payment for the Installment Payment and Deferred Consideration pertaining to Wavemaker from being payable in Xurpas shares to cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. To implement these amendments, there will be a placement and subscription transaction involving 67,285,706 Xurpas listed shares of existing

shareholders by way of a block sale through the facilities of the PSE in 2018. Three shareholders of Xurpas sold their shares to Wavemaker, as an advance on behalf of Xurpas. The said shareholders, then subscribed to an aggregate of 67,285,706 Xurpas shares to replace the shares already advanced. Xurpas is claiming exemption from registration under Section 10.1(k) of the Securities and Regulation Code.

The 16,641,244 common shares initially issued to Wavemaker representing the Upfront Payment shall be placed by Wavemaker in an escrow agent who is authorized to sell these shares after these are listed. The allocation of the proceeds from the sale of these shares will be determined in the future subject to certain conditions.

On October 3, 2017, Allix and Wavemaker executed a waiver of the second and third tranches of the Deferred Purchase Consideration. The Sellers also waived their call option on the shares.

ITEM 6. Management's Discussion and Analysis or Plan of Operation.

Summary

Php Millions	Years ended December 31						Percentage Change				
	2019	2018	2017	2016	2015	2014	2019vs2018	2018vs 2017	2017vs 2016	2016vs2015	2015vs2014
Revenues	971.96	1,242.19	2,103.57	1,947.14	898.37	378.32	-22%	-41%	8%	117%	137%
Gross Profit	146.49	109.59	649.15	803.43	513.87	264.45	34%	-83%	19%	56%	94%
Income (Loss) before Income Tax	(2,609.21)	(667.13)	122.04	379.10	331.10	239.14	291%	-647%	-68%	14%	38%
Net Income (Loss)	(2,635.36)	(811.64)	102.57	264.84	229.62	190.72	225%	-891%	-61%	15%	20%
Revenues											
Mobile Consumer Services	19.92	270.85	1,336.54	1,239.92	576.06	309.37	-93%	-80%	8%	115%	86%
Enterprise Services	854.73	875.61	667.60	653.14	243.14	68.95	-2%	31%	2%	168%	253%
Other Services	97.31	95.72	99.44	54.07	78.87	-	2%	-4%	84%	-31%	n.a

From a consistent growth of revenues from 2014 to 2017, the Group's revenues started its drop in 2018, as it faced 2 major business challenges in its mobile consumer segment. The industry reshaping event of widespread ad fraud that adversely affected the whole digital advertising industry, including the legitimate players, persisted until that year. In addition, domestically, the technical and business policy changes implemented by Globe Telecom affected the Group's Value Added Services (VAS) business.

In 2019, the mobile consumer segment earned revenues of ₱19.92 million. On the other hand, the enterprise revenues was at ₱854.73 million, which was slightly less than the previous year. The enterprise revenues was mostly generated by Yondu. For the year 2019, for Yondu, only revenues until September 11, 2019, were recorded as Yondu was sold back to Globe on that date. Total revenue for 2019 was ₱971.96 million, as other services accounted for ₱97.31 million, in addition to the mobile consumer and enterprise segments.

The Group recorded a net loss of ₱2,635.36 million in 2019. Aside from the drop in revenue which resulted in operating losses, the Group experienced a net loss due to the provision for impairment losses which totaled ₱1,923.42 million. The provisions for impairment was in relation to the goodwill of subsidiaries, investments in associates, receivables and other current assets. In addition, the sale of Yondu led to a ₱478.95 million loss.

Key Financial Data In PHP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	854.73	88%	875.61	70%	(20.88)	-2%
Mobile consumer services	19.92	2%	270.86	22%	(250.94)	-93%
Other services	97.31	10%	95.72	8%	1.59	2%
Total Revenues	971.96	100%	1,242.19	100%	(270.23)	-22%
Cost of Services	742.19	76%	1,062.87	86%	(320.68)	-30%
Cost of Goods Sold	83.28	9%	69.73	5%	13.55	19%
Gross Profit	146.48	15%	109.59	9%	36.89	34%
General and Administrative Expenses	2,204.42	227%	701.04	57%	1,503.38	214%
Equity in Net Loss of Associates	33.29	3%	52.99	4%	(19.70)	-37%
Other charges - net	517.98	53%	22.69	2%	495.30	2183%
Loss Before Income Tax	(2,609.21)	-268%	(667.13)	-54%	(1,942.07)	291%
Provision for (Benefit from) Income Tax	26.15	3%	144.51	11%	(118.35)	-82%
Net Loss	(2,635.36)	-271%	(811.64)	-65%	(1,823.72)	225%
Other Comprehensive Income	8.39	1%	8.27	0%	0.12	1%
Total Comprehensive Loss	(2,626.97)	-270%	(803.37)	-65%	(1,823.60)	227%

	December 31, 2019 Amount	December 31, 2018 Amount	Amount Change	% Increase (Decrease)
Total Assets	713.94	4,966.57	(4,252.62)	-86%
Total Liabilities	688.05	1,499.98	(811.93)	-54%
Total Equity	25.89	3,466.58	(3,440.69)	-99%

Financial Summary

In 2019, the Group reported total revenues of ₱971.96 million or 22% decrease from 2018 revenue of ₱1,242.19 million due to the continuous decline in its mobile consumer business segment. Group revenues were mainly driven by enterprise services, comprising 88% of total revenues.

The aggregate cost of services of the Group decreased from ₱1,062.87 million in 2018 to ₱742.19 million in 2019 or 30% decline. The drop in the COS was mostly due to lower salaries and wages, web hosting, and outsourced services as part of the company's cost cutting measures. The Cost of Goods Sold attributable to other services provided by Storm Technologies Inc. was ₱83.28 million in 2019, an increase of 19% from 2018 COGS of ₱69.73 million. Lower costs in 2019 translated to a slight improvement of Gross Profit Margin where the Group posted gross profit of ₱146.49 million in 2019 vis-à-vis ₱109.59 million in 2018.

The Group's general and administrative expenses increased from ₱701.04 million in 2018 to ₱2,204.42 million in 2019 or 214% increase. Higher provision for impairment loss and provision for liquidation costs were the main contributing factors for the ₱1,503.38 million increase in 2019 GAEX. Other GAEX items such as salaries and wages, rent, utilities, marketing and promotions, advertising, transportation and travel, taxes and licenses, advertising, and seminars and trainings decreased as part of the cost cutting measure implemented by the Company. Should impairment loss be excluded, GAEX in 2019 went down from ₱390.11 million in 2018 to ₱281.01 million or 28% decrease.

The Group recorded a ₱33.29 million net loss of the associate companies it has invested in, which decreased from ₱52.99 million in 2018.

Consolidated other charges, likewise, increased by ₱495.30 million or 2,183%, from ₱22.69 million in 2018 to ₱517.98 million in 2019. The significant increase was primarily due to the loss on sale of Yondu recognized in 2019 amounting to ₱478.95 million.

Despite incurring a loss before income tax of ₱2,609.21 million, the Group still recognized a provision for income tax for the year ended December 31, 2019 amounting to ₱26.15 million. Though the provision for impairment of goodwill and investments in associates as well as loss on disposal of Yondu are material expenses, these are considered permanent differences and, therefore, not deductible in terms of tax computation.

The Group's total assets in 2019 amounted to ₱713.94 million, a decrease of 86% from 2018 recorded total assets of ₱4,966.57 million. The decline in total assets was mostly due to the impairment of goodwill and investment in associates as well as the deconsolidation of Yondu in 2019. The Group's total liabilities in 2019 was reduced to ₱688.05 million vis-à-vis ₱1,499.98 million in 2018. Likewise, the decrease in liabilities can be attributed to the deconsolidation of Yondu in 2019. Lastly, total equity decreased from ₱3,466.58 million in 2018 to ₱25.89 million in 2019 as a result of the increased deficit of ₱3,184.80 million.

Segment Financial Performance

For the year ended December 31, 2019 In PHP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	68.33	861.82	5.17	(55.50)	879.81
Revenue from sale of goods	-	-	92.15	-	92.15
Total Service Revenues	68.33	861.82	97.31	(55.50)	971.96
Cost and expenses	2,638.04	782.30	162.03	(552.47)	3,029.90
Equity in net loss of associates	-	-	-	33.29	33.29
Other charges - net	225.47	0.30	8.32	283.89	517.98
Total Expenses	2,863.51	782.60	170.35	(235.29)	3,581.17
Operating Income (Loss)	(2,795.18)	79.22	(73.04)	179.80	(2,609.21)
Provision from income tax	(4.25)	(21.75)	(6.78)	6.63	(26.15)
Net Income (Loss)	(2,799.43)	57.46	(79.82)	186.43	(2,635.36)

For the year ended December 31, 2019, mobile consumer services' revenues, operating loss and net loss prior to eliminations were ₱68.33 million, ₱2,795.18 million and ₱2,799.43 million, respectively. Enterprise services had an operating income of ₱79.22 million and net income of ₱57.46 million from revenues of ₱861.82 million. The other services segment has yet to yield a positive contribution to the Group.

Since the Parent Company operates under mobile consumer services, the segment suffered, as well, from the impairment losses on its goodwill and investments in associates and loss from sale of Yondu. Results of the segment's operations excluding one-off charges, will show net loss of ₱401.94 million.

Profitability

For the twelve-month period ended December 31, 2019 compared with the twelve-month period ended December 31, 2018.

Revenues

The consolidated service revenues of the Group for the year ended December 31, 2019 amounted to ₱971.96 million, a decrease of 22% from ₱1,242.19 million for the year ended December 31, 2018.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	<ul style="list-style-type: none"> • Xurpas Parent Company • Xeleb Technologies Inc. • Yondu * • Art of Click
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	<ul style="list-style-type: none"> • Xeleb Technologies Inc. • Seer • Yondu * • Xurpas Enterprise
Other services	Revenues derived from services related to the proprietary platform called “Flex Benefits System” and “Ace” (formerly “Kudos”) which allows employees to convert their employee benefits to other benefits which includes sale of goods	<ul style="list-style-type: none"> • Storm Technologies

**Until September 2019.*

In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	854.73	88%	875.61	70%	(20.88)	-2%
Mobile consumer services	19.92	2%	270.86	22%	(250.94)	-93%
Other services	97.31	10%	95.72	8%	1.59	2%
Total Revenues	971.96	100%	1,242.19	100%	(270.23)	-22%

Revenues from enterprise services (which accounts for 88% of total revenues) decreased by 2% in 2019, to ₱854.73 million from ₱875.61 million in 2018. On the other hand, revenues from the mobile consumer services segment for 2019 amounted to ₱19.92 million, a decrease of 93% from the previous year’s same period level of ₱270.86 million. This segment accounts for 2% of the total revenues. Other services booked revenues of ₱97.31 million in 2019, higher by 2% from the previous level at ₱95.72 million over the same period last year.

Expenses

In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	742.19	24%	1,062.87	58%	(320.68)	-30%
Cost of Goods Sold	83.28	3%	69.73	4%	13.55	19%
General and Administrative Expenses	2,204.42	73%	701.04	38%	1,503.38	214%
Total Expenses	3,029.90	100%	1,833.65	100%	1,196.25	65%

The Group’s consolidated expenses in 2019 amounted to ₱3,029.90 million, a 65% increase from previous year’s ₱1,833.65 million. Bulk of the expenses came from the general and administrative expenses which contributed 73%, followed by cost of services at 24% and cost of goods sold at 3%.

The Group's general and administrative expenses increased from ₱701.04 million in 2018 to ₱2,204.42 million in 2019 or 214% increase. Higher provision for impairment loss was the main contributing factor for the ₱1,503.38 million increase in 2019 GAEX. Should impairment be excluded, proforma GAEX in 2019 went down from ₱390.11 million in 2018 to ₱281.01 million or 28% decrease.

Cost of Services

In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	539.04	73%	724.50	68%	(185.46)	-26%
Segment fee and network costs	88.66	12%	43.26	4%	45.41	105%
Depreciation and amortization	32.87	4%	39.32	4%	(6.45)	-16%
Others	81.62	11%	255.80	24%	(174.18)	-68%
<i>Total Expenses</i>	742.19	100%	1,062.87	100%	(320.68)	-30%

Cost of services totaling ₱742.19 million in 2019 (a 30% decrease from ₱1,062.87 million in 2018) was mainly comprised (1) Salaries, wages and employee benefits, (2) Segment fee and network costs, and (3) Depreciation and amortization, which accounted for 73%, 12% and 4% respectively. The decrease in total COS was a result of lower outsourced services, web hosting and royalties.

General and Administrative Expenses

In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Provision for impairment loss	1,923.42	87%	310.94	44%	1,612.48	519%
Salaries and wages	107.48	5%	151.96	22%	(44.48)	-29%
Depreciation and amortization	43.77	2%	29.87	4%	13.90	47%
Others	129.75	6%	208.27	30%	(78.52)	-38%
<i>Total Expenses</i>	2,204.42	100%	701.04	100%	1,503.38	214%

In 2019, the general and administrative expenses of the Group's operations amounted to ₱2,204.42 million, which was higher by 214% compared to previous year's ₱701.04 million. The increase mostly came from higher provision for impairment loss which translated to an 87% contribution. The remaining expenses amounting to ₱281.01 million were attributed to salaries and wages, depreciation and amortization and other expenses.

The provision for impairment losses on goodwill, investment in associates, receivables and other current assets totaled ₱1,923.42 million. Breakdown of this provision are as follows: (1) Provision for impairment loss related to goodwill recorded for Art of Click (AOC), Storm, and Seer amounting to ₱1,811.39 million; (2) Impairment loss on investments for Micro Benefits Limited (MBL) and MatchMe amounting to ₱107.15 million; (3) Provision for impairment of receivables amounting to ₱3.30 million and (4) Provision for impairment of other current assets amounting to ₱1.58 million.

Other expenses such as salaries and wages, rent, utilities, marketing and promotions, advertising, transportation and travel, taxes and licenses, advertising, and seminars and trainings decreased as part of the cost cutting measures implemented by the Company.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the period ended December 31, 2019 amounted to ₱33.29 million.

Other Charges – net

In 2019, the Group recorded other charges amounting to ₱517.98 million. This account mainly consists of loss on sale of subsidiary (Yondu), interest expense, bank charges, foreign exchange loss, loss on retirement and disposal of property and equipment and loss from sale of cryptocurrencies totaling to ₱526.05 million, partially offset by unrealized gain on revaluation of cryptocurrencies, interest income and other income with aggregate amount of ₱8.06 million.

On September 11, 2019, Yondu was sold back to Globe Telecoms Inc for a total price of ₱501.25 million. As of date of sale, the net assets attributable to Xurpas Inc. was ₱980.20 million. Resulting loss on sale of subsidiary (Yondu) recognized under “Other charges – net” amounted to ₱478.95 million.

Income (Loss)before Income Tax

The Group’s loss before income taxes for the year ended December 31, 2019 was ₱2,609.21 million, a 291% increase from previous year’s ₱667.13 million.

Provision for Income Tax

Despite incurring a loss before income tax of ₱2,609.21 million, the Group still recognized a provision for income tax for the year ended December 31, 2019 amounting to ₱26.15 million. Though the provision for impairment of goodwill and investments in associates as well as loss on disposal of investment in subsidiary are material expenses, these are considered permanent differences and, therefore, not deductible in terms of tax computation.

Net Income (Loss)

The Group posted a consolidated net loss of ₱2,635.36 million in 2019, a 225% increase from the previous year’s net loss of ₱811.64 million.

Total Comprehensive Income (Loss)

As a consequence of increased net loss, the Group’s total comprehensive loss increased by 227% in 2019 (from ₱803.37 million in 2018 to ₱2,626.97 million in 2019).

Financial Position

As of December 31, 2019 compared to December 31, 2018.

Assets

Cash and Cash Equivalent

The Group's consolidated cash amounted to ₱153.93 million for the twelve-month period ended December 31, 2019, a net decrease of 13% or ₱23.47 million from consolidated cash of ₱177.40 million as of December 31, 2018.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱37.18 million and ₱530.64 million as of December 31, 2019 and December 31, 2018, respectively. In 2019, accounts receivable declined by 93% or ₱493.45 million due to lower trade receivables. Accounts receivable in 2019 nets out the allowance for impairment amounting to ₱263.09 million.

Contract Assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. As of December 31, 2019, contract assets amounted to ₱8.29 million, a slight decrease of ₱1.46 million or 15% from 2018.

Other Current Assets

The Group's consolidated other current assets in 2019 totaled ₱44.20 million, a 24% decrease from 2018 figure of ₱57.90 million. It was mostly comprised of creditable withholding tax and input VAT.

Financial Assets at FVOCI

As of December 31, 2019 and 2018, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position amounted to ₱0.44 million and ₱0.48 million, respectively.

Investment in Associates

In 2019, the Group's consolidated investment in associates amounted to ₱319.94 million, a decrease of ₱136.06 million or 30% compared to the 2018 figure of ₱456.00 million. The decrease was mostly due to the impairment of investment in Micro Benefits and in MatchMe amounting to ₱68.49 million and ₱38.66 million, respectively. Impairment loss is recognized when carrying value of the investment exceeds recoverable amount.

The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱281.55 million), Altitude Games Pte. Ltd. (₱24.60 million), and SDI (₱13.79 million).

Property and Equipment

The Group's consolidated property and equipment was ₱8.76 million as of December 31, 2019. It decreased by ₱50.76 million or 85% as compared to 2018 which amounted to ₱59.52 million. Property and equipment consisted mainly of leasehold improvements, IT equipment, furniture and fixtures and office equipment.

The decrease was mainly due to disposal of assets resulting from deconsolidation of Yondu. Further, as a result of adopting PFRS 16, leased assets previously presented under "Property and Equipment" were reclassified to "Right-of-use Assets". Carrying value of these leased assets at date of adoption, January 1, 2019, amounted to ₱1.66 million.

Intangible Assets

As of December 31, 2019, intangible assets amounted to ₱101.13 million, a 97% decrease from 2018 balance of ₱3,612.92 million. The components are goodwill, customer relationship, developed software, - and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of subsidiaries acquired by the Group. As of December 31, 2019, goodwill was at ₱48.22 million. Decrease in goodwill was driven by the following: (1) Impairment of goodwill for investments in AOC, Storm and Seer amounting to ₱1,956.25 million; and (2) Disposal through deconsolidation of Yondu amounting to ₱540.15 million.
- Customer relationship pertains to Yondu's noncontractual and contractual agreements with GTI, its major customer, which are expected to generate revenues for the Group in subsequent periods. The Group derecognized its customer relationship amounting to ₱1,077.81 million as a result of disposal through deconsolidation of Yondu.
- Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of December 31, 2019, net book value of developed software was ₱45.18 million. Movements in developed software are accounted for as follows: (1) Additions during the year amounting to ₱2.52 million; (2) Amortization during the year amounting to ₱30.74 million; and (3) Disposal of developed software through deconsolidation of Yondu with net book value totaling to ₱47.68 million.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2019, net book value of leasehold rights was ₱1.64 million. Movements in leasehold rights are accounted for as follows: (1) Amortization during the year amounting to ₱1.90 million; and (2) Disposal of leasehold rights through deconsolidation of Yondu with net book value amounting to ₱6.99 million.
- Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as of December 31, 2019 which amounted to ₱6.08million.

Right-of-use Asset

As a result of adopting PFRS 16, the Group recognized right-of-use assets based on their carrying amounts as of January 1, 2019 amounting to ₱77.94 million. This amount includes those reclassified from property and equipment with carrying values totaling to ₱1.66 million. Addition and amortization during the year amounted to ₱3.49 million and ₱22.10 million, respectively, while disposal through deconsolidation of Yondu amounted to ₱17.86 million.

Pension Asset

The Group's recorded nil pension asset as of December 31, 2019 vis-à-vis ₱1.41 million in 2018.

Deferred Tax Assets – Net

The Group's consolidated net deferred tax assets level amounted to nil as of December 31, 2019 vis-à-vis ₱14.19 million as of December 31, 2018. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The Group did not recognize deferred tax assets for deductible temporary differences since management believes that there are no sufficient future taxable profits against which the deferred tax assets can be utilized.

Other Noncurrent Assets

In 2019, Other noncurrent assets amounted to ₱35.46 million which decreased by 24% from the previous year's figure of ₱46.37 million. Decline was due to deconsolidation of Yondu.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱478.25 million as of December 31, 2019. It decreased by ₱176.27 million or 27% from 2018 balance of ₱654.52 million mainly due to the deconsolidation of Yondu which contributed most of the payables. Further, in 2019, the Group recognized reduction in its provision relating to ODX's PSA due to the costs incurred for the platform development which amounted to ₱46.58 million.

Loan Payable

The Group recorded ₱52.13 million worth of current loans (short term and interest bearing) as of December 31, 2019. The decrease from 2018 loans which amounted to ₱358.74 million was the net result of availments and payments of loans in 2019 amounting to ₱9.74 million and ₱316.35 million, respectively.

Contract Liabilities

Contract liabilities are obligations to transfer goods and services to customers from whom the Group has received consideration. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is

due. Contract liabilities are recognized as revenue when the Group performs under the contract. As of December 31, 2019, contract liabilities amounted to ₱68.05 million.

Income Tax Payable

For 2019, the Group's consolidated income tax payable was ₱3,134, an almost 100% decrease from December 31, 2018 figure of ₱2.19 million.

Lease liabilities

As a result of adopting PFRS 16, the Group recognized lease liabilities at date of adoption, January 1, 2019, amounting to ₱76.50 million. Movements in this account comprise of addition (₱3.34 million), accretion of interest (₱2.56 million), payments (21.83 million), sale of a subsidiary (₱56.85 million) and translation adjustment (₱528).

As of December 31, 2019, current and non-current portions amounted to ₱2.78 million and ₱1.03 million, respectively.

Other Current Liabilities

The Group posted other current liabilities amounting to nil and ₱63.75 million as of December 31, 2019 and 2018, respectively. Significant decrease was primarily due to the deconsolidation of Yondu during the year.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered into by the Parent Company on April 29, 2019 with its founders amounting to ₱150.00 million, subject to 5.50% interest rate per annum payable in three (3) years from date of agreement.

Deferred Tax Liability

As of December 31, 2019, the deferred tax liabilities amounted to ₱6.95 million, a 98% decrease or ₱345.60 million from ₱352.73 million as of December 31, 2018. The significant decrease was due to the derecognition of deferred tax liability on fair value adjustment on intangible assets as a result of deconsolidation of Yondu.

Pension Liability

The accrued pension of the Group was ₱24.82 million in 2019 compared to ₱23.52 million as of December 31, 2018 or a 6% increase.

Equity

Total Equity

As of December 31, 2019, the Group's total equity was at ₱25.89 million, a 99% decrease from 2018 equity of ₱3,466.58 million. Lower equity was mainly due to the increase in deficit brought about by the net loss of ₱2,635.36 million.

Liquidity and Capital Resources

The Group's liquidity was primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has debts through the Parent Company, Storm Technologies Inc. and Seer Technologies Inc. which are short term in nature. The Group does not anticipate having any cash flow or liquidity problems over the next 12 months. The Group is not in breach or default on any loan or other form of indebtedness.

Cash Flows

In PhP Millions	For the year ended December 31	
	2019	2018
	Amount	Amount
Net cash provided by (used in) Operating Activities	(130.24)	(186.02)
Net cash provided by (used in) Investing Activities	366.19	(102.43)
Net cash provided by (used in) Financing Activities	(270.27)	236.19
Effect of foreign currency exchange changes in cash	10.85	14.40
Net increase (decrease) in cash	(23.47)	(37.86)
Cash at beginning of period	177.40	215.25
Cash at end of period	153.93	177.40

Cash Flows used in Operating Activities

For the year ended December 31, 2019, operating loss before changes in working capital of ₱59.30 million coupled with the corresponding increase in working capital resulted to ₱65.29 million net cash used in operations. Together with interest received, interest paid and income taxes paid, net cash used in operating activities totaled ₱130.24 million.

Cash Flows used in Investing Activities

Cash provided by investing activities in 2019 was ₱366.19 million while cash used in investing activities in 2018 amounted to ₱102.43 million. The net cash provided by investing activities was mainly attributable to the proceeds from sale of subsidiary, proceeds from disposal of property and equipment, and proceeds from the sale of cryptocurrencies.

Cash Flows used in Financing Activities

The consolidated net cash used in financing activities for the year 2019 was ₱270.27 million while net cash provided by financing activities for the year 2018 was ₱236.19 million. Net cash was mainly used to pay off creditors.

Capital Expenditure

The Group's capital expenditures amounted to ₱14.78 million and ₱18.35 million in 2019 and 2018, respectively.

Key Financial Data In PhP Millions	December 31, 2019 Additions	December 31, 2018 Additions
Right-of-use Assets	4.61	-
IT Equipment	9.01	14.58
Leasehold Improvements	0.75	2.52
Office Equipment	0.21	1.19
Furniture and Fixtures	0.19	0.06
	14.78	18.35

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the years ended December 31		
	2019	2018	2017
Liquidity Ratios			
Current Ratio	41%	69%	54%
Quick Ratio	33%	64%	51%
Asset-to-Equity Ratio	575%	183%	231%
Profitability Ratios			
Net Income Margin	-271%	-62%	2%
Gross Margin	15%	9%	31%
Operating Margin	-256%	-46%	12%
Return on Total Assets	-93%	-14%	1%
Return on Equity	-186%	-22%	1%
Debt Ratios			
Debt-to-Equity Ratio	5.55x	0.55x	0.97x
Interest Coverage Ratio	-64.75x	-20.45x	2.81x

Liquidity Ratios

The current ratio and quick ratio of the Group was at 41% and 33% in 2019, respectively, and 69% and 64% in 2018, respectively. The decrease in both ratios was mainly due to the decline in both current assets and current liabilities brought about by the deconsolidation of Yondu.

Asset-to-Equity Ratio

In 2019, the Asset-to-Equity ratio of the Group increased to 575% from 183% of 2018. The increase was mostly because of the increase in deficit, reducing total equity.

Profitability Ratios

Overall, profitability margins in 2019 declined mainly because of the losses incurred by the Group from impairing its goodwill and investments in associates as well as the loss from sale of its investment in Yondu. The gross profit margin, however, increased from 9% in 2018 to 15% in 2019 as a result of the Group's continuing cost cutting measures.

Debt Ratios

For 2019, the Debt-to-Equity ratio increased from 0.55x in 2018 to 5.55x which can be attributed to increase in deficit, reducing total equity. The interest coverage ratio further declined in 2019 to

-64.75x from -20.45x because of the big drop in earnings before interest and tax expense and higher interest expense in 2019 as compared to 2018.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios

1. Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
2. Quick ratio	$\frac{\text{Current assets} - \text{Other current assets}}{\text{Current liabilities}}$

Asset-to-equity Ratio

$\frac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$
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Profitability Ratios

1. Net income ratio	$\frac{\text{Net income attributable to Parent Company}}{\text{Service income} + \text{Sale of goods}}$
2. Gross margin	$\frac{(\text{Service income} + \text{Sale of goods}) - (\text{Cost of services} + \text{Cost of goods sold})}{\text{Service income} + \text{Sale of goods}}$
3. Operating margin	$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income} + \text{Sale of goods}}$
4. Return on total assets	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$
5. Return on total equity	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$

Other Disclosures:

- i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.
- ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.
- iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
- iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.
- v. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations. The Group's financial challenges in 2019 are being addressed through the following: continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.
- vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.
- vii. Seasonality. The effects of seasonality or cyclicity on the operations of the Group's business are confined to its mobile consumer and other services segment.

For the year ended December 31, 2018 compared with the year ended December 31, 2017

Summary

	Years ended December 31					Percentage Change			
PhP Millions	2018	2017	2016	2015	2014	2018vs2017	2017vs2016	2016vs2015	2015vs2014
Revenues	1,242.19	2,103.57	1,947.14	898.37	378.32	-41%	8%	117%	137%
Gross Profit	109.59	649.15	803.43	513.87	264.45	-83%	-19%	56%	94%
Income (Loss) before Income Tax	(667.13)	122.04	379.10	331.10	239.14	-647%	-68%	14%	38%
Net Income (Loss)	(811.64)	102.57	264.84	229.62	190.72	-891%	-61%	15%	20%

Revenues									
Mobile Consumer Services	270.85	1,336.54	1,239.92	576.06	309.37	-80%	8%	115%	86%
Enterprise Services	875.61	667.60	653.14	243.45	68.95	31%	2%	168%	253%
Other Services	95.72	99.44	54.07	78.87	-	-4%	84%	-31%	n.a.

Notes

1. Compounded annual average growth rate (CAAGR) is $((\text{final value}/\text{initial value})^{(1/\text{number of years}-1)})-1$.
2. CAAGR for total revenues from 2014-2017 is 77%.
3. CAAGR for mobile consumer revenue from 2014-2017 is 63%; comprised an average 65% of total revenues (2014-2017).
4. CAAGR for enterprise revenue from 2014-2017 is 113%; comprised an average 31% of total revenues (2014-2017).

The Group's revenues had a compounded annual average growth rate (CAAGR) of 77% from 2014 to 2017; from ₱378.32 million to ₱2,103.57 million; primarily anchored on the mobile consumer business. The mobile consumer business which comprised an average of 65% of total revenues from period 2014-2017 grew by 63% on a CAAGR basis. On the other hand, the enterprise segment which made up 31% of total revenues over the period, increased by 113%.

However, there was a slowdown in the Group's growth in 2017 (only 8% from previous year) primarily due to the drop in revenues of Art of Click. In 2018, revenues further dropped by 41% to ₱1,242.19 million, as the Group faced 2 major business challenges in its mobile consumer segment.

For the mobile consumer business, the overall situation of the digital advertising industry that affected Art of Click (AoC) persisted in 2018. Likewise, since the first quarter of 2018, technical and business policy changes implemented by Globe Telecom affected its Value Added Services (VAS) business. In total, the Mobile Consumer Services segment fell 80% in 2018 to ₱270.85 million from ₱1,336.54 million in 2017. On the other hand, the Group's revenues from the Enterprise Service segment, grew by 31%, from ₱667.60 million in 2017 to ₱875.61 in 2018. The increase in revenues was mainly from talent solutions, custom software development, software products, and increasing business from existing clients. Lastly, the Other Services segment revenues minimally decreased by 4% in 2018 vis-à-vis 2017.

In 2018, the Group netted a loss of ₱811.64 million due to the following: 1) drastic drop in revenues which led to operating losses 2) provision for impairment loss related to the certain receivable of Art of Click (AoC) amounting to ₱127.07 million 3) impairment of goodwill recorded for AoC amounting to ₱144.86 million and 4) provision for impairment of other receivables (as a result of the new accounting standard PFRS 9), which amounted to ₱39.01 million. The provisions for impairment of receivables can be recovered when they are collected.

Key Financial Data In PHP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	270.86	22%	1,336.54	64%	(1,065.68)	-80%
Enterprise services	875.61	70%	667.60	32%	208.01	31%
Other services	95.72	8%	99.44	5%	(3.72)	-4%
Total Revenues	1,242.19	100%	2,103.57	100%	(861.38)	-41%
Cost of Services	1,062.87	86%	1,373.41	65%	(310.54)	-23%
Cost of Goods Sold	69.73	5%	81.01	4%	(11.28)	-14%
Gross Profit	109.59	9%	649.15	31%	(539.56)	-83%
General and Administrative Expenses	701.04	57%	572.62	27%	128.42	22%
Equity in Net Loss of Associates	52.99	4%	36.72	2%	16.27	44%
Other charges (income) - net	22.69	2%	(82.23)	-4%	104.92	-128%
Income (Loss) Before Income Tax	(667.13)	-54%	122.04	6%	(789.17)	-647%
Provision for (Benefit from) Income Tax	144.51	11%	19.47	1%	125.04	642%
Net Income (Loss)	(811.64)	-65%	102.57	5%	(914.21)	-891%
Other Comprehensive Income	8.27	0%	21.15	1%	(12.88)	-61%
Total Comprehensive Income (Loss)	(803.37)	-65%	123.72	6%	(927.09)	-749%

	December 31, 2018 Amount	December 31, 2017 Amount	Amount Change	% Increase (Decrease)
Total Assets	4,966.57	5,810.18	(843.61)	-15%
Total Liabilities	1,499.98	2,454.68	(954.70)	-39%
Total Equity	3,466.58	3,355.50	111.08	3%

Financial Summary

Total revenues decreased by ₱861.38 million or 41% for 2018, from ₱2,103.57 million in 2017 to ₱1,242.19 million in 2018. Group revenues were mainly driven by enterprise services, comprising 70% of the total revenues. The net income of the Group for 2018, decreased by 891% (from ₱102.57 million in 2017 to a net loss of ₱811.64 million in 2018). Total comprehensive income over the same period decreased by 749% from ₱123.72 million in 2017 to a total comprehensive loss of ₱803.37 million as at 2018.

The blended cost of services (aggregating the subsidiaries' costs) decreased by 23% from ₱1,373.41 million for 2017 to ₱1,062.87 million for 2018. The outsourced services cost of AoC was the largest component of the decrease, which resulted from the drop in its revenues. Segment fee/network costs, web hosting, and royalties also decreased due to lower VAS revenues. Cost of goods sold attributable to other services was ₱69.73 million for 2018 compared to ₱81.01 million in 2017, a decrease of 14% or ₱11.28 million.

Gross profit margins on total revenues, for 2018 was at 9%, a decrease from 2017's margin of 31%. Gross profit decreased by 83% from ₱649.15 million for 2017 to ₱109.59 million for 2018.

General and administrative expenses of the Group increased by 22%, from ₱572.62 million for 2017 to ₱701.04 million for the same period in 2018. The increase was mainly due to salaries and wages, rent and outsourced services, which were partially offset by major decreases in taxes and licenses, professional fees, transportation and travel, advertising, marketing and promotions, and seminars/trainings, as part of cost cutting measures. Note that Yondu accounts for 90% of the increase in salaries and wages, a result of the continuing growth of its enterprise business. Also included in these expenses are the provisions for the impairment of receivables and goodwill, totaling ₱310.94 million.

The Company also shares in the recorded net loss of the associate companies it has invested in, which amounted to ₱52.99 million for 2018.

Despite incurring a loss before income tax of ₱667.13 million, the Group still recognized a provision for income tax for the year ended December 31, 2018 amounting to ₱144.51 million. The increase in provision for income tax was mainly due to increase in deferred tax assets (DTA) that were unrecognized during the year.

Overall, the net income for the Group decreased from ₱102.57 million for 2017 to a net loss of ₱811.64 million in 2018.

Consolidated total assets as of December 31, 2018 amounted to ₱4,966.57 million, a decrease of 15% from ₱5,810.18 million as of December 31, 2017. Consolidated total liabilities decreased by 39% from ₱2,454.68 million as of December 31, 2017 to ₱1,499.98 million in December 31, 2018, due mainly to the settlement of payable to former shareholders of a subsidiary and the expiration of liability for written put option. Consolidated total equity increased by 3% over the same period, from ₱3,355.50 million to ₱3,466.58 million. This was a result of the new issuance of common shares and derecognition of equity reserve resulting from expiration of the written put option; coupled with the losses in 2018.

Segment Financial Performance

As of December 31, 2018 In PhP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	314.24	909.85	7.14	(77.89)	1,153.34
Revenue from sale of goods	-	-	88.85	-	88.85
Total Service Revenues	314.24	909.85	95.99	(77.89)	1,242.19
Operating expenses	1,126.78	940.47	167.13	(400.73)	1,833.65
Equity in net loss of associates	-	-	-	52.99	52.99
Other charges (income) - net	(16.59)	3.27	8.37	27.63	22.69
Total Expenses	1,110.19	943.74	175.50	(320.11)	1,909.32
Operating Loss	(795.95)	(33.89)	(79.51)	242.22	(667.13)
Provision from income tax	(5.32)	(20.77)	(25.14)	(93.28)	(144.51)
Net Loss	(801.27)	(54.66)	(104.65)	148.94	(811.64)

As of December 31, 2018, mobile consumer services' revenues, operating loss and net loss prior to eliminations were ₱314.24 million, ₱795.95 million and ₱801.27 million, respectively. Enterprise services had an operating loss of ₱33.89 million and net loss of ₱54.66 million from revenues of ₱909.85 million. For 2018, although Yondu's enterprise business was profitable, this was not enough to offset the losses of the subsidiaries under this segment. The other services segment has yet to yield a positive contribution to the Group.

Profitability

For the twelve-month period ended December 31, 2018 compared with the twelve-month period ended December 31, 2017

Revenues

The consolidated service revenues of the Group for the period ended December 31, 2018 amounted to ₱1,242.19 million, a decrease of 41% from ₱2,103.58 million the same period of the previous year.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	<ul style="list-style-type: none"> • Xurpas Parent Company • Xeleb Technologies Inc. • Yondu • Art of Click
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	<ul style="list-style-type: none"> • Xeleb Technologies Inc. • Seer • Yondu • Xurpas Enterprise
Other services	Revenues derived from services related to the proprietary platform called “Flex Benefits System” and “Ace” (formerly “Kudos”) which allows employees to convert their employee benefits to other benefits which includes sale of goods	<ul style="list-style-type: none"> • Storm Technologies

In PhP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	875.61	70%	667.60	32%	208.01	31%
Mobile consumer services	270.86	22%	1,336.54	64%	(1,065.68)	-80%
Other services	95.72	8%	99.44	5%	(3.72)	-4%
<i>Total Revenues</i>	1,242.19	100%	2,103.57	100%	(861.38)	-41%

Revenues from enterprise services (which accounts for 70% of total revenues) increased by 31% in 2018, to ₱875.61 million from ₱667.60 million in 2017. On the other hand, revenues from the mobile consumer services segment for 2018 amounted to ₱270.86 million, a decrease of 80% from the previous year’s same period level of ₱1,336.54 million. This segment accounts for 22% of the total revenues. Other services booked revenues of ₱95.72 million in 2018, lower by 4% from the previous level at ₱99.44 million over the same period last year.

Expenses

In PhP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	1,062.87	58%	1,373.41	68%	(310.54)	-23%
Cost of Goods Sold	69.73	4%	81.01	5%	(11.28)	-14%
General and Administrative Expenses	701.04	38%	572.62	28%	128.42	22%
<i>Total Expenses</i>	1,833.64	100%	2,027.04	100%	(193.40)	-10%

The Group's consolidated expenses in 2018 amounted to ₱1,833.64 million, a 10% decrease from previous year's ₱2,027.04 million. For 2018, cost of services accounted for the bulk of expenses, totaling ₱1,062.87 million or 58% of the Group's consolidated expenses. For 2017, cost of services amounted to ₱1,373.41 million or 68% of overall expenses.

Cost of Services

In PhP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	724.50	68%	639.94	47%	84.56	13%
Outsourced services	143.93	14%	463.38	34%	(319.45)	-69%
Segment fee and network costs	43.26	4%	71.15	5%	(27.89)	-39%
Others	151.19	14%	198.95	14%	(47.76)	-24%
<i>Total Expenses</i>	1,062.87	100%	1,373.41	100%	(310.54)	-23%

Cost of services totaling ₱1,062.87 million in 2018 (compared to ₱1,373.41 million for 2017 or a 23% decrease), was mainly comprised of (1) Salaries, wages, and employee benefits, (2) Outsourced services, and (3) Segment fee and network costs, which accounted for 68%, 14%, and 4%, respectively. Of the total cost of services for the period, 59% is attributed to Yondu. The decrease in total cost of services was mainly brought about by the decrease in the outsourced services cost of AoC, which is a consequence of the drop in its digital advertising revenues. Segment fee/network costs, web hosting, and royalties also decreased due to lower VAS revenues.

Cost of Goods Sold

For the period ended December 31, 2018, cost of goods sold took up 4% of the Group's consolidated expenses, amounting to ₱69.73 million. This figure was a decrease of 14% from its level of ₱81.01 million in December 31, 2017. Costs related to the sale of goods from its flexible benefits and performance programs were appropriated as cost of goods sold. This led to the improved gross profit margins for Storm.

General and Administrative Expenses

In PHP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Provision for impairment losses	310.94	44%	106.54	19%	204.40	192%
Salaries, wages and employee benefits	151.96	22%	163.02	28%	(11.06)	-7%
Rent	42.09	6%	33.17	6%	8.92	27%
Others	196.05	28%	269.89	47%	(73.84)	-27%
<i>Total Expenses</i>	701.04	100%	572.62	100%	128.42	22%

General and administrative expenses relating to the Group's operations, for 2018 amounted to ₱701.04 million, higher by 22% compared to previous year's ₱572.62 million. Provision for impairment losses in 2018 amounted to ₱310.94 million or 44% of total general and administrative expenses or GAEX. Salaries, wages, and employee benefits was ₱151.96 million or 22% of the total GAEX. The same expenses amounted to ₱163.02 million in 2017.

Overall, the 22% increase in total GAEX was mainly due to the provision for impairment losses on receivables and goodwill, totaling ₱310.94 million. Details are the following: 1) provision for impairment loss related to certain receivable of Art of Click (AoC) amounting to ₱127.07 million 2) impairment of goodwill recorded for AoC amounting to ₱144.86 million and 3) provision for impairment of other receivables (as a result of the new accounting standard PFRS 9), which amounted to ₱39.01 million.

There were also decreases in salaries and wages, taxes and licenses, professional fees, transportation and travel, advertising, marketing and promotions, and seminars and trainings. The decreases in salaries and wages across some companies in the Group, is a result of cost cutting initiatives in response to the drop in revenues of certain business segments.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the period ended December 31, 2018, amounted to ₱52.99 million.

Other Income – net

For the year 2018, the Group recognized other charges amounting to ₱22.69 million; with interest expenses of ₱31.11 million, offset by interest income and gain on foreign exchange transactions.

Income (Loss) before Income Tax

The Group's loss before income taxes for period ended December 31, 2018 was ₱667.13 million. The loss before income taxes for the Group declined by 647% from December 31, 2017, which posted a figure of ₱122.04 million.

Provision for Income Tax

Despite incurring a loss before income tax, the Group still recognized a provision for income tax for the year ended December 31, 2018 amounting to ₱144.51 million, 642% higher compared to the same

period in 2017 where provision for income tax amounted to ₱19.47 million. The increase in provision for income tax was mainly due to increase in deferred tax assets (DTA) that were unrecognized during the year. These are deductible temporary differences for which no DTA are recognized since management believes that there are no sufficient taxable profits against which the DTA can be utilized. For the year ended December 31, 2018, changes in unrecognized DTA amounted to ₱322.77 million.

Net Income

The Group posted a consolidated net loss of ₱811.64 million for the period ended December 31, 2018, a decrease of 891% from the previous year's same period at ₱102.57 million.

Total Comprehensive Income

As of December 31, 2017, the Group's total comprehensive loss amounted to ₱803.37 million, a decrease of 749% compared to ₱123.72 million as at December 31, 2017.

Financial Position

As of December 31, 2018 compared to December 31, 2017

Assets

Cash

The Group's consolidated cash amounted to ₱177.40 million for the twelve-month period ended December 31, 2018, a net decrease of 18% or ₱37.86 million from consolidated cash of ₱215.25 million as at December 31, 2017.

Accounts and Other Receivable

The Group's consolidated accounts receivable amounted to ₱530.64 million and ₱845.67 million as at December 31, 2018 and December 31, 2017, respectively, representing a decrease of ₱315.03 million or 37%. Accounts receivable in 2018 nets out the allowance for impairment amounting to ₱265.02 million.

Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. As of December 31, 2018, contract assets amounted to ₱9.75 million.

Other Current Assets

The Group's consolidated other current assets totaled ₱57.90 million, a decrease of ₱0.04 million from its previous level on December 31, 2017 at ₱57.94 million. Prepaid expenses and deferred input VAT comprised majority of other current assets.

Financial Assets at FVOCI

This account pertains to quoted and unquoted equity investments previously classified as AFS financial assets but are now classified and measured as financial assets at FVOCI as a result of adoption of PFRS 9.

As of December 31, 2018, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position amounted to ₱0.48 million and ₱44.22 million, respectively.

Available for sale financial asset

Upon adoption of PFRS 9, the quoted and unquoted equity investments were reclassified as financial assets at FVOCI while the unquoted debt investments were reclassified as financial assets at FVPL in the consolidated statements of financial position. As of December 31, 2018, the resulting available for sale financial asset is nil vis-à-vis ₱159.05 million in 2017.

Investment in Associates

As of December 31, 2018, the Group's consolidated investment in associates amounted to ₱456.00 million, a 12% decrease from its figure of ₱515.66 million during December 31, 2017. The breakdown of the carrying amounts of these investments are: Altitude Games Pte. Ltd. (₱24.34 million), MatchMe (₱43.71 million), SDI (₱10.64 million), and Micro Benefits Limited (₱377.31 million).

Property and Equipment

The Group's consolidated property and equipment was ₱59.20 million in December 31, 2018 vis-à-vis ₱76.15 million in December 31, 2017, or a decrease of 22%. Property and equipment mainly consisted of leasehold improvements, leased assets, office, information technology equipment, furniture, and fixtures. The decrease was due to retirement and disposal of certain equipment.

Intangible Assets

Intangible assets of ₱3,612.92 million as at December 31, 2018 were recognized in relation to the Group's acquisitions and investments. Movements in this account pertains to additions, disposal, revaluation surplus amounting to ₱16.62 million; amortization (net of disposal) of ₱37.07 million; and impairment of goodwill amounting to ₱144.86 million. These resulted to a net 4% decrease amounting to ₱160.96 million vis-à-vis the December 31, 2017 figure at ₱3,773.88 million. The major components are goodwill, customer relationship, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As at December 31, 2018, goodwill is at ₱2,399.76 million. This nets out an impairment of ₱144.86 million, pertinent to AoC.
- Customer relationship pertains to Yondu's noncontractual and contractual agreements with Globe Telecoms, its major customer which are expected to generate revenues for the Group in subsequent periods. As of December 31, 2018, customer relationship is valued at ₱1,077.81 million.

- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As at December 31, 2018, developed software net book value is at ₱121.08 million. Amortization of developed software for the twelve-month period ended December 31, 2017 amounted to ₱34.59 million.
- Cryptocurrencies pertain to units of Bitcoin held by the Group as at December 31, 2018 valued at ₱5.48 million
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2018, leasehold rights net book value is at ₱8.79 million. Amortization of leasehold rights for the twelve-month period ended December 31, 2018 amounted to ₱2.48 million.

Pension Asset

The Group's recorded pension asset as of December 31, 2018 and December 31, 2017 was at ₱1.41 million and ₱0.31 million, respectively, an increase of 354%.

Deferred Tax Assets – Net

The Group's consolidated net deferred tax assets level amounted to ₱14.19 million as at December 31, 2018, lower by 88% or ₱101.34 million vis-à-vis its December 31, 2017 level at ₱115.53 million. The significant decrease in deferred tax asset was brought about by the increase in unrecognized deferred tax asset as aforementioned.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱46.37 million as of December 31, 2018. This figure is 9% lower than the value posted as of December 31, 2017 at ₱50.74 million. These are primarily rental deposits amounting to ₱19.95 million.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱654.52 million as at December 31, 2018 was a 33% or ₱161.41 million increase from its December 31, 2017 figure of ₱493.11 million.

The Group's accounts and other payables consisted mainly of trade payables at ₱179.20 million, payable to related parties at ₱104.03 million (₱102.42 million from Xurpas, as advances from stockholders), deferred output VAT at ₱42.67 million and accrued expenses at ₱42.66 million.

Loans Payable

The Group recorded ₱358.74 million in current loans in December 31, 2018 and ₱377.42 million in December 31, 2017. This is mainly attributable to the loans of the Parent Company which are interest-bearing and short-term.

Income Tax Payable

The Group's consolidated income tax payable as at December 31, 2018 amounted to ₱2.19 million, a decrease of 78% from the December 31, 2017 figure of ₱10.08 million.

Contract Liabilities

Contract liabilities are obligations to transfer goods and services to customers from whom the Group has received consideration. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due. Contract liabilities are recognized as revenue when the Group performs under the contract.

As at December 31, 2018, contract liabilities amounted to ₱44.50 million.

Other Current Liabilities

The Group's other current liabilities amounted to ₱63.75 million in December 31, 2018 compared to ₱77.17 million in 2017, a decrease of 17%.

Finance Lease- net of current portion

Seer entered into a lease agreement with BPI Leasing Corporation for the use of IT and transportation equipment with a lease term three (3) and five (5) years, respectively. Effective monthly interest rates range from 0.83% to 1.12%. Seer's finance lease net of current portion is ₱0.02 million in December 31, 2018 and ₱0.61 million December 31, 2017.

Deferred Tax Liability

As of December 31, 2018, the deferred tax liability (net) was at ₱352.73 million, a decrease of 1% or ₱3.13 million from ₱355.86 million as of December 31, 2017.

Pension Liability

The accrued pension of the Group is at ₱23.52 million in December 31, 2018 compared to ₱31.30 million in December 31, 2017 or a decrease of 25%.

Equity

Total Equity

The Group's total equity as of December 31, 2018 was at ₱3,466.58 million, a 3% increase from its December 31, 2017 level at ₱3,355.50 million. The net decrease in total equity was a result of decrease in equity reserve from ₱1,250.72 million as of December 31, 2017 to ₱402.22 million as of December 31, 2018. Retained earnings decreased from ₱322.73 million as of December 31, 2017 to negative ₱556.37 million as at December 31, 2018 because of the net losses for 2018. This also included the reclassification for Available for Financial Assets as a result of adopting PFRS 9 which resulted into a net unrealized loss on financial assets at FVOCI of ₱44.22 million; which is recorded as a contra-equity account.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has some bank debt through the Parent Company and Seer Technologies Inc. which are short term in nature. The Group does not anticipate having any cash flow or liquidity problems over the next 12 months. The Group is not in breach or default on any loan or other form of indebtedness.

Cash Flows

In PhP Millions	For the 12 months ended December 31	
	2018	2017
	Amount	Amount
Net cash provided by (used in) Operating Activities	(186.02)	248.52
Net cash provided by (used in) Investing Activities	(102.43)	(169.89)
Net cash provided by (used in) Financing Activities	236.19	(274.97)
Effect of foreign currency exchange changes in cash	14.40	(16.92)
Net increase (decrease) in cash	(37.86)	(213.26)
Cash at beginning of period	215.25	428.52
Cash at end of period	177.40	215.25

Cash Flows Provided by Operating Activities

For the first twelve months of 2018, operating loss of ₱385.95 million was coupled with the corresponding decrease in account receivables and account payables for a resulting ₱104.91 million net cash used in operations. Together with interest received and income taxes paid, this resulted in a net cash used in operating activities of ₱186.02 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows used in investing activities for subsidiaries and associates for the twelve months of 2018 was ₱102.43 million compared to ₱169.89 million used in the same period of 2017. The net cash used in investing activities was mainly attributable to the proceeds of sale from cryptocurrencies and the balance of the earn-out payment to Art of Click.

Cash Flows Provided by (Used in) Financing Activities

The Group's consolidated net cash flow provided by financing activities for period ended December 31, 2018 was ₱236.19 million compared to net cash flow used in financing activities for the period ended December 31, 2017 which was ₱274.97 million.

Capital Expenditure

The Group's capital expenditures for the period ended December 31, 2018 and the year ended December 31, 2017 amounted to ₱18.35 million and ₱27.50 million, respectively.

Key Financial Data In PHP Millions	December 31, 2018 Additions	December 31, 2017 Additions
Office Equipment	1.19	3.08
IT Equipment	14.58	18.03
Furniture and Fixtures	0.06	0.95
Leasehold Improvements	2.52	4.33
Leased Asset	-	1.11
	18.35	27.50

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the year ended December 31		
	2018	2017	2016
Liquidity Ratios			
Current Ratio	69%	54%	105%
Quick Ratio	64%	51%	102%
Asset-to-Equity Ratio	183%	231%	219%
Profitability Ratios			
Net Income Margin	-62%	2%	11%
Gross Margin	9%	31%	41%
Operating Margin	-46%	12%	24%
Return on Total Assets	-14%	1%	7%
Return on Equity	-22%	1%	14%
Debt Ratios			
Debt-to-Equity Ratio	0.56x	0.97x	0.91x
Interest Coverage Ratio	-20.45x	2.81x	11.84x

Current Ratios

Current Ratio and Quick Ratios in the twelve-month period at December 31, 2018 were 69% and 64%, respectively, an increase from their respective 54% and 51% figures during the full year of 2017. The increase in both ratios was primarily from the decrease in current liabilities; due to the reversal of the liability for written put option and the settlement of the payable to a former shareholder of a subsidiary, even as current assets also decreased over the period.

Asset-to-Equity Ratio

The decrease in the asset-to-equity ratio from 231% in December 31, 2017 to 183% in December 31, 2018 resulted from the decrease in total assets vis-à-vis equity, which increased over the same period.

Profitability Ratios

Profitability margins decreased from December 31, 2017, as a result of business combination and expenses related to the Group's investments and acquisitions. The decrease in Gross Profit Margin (9%), Net Income Margin (-62%), Operating Margin (-46%), Return on Total Assets (-14%) and Return on Equity (-22%) was a result of the year's net losses.

Debt Ratios

Debt to Equity ratio in December 31, 2018 was at 0.56x compared to 0.97x as at December 31, 2017. The decrease in the gearing ratio was attributed to the lower liability in December 31, 2018 compared to the previous year. Interest coverage ratio in December 31, 2017 was at -20.45x compared to 2.81x the previous year. The decrease in this ratio is because of the big drop in earnings before interest and tax expense and higher interest expense in 2018 compared to 2017.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios

3. Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
4. Quick ratio	$\frac{\text{Current assets} - \text{Other current assets}}{\text{Current liabilities}}$

Asset-to-equity Ratio

$\frac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$
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Profitability Ratios

6. Net income ratio	$\frac{\text{Net income attributable to Parent Company}}{\text{Service income} + \text{Sale of goods}}$
7. Gross margin	$\frac{(\text{Service income} + \text{Sale of goods}) - (\text{Cost of services} + \text{Cost of goods sold})}{\text{Service income} + \text{Sale of goods}}$
8. Operating margin	$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income} + \text{Sale of goods}}$
9. Return on total assets	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$
10. Return on total equity	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$

Other Disclosures:

- viii. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.
- ix. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.
- x. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
- xi. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.
- xii. Material Events/ Uncertainties. There are no known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations.
- xiii. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.
- xiv. Seasonality. The effects of seasonality or cyclicity on the operations of the Group's business are confined to its mobile consumer and other services segment.

ITEM 7. Financial Statements

Please refer to the consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules.

ITEM 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in and disagreements with accountants on accounting and financial disclosure.

Independent Public Accountants, External Audit Fees and Services

The consolidated financial statements of the Group as of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 were audited by SGV & Co., independent auditors, in accordance with Philippine Standards on Auditing (PSA).

SGV & Co. has acted as the Group's independent auditors since 2008. Since 2017, the audit partner for the Group is Mr. Dolmar C. Montañez. The Company has not had any material disagreement on accounting and financial disclosure with SGV & Co. for the periods stated above or during interim periods. SGV & Co. has neither shareholding in the Group nor any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Group. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

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

The aggregate fees billed for each of the last two calendar years for professional services rendered by the external auditor were ₱2,130,000 and ₱1,800,000 for 2019 and 2018, respectively. The audit fees for 2020 are estimated to be at ₱2,343,000. Services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, tax consultancy and assistance in the preparation of annual income tax returns.

The Audit Committee recommends to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors and stockholders approve the Audit Committee's recommendation.

ITEM 9. Directors and Executive Officers of the Issuer

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

The overall management and supervision of the Company is undertaken by the Board. The Board is composed of seven members, two of whom are independent directors. The term of a director is one year from date of election and until their successors are elected and qualified.

As of December 31, 2019, the composition of the Company's Board is as follows:

Name	Age	Citizenship	Position	Year Position was Assumed
Nico Jose S. Nollado	43	Filipino	Chairman	2001
Alexander D. Corpuz	53	Filipino	Director, President, Chief Information Officer and Chief Finance Officer ⁶	2019
Fernando Jude F. Garcia	46	Filipino	Director, Treasurer and Chief Technology Officer	2001
Mercedita S. Nollado	79	Filipino	Director	2001
Wilfredo O. Racaza	71	Filipino	Director	2001
Jonathan Gerard A. Gurango	62	Filipino	Independent Director	2014

Each of the Company's directors was elected to the Board during the Company's annual stockholders' meeting held on November 8, 2019. Each director shall remain in office until the next annual meeting of the stockholders of the Company or his or her removal or resignation as may be allowed under law.

The following independent directors were elected during the Special Stockholders' Meeting held on May 7, 2020:

Name	Age	Citizenship	Position	Year Position was Assumed
Imelda C. Tiongson	52	Filipino	Independent Director	2020
Bartolome S. Silayan, Jr.	53	Filipino	Independent Director	2020

The table below sets forth the Company's executive officers in addition to its executive directors listed above as of December 31, 2019:

Name	Age	Citizenship	Position
Mark S. Gorriceta	42	Filipino	Corporate Secretary, Chief Legal Officer and Chief Officer

The following discussion presents a brief description of the business experience of each of the Company's directors and executive officers.

⁶ Mr. Alexander D. Corpuz was appointed as Director and President in 2019. He has been the Chief Finance Officer of Xurpas since 2014.

Nico Jose S. Nollado, Filipino, 43, director of the Company since 2001.

Mr. Nollado is the first Filipino Entrepreneur chosen by the Endeavour network. He is also the Ernst and Young's 2015 Philippine Entrepreneur of the year and was chosen as one of The Outstanding Young Men ("TOYM") in the Philippines in 2015. Mr. Nollado holds a Bachelor of Science degree in Management from Ateneo de Manila University.

Alexander D. Corpuz, Filipino, 53, director of the Company since 2019.

Mr. Corpuz was appointed as Director and President of the Company effective February 1, 2019. He has also been the Chief Finance Officer since 2014 and Chief Information Officer since 2018. Mr. Corpuz has 29 years of experience in the field of finance, ten years of which was in investment and commercial banking. He was Vice President of Bank of America in 2001, before serving as CFO for Liberty Telecoms, Information Gateway, Mañosa Group of Companies and Hatchd Inc. Mr. Corpuz holds a Bachelor of Science in Business Administration degree from University of the Philippines, Diliman, Cum Laude. He obtained his Masters in Business Management from the Asian Institute of Management, Makati City. He is a member of the Financial Executives Institute of the Philippines (FINEX).

Fernando Jude F. Garcia, Filipino, 46, director of the Company since 2001.

Mr. Garcia has been the Company's Chief Technology Officer since 2001. He was also appointed as Treasurer effective February 1, 2019. He created the Company's Griffin Platform, the mobile consumer content gateway and platform for all of the Company's mobile consumer content products and services. He also created the Company's modular middleware system that can easily integrate with any modern billing gateway. He is the chief engineer responsible for the Company's software architecture and systems integration. Examples of such systems and protocols are the following: SMS (CIMD2/EMI-UCP/SMPP), MMS (EIAF/MM7), Voice Services (SIP), Billing/IN (Diameter/UCIP/ParlayX2.1), Security (IPSEC), Publish-subscribe Systems and Video Streaming (RTMP/HLS) and blockchain technology (BTC/ETH). He is also responsible for architecting the Company's fully Cloud-based system infrastructure. Before founding the Company, he was a software developer in iAyala. Mr. Garcia holds a Bachelor of Science degree in Applied Physics from the University of the Philippines in Diliman, Quezon City.

Mercedita S. Nollado, Filipino, 79, director of the Company since 2001.

Atty. Nollado is currently a director of Bank of the Philippine Islands, BPI Family Savings Bank and BPI Capital Corporation, Anvaya Golf and Nature Club, Inc., BPI Asset Management & Trust Corporation and Michigan Holdings, Inc. She is the Chairman of BPI Investment Management Corporation. She is currently an independent director of D&L Industries, Inc. She is a member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc. She has served as a director of Cebu Holdings, Inc. from 1993 to 2006 and of Ayala Corporation from 2004 to 2010. Atty. Nollado was formerly Corporate Secretary and General Counsel of the Ayala Group of Companies and the Senior Managing Director of the Ayala Corporation. She served as Executive Vice President, director and Corporate Secretary of Ayala Land, Inc. and as the firm's Treasurer. Atty. Nollado placed second in the Certified Public Accountant exams in 1960 and also placed second in the 1965 bar exams. She holds a Bachelor of Science degree in Business Administration, magna cum laude, from the University of Philippines. Atty. Nollado holds a Bachelor of Laws degree, cum laude, from the University of the Philippines.

Wilfredo O. Racaza, Filipino, 71, director of the Company since 2001.

Mr. Racaza has 49 years of marketing and finance experience under his belt. He was the head of New Business Development in Mobil Oil Philippines for 15 years. He previously worked as an insurance executive in Manulife Financial Philippines for 33 years. He is a Registered Financial Consultant (Graduated Cum Laude in May 2015). He has garnered numerous accolades and multiple awards such as Branch of the Year recognitions and consistent agency sales awards. He has been a consistent awardee in the General Agents and Managers Association (GAMA) of the Philippines from 2003 to Present. Mr. Racaza holds a Bachelor of Science in Commerce Degree Major in Accountancy from Xavier University (Ateneo de Cagayan) in Cagayan de Oro City.

Jonathan Gerard A. Gurango, 62, Filipino, independent director of the Company since 2014.

Mr. Gurango has a solid track record in forming and running successful software companies. He founded Match Data Systems (MDS) in Seattle, USA in 1987, MDS Philippines in 1991, and MDS Australia in 1996. In 1999, he sold MDS to Great Plains Software, which was acquired by Microsoft in 2001. Mr. Gurango served as the Asia Pacific Regional Director for Microsoft Business Solutions, before he left in 2003 to form Gurango Software. In 2007, he was inducted into the Hall of Fame for Microsoft's Most Valuable Professionals, in recognition of his mastery of software technology and business. In 2006, the Philippine Center for Entrepreneurship acknowledged him as one of the country's Ten Most Inspiring Technopreneurs. In addition to leading Gurango Software as the most successful Microsoft Dynamics partner in the Philippines, he has co-founded several other software start-ups such as SPRING.ph, and was the President of the Philippine Software Industry Association from 2013 to 2014. Mr. Gurango studied Industrial Engineering at the University of the Philippines, Diliman, Quezon City. He also studied Electrical Engineering at the University of Washington, Seattle, Washington, USA.

Imelda C. Tiongson, Filipino, 52, independent director of the Company since 2020.

Ms. Tiongson is currently the President of Opal Portfolio Investments (SPV-AMC) Inc. She is currently an independent director of Fin Tech Global Resources Inc. and Ovo Worldwide Trading Corporation, and a Trustee of Fintech Philippines Association. Ms. Tiongson is also involved in several organizations; She is a Trustee of the Institute of Corporate Directors, Vice Chair of the Governance Committee of the Management Association of the Philippines, and the Head of Technoethics and Chair of Governance for Fintech Alliance. She is also a lecturer for Risk Management for International Finance Corporation (*an entity affiliated with the World Bank Group*) and Institute of Corporate Directors (ICD). She is also a lecturer in Ateneo Graduate School of Business - Center for Continuing Education.

She previously worked as a Senior Lending Officer in National Australia Bank and as Senior Vice President of Philippine National Bank. She was also a director of Vitarich Corporation and a board advisor of East Asia Power Corporation.

Ms. Tiongson also participated in the groups that drafted the Revised Corporation Code which was enacted in 2019 and the Financial Rehabilitation and Insolvency Act of 2010.

Ms. Tiongson obtained her Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology. She also completed a Master Class on Remedial in Asian Institute of Management (AIM), Master Class in Blockchain/Cryptocurrency facilitated by Terrapinn and Master Class in Risk/Audit conducted by Worldbank ICD.

Bartolome S. Silayan Jr., Filipino, 53, independent director of the Company since 2020.

Mr. Silayan is currently the President of Phoenix One Knowledge Solutions Inc. ("Phoenix One"), a technology corporate training company which he started in 2005. He is also the President of Cafisglobal Inc, a boutique software services company serving clients in Australia. Prior to Phoenix

One, he also founded Mind Stream Inc. in 2001, the franchise holder of NIIT, the largest technology education company from India. Before he became an entrepreneur, he was the Philippine Country Head of The Pillsbury company in 1997. He worked in Hongkong and China in 1994 as Marketing Manager for the Quaker Oats company handling the Gatorade brand. He finished BS Business Management from Ateneo de Manila University and obtained his MBA from Northwestern University's Kellogg school of management.

Mark S. Gorriceta, 42, Filipino, Corporate Secretary, Chief Legal Officer and Chief Compliance Officer of the Company since 2014.

Atty. Gorriceta has been in the practice of law for fourteen years. He acts as legal counsel to several other listed companies, its subsidiaries or affiliates. Atty. Gorriceta also serves as Chief Legal Counsel and/or Corporate Secretary to several leading online and tech companies in the Philippines. He heads the Corporate Group of Gorriceta Africa Cauton & Saavedra. He was formerly connected with the Law Firm of Quiason Makalintal Barot Torres & Ibarra. A member of the Philippine Bar since 2005, he holds a Bachelor of Arts, Political Science degree from the Ateneo de Manila University. He also attended certificate courses in Finance at the Asian Institute of Management in Makati City. Atty. Gorriceta is currently enrolled in Harvard University's certificate program in Corporate Finance.

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. 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. Nico Jose S. Nollado, Chairman, is the son of Atty. Mercedita S. Nollado, also a director.

Mr. Wilfredo O. Racaza's son, Mr. Raymond Gerard S. Racaza, is a principal shareholder of the Company.

There are no family relationships between the current members of the Board and the key officers / principal shareholders other than the above.

Involvement in Certain Legal Proceedings

There are no material legal proceedings, bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a securities or commodities law for the past five years to which any of its directors or executive officers is a party.

ITEM 10. Executive Compensation [Note to Xurpas: See our comment on disclosable executive officers]

Since its incorporation in 2001, the Company's directors (other than reasonable per diem for nonexecutive directors as discussed below) have not received any salary or compensation for their services as directors.

The following table summarizes the aggregate compensation received by the President and Chief Executive Officer, and top five (5) most highly compensated officers of the Company for the past five (5) years:

Name	Position	Estimated Salary	Bonus	Other	Total
<u>Alexander Corpuz</u>	<u>D. President, Chief Finance Officer & Chief Information Officer</u>				
<u>Fernando Jude F. Garcia</u>	<u>Treasurer & Chief Technology Officer</u>				

Total	2020 (Projected)	₱8,764,000.00	N/A	N/A	₱8,764,000.00
	2019	6,163,838.25	N/A	N/A	₱6,163,838.25
	2018	12,584,516.66	N/A	N/A	12,584,516.66

The total annual compensation consists of basic pay and other taxable income.

The Company's executive officers have no other remuneration aside from the compensation described above.

Compensation of Directors

Standard Arrangements

The directors receive a standard per diem of ₱20,000.00 for every meeting attended, which may be adjusted, as decided by the Personnel and Compensation Committee. Non-executive directors have no compensation aside from their per diem, while directors who hold executive positions receive compensation discussed in Item 6, in addition to their per diem.

Other Arrangements

The Company has no other existing arrangements such as bonus, profit sharing, stock options, warrants, rights, or other compensation plans or arrangements with its directors except for the Employee Stock Option Plan, approval of which is currently pending with the Securities and Exchange Commission and the listing of such shares is pending with the Philippine Stock Exchange.

Employment Contracts with Executive Officers

The Company does not have any compensatory plan or arrangements such as bonus, profit sharing, stock options, warrants, rights or other compensation plans or arrangements that results from the resignation, retirement of employment, or any other termination of an executive officer's employment with the Company, or from a change in control of the Company.

Warrants and Options Held by the Executive Officers and Directors

As of date, the Company does not have any stock options, warrants or similar plans for any of its directors or officers except the Employee Stock Option Plan, approval of which is currently pending with the Securities and Exchange Commission and the Philippine Stock Exchange.

ITEM 11. Security Ownership of Certain Beneficial Owners and Management

Security ownership of certain record and beneficial owners

As of July 31, 2020, the Company is not aware of any person who is directly or indirectly the record or beneficial owner of more than 5% of the Company's capital stock except as set forth below:

Title of Class	Name and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class⁷
Common	Nico Jose S. Nollado Chairman and Chief Executive Officer	Nico Jose S. Nollado	Filipino	322,226,622 (Direct and Indirect)	17.21%
Common	Raymond Gerard S. Racaza President and Chief Operating Officer	Raymond Gerard S. Racaza	Filipino	375,765,960 (Direct)	20.06%
Common	Fernando Jude F. Garcia Chief Technology Officer	Fernando Jude F. Garcia	Filipino	375,073,960 (Direct)	20.04%
Common	PCD Nominee Corp.	PCD participants acting for themselves and for their customers ⁸	Filipino	557,017,730 (Direct)	29.74%
Common	PCD Nominee Corp.	PCD participants acting for themselves and for their customers ⁹	Non-Filipino	250,870,795 (Direct)	13.40%

As of July 31, 2020, 13.40% of the outstanding shares of the Company are held by non-Filipino.

Security ownership of directors and management as of July 31, 2020

⁷ Total Outstanding Shares as of July 31, 2020 is at 1,872,796,877

⁸ Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. The Company has no record relating to the power to decide how the shares held by PCD are to be voted.

⁹ Id.

As of July 31, 2020, the Company's directors and executive officers own the following number of shares:

Title of Class	Name of Owner and Position	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class
Common	Nico Jose S. Nollado Chairman	Filipino	322,226,622 (Direct and Indirect)	17.21%
Common	Alexander D. Corpuz Director, President and Chief Information Officer	Filipino	1,000	0.00%
Common	Fernando Jude F. Garcia Director, Chief Technology Officer and Treasurer	Filipino	375,073,960 (Direct)	20.04%
Common	Mercedita S. Nollado Director	Filipino	2,378,338 (Direct)	0.13%
Common	Wilfredo O. Racaza Director	Filipino	1,060 (Direct)	Nil
Common	Jonathan Gerard A. Gurango Independent Director	Filipino	169,399 (Direct)	0.01%
Common	Imelda C. Tiongson Independent Director	Filipino	1,000 (Direct)	Nil
Common	Bartolome S. Silayan, Jr. Independent Director	Filipino	2,000 (Direct)	Nil
Total (Directors and Officers as a Group)			699,853,379	37.39%

Voting Trust Holders of 5% or More

The Company is not aware of any person holding 5% or more of the Company's shares under a voting trust or similar agreement.

Changes in Control

There was no change of control in the Company during the year. There are no existing provisions in the Company's Articles of Incorporation or By-Laws that will delay, defer, or in any manner prevent a change in control of the Company.

ITEM 12. Certain Relationships and Related Transactions

The Company has regularly disclosed its related party transactions such as acquisition of shares in corporations in which the Company has interlocking directors or common stockholders, with the Securities and Exchange Commission and the Philippine Stock Exchange. In the conduct of its day-to-day business, the Company engages in related party transactions such as service and licensing agreements, always at arms-length and taking into consideration the best interest of the Company.

PART IV – CORPORATE GOVERNANCE

ITEM 13. Corporate Governance.

Pursuant to SEC Memorandum Circular No. 20 (Series of 2016), the Annual Corporate Governance Report (ACGR) for 2016 is no longer required to be attached herein. Further, pursuant to SEC Memorandum Circular No. 15 (Series of 2017), companies listed in the Philippine Stock Exchange by 31 December of a given year shall submit a fully accomplished I-ACGR on May 30 of the following year. Accordingly, the Company submitted its I-ACGR on May 29, 2019. You may refer to the Company's website for its Manual on Corporate Governance and its ACGR.

ITEM 14.**SUSTAINABILITY REPORT****Contextual Information****Company Details**

Name of Organization	Xurpas Inc.
Location of Headquarters	7th Floor, Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City
Location of Operations	Salcedo Village, Makati City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Xurpas Inc. and Subsidiaries
Business Model, including Primary Activities, Brands, Products, and Services	Develop, produce, sell, buy or otherwise deal in products, goods or services in connection with the transmission, receiving, or exchange of voice, data, video or any form or kind of communication
Reporting Period	December 31, 2019
Highest Ranking Person responsible for this report	Alexander D. Corpuz

BRIEF ON THE COMPANY

Xurpas Inc. is a Filipino owned corporation originally founded in 2001 to create and develop digital products and services for mobile end-users. Over the years, the Company has expanded its services to platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This includes Information Technology (IT) staff augmentation and various enterprise solutions-based services to Telcos and other companies for network and application development.

In December 2014, Xurpas was listed in the Philippine Stock Exchange (PSE:X).

The company's operation is supported by a diverse group of talented employees wherein a mechanism for employee participation was developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance¹ process.

MISSION: To make world class Filipino technology products, and to put our country on the world technology map.

VISION: To become the biggest, most trusted IT solutions company in the Philippines.

MATERIALITY ASSESSMENT AND REPORTING PRACTICES

Given the need to operate in a sustainable manner, the Company is starting to become aware of possible ways its contribution to the economic, environmental and social impacts. The material topics included in this report are limited to the operational matters which have direct and significant effects in relation to the Company's sustainability and the interest of its identified stakeholders (shareholders, employees, customers and suppliers).

As an Information Technology company, we identify that our main contribution to sustainability is providing digital transformation with our technical capabilities. It is worth noting that as an IT company, the effects of its operations mainly affect the economic and social aspects of sustainability.

This Sustainability Report has been prepared in reference to the globally accepted framework report namely, the Global Reporting Initiative (GRI) standards. The GRI standard covers the economic, environment and social impacts. This is the Company's first Sustainability Report since its inception covering the period of January 2019 to December 2019. Aside from that, this report identifies how the Company's operations contribute to the UN Sustainable Development Goals.

Economic disclosures pertain to the way in which the company utilizes its resources to contribute to the economy. It looks into the direct economic value of the company, climate related risks and opportunities, procurement practices and anti-corruption practices. Environmental disclosures, on the other hand, pertains to the management of natural resources (energy, water, and materials conservation) and how the negative impacts of operations to the environment is minimized. Lastly, the Social disclosures talks about the Company's relationship with its stakeholders such as employees and customers. It talks about topics such as diversity of manpower complement, the benefits and trainings offered to the employees and the overall workplace environment. Aside from that, it also discusses topics such as customer management and data privacy/security.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated:	946,735,121	Php
Direct economic value distributed:		
a. Operating costs	286,437,054	Php
b. Employee wages and benefits	646,518,578	Php
c. Payments to suppliers, other operating costs	2,574,893,910	Php
d. Dividends given to stockholders and interest payments to loan providers	39,684,866	Php
e. Taxes given to government	28,796,552	Php
f. Investments to community (e.g. donations, CSR)	20,222	Php
Direct economic value retained:	(2,626,971,914)	Php

What is the impact and where does it occur? What is the organization's involvement in the impact	Which stakeholders are affected?	Management Approach
The Economic Performance of the Company impacts the business as a whole. Being profitable and having healthy liquidity stance result to strong business operations and provides opportunities for expansion and growth.	All stakeholders	As can be measured through its annual reports and financial statements, the Company assures all stakeholders to provide quality services for customers through continuous research and development that bring forth positive economic performance.

What are the Risk/s Identified?	
Internal Risks: Loss of customers, management risk, and financial risk External Risks: Regulatory risks, Stiff competition in the IT industry, and product obsolescence brought about by ever changing and upgrade of various technology solutions	To address these risks, Xurpas banks on the quality services that it provides its customers backed up by its management expertise and technological know-how.
What are the Opportunity/ies Identified?	
The pandemic that the world faces presently brings about realization on the importance of digital transformation across all businesses regardless of size.	The continuous relationship building to its clientele base (new and existing) and other technology company opens up opportunities to grow the business not only in the local market but the international market as well. Also, these relationships provide information of relevant trends that may improve the offered services that may result to increased economic performance.

Climate-related risks and opportunities

Governance	Strategy	Risk Management	Metrics and Targets
The Company, as of date, does not have governance around climate-related risks and opportunities. Nevertheless, it strives to do implement sustainability in the organization whenever applicable.	Not Applicable	Not Applicable	Not Applicable
Recommended Disclosures			
The Board, as of date, does not oversee climate-related risks and opportunities.	Not Applicable	Not Applicable	Not Applicable
The Management, as of date, does not have any process for managing climate-related risks.	Not Applicable	Not Applicable	Not Applicable
	Not Applicable	Not Applicable	Not Applicable

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	99.88	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company recognizes the importance of interdependence of businesses such as the suppliers and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Suppliers	The Company prefers to avail of goods and services locally due to its availability and lower cost. It also provides economic development to the suppliers.
What are the Risk/s Identified?		
Concentration risk that may result to shortage of supplies.		Having a diverse supplier base mitigates risk of shortage in supplies.
What are the Opportunity/ies Identified?		
Having good relationship with suppliers mutually benefits the Company and the supplier. This relationship may lead to an opportunity where Xurpas becomes a preferred customer and may have certain privileges offered by the supplier.		The Company continues to support local suppliers and be a credible customer by making timely payments for the goods and services provided.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anticorruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	-	%
Percentage of directors and management that have received anti-corruption training	-	%
Percentage of employees that have received anti-corruption training	—	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company through its BOD and employees are duty-bound to apply high ethical standards, taking into account the interest of all stakeholders. This results to positive and trustworthy image for the Company.	All Stakeholders	The Company has established anti-corruption policy available to all stakeholders The Company expects everyone involved in the business to act in good faith at all times. For violations of this policy committed by employees, the Human Resources Department shall monitor, evaluate and impose the necessary penalties. in the company's website.
What are the Risk/s Identified?		
The organization's employees are exposed to the risk of seeking financial and material advantages from its dealings with clients, suppliers, and the government.	Employees	
What are the Opportunity/ies Identified?		
Being regarded as an honest and professional business partner would strengthen relationships to customers and suppliers. This will help the company sustain its operations in the long run and support future plans for growth.	All Stakeholders	

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	-	#
Number of incidents in which employees were dismissed or disciplined for corruption	-	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Incidents of Corruption inside and outside the Company has a negative impact for the overall business operation and is not tolerated as a way of practice.	Employees	The Company has established anti-corruption policy available to all stakeholders The Company expects everyone involved in the business to act in good faith at all times. For violations of this policy committed by employees, the Human Resources Department shall monitor, evaluate and impose the necessary penalties. in the company's website.
What are the Risk/s Identified?		
Employees are exposed to the risk of seeking financial and material advantages from its dealings with clients, suppliers, and the government.		

What are the Opportunity/ies Identified?		
Having no incidents of corruption and promoting an honest business environment for all stakeholders can be beneficial to the Company. It will give a positive image and be regarded as a trustworthy business partner to its customers and suppliers. This will help the company sustain its operations in the long run and support future plan for growth.	All Stakeholders	

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	-	GJ
Energy consumption (gasoline)	-	GJ
Energy consumption (LPG)	-	GJ
Energy consumption (diesel)	-	GJ
Energy consumption (electricity)	88,568.99	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	—	GJ
Energy reduction (LPG)	—	GJ
Energy reduction (diesel)	—	GJ
Energy reduction (electricity)	—	kWh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Reduction of energy consumption is being encouraged throughout the Company as it reduce utility expenses at the same time help the environment. Reducing energy consumption is seen to be a solution to minimize the emission of greenhouse gases in the atmosphere causing climate change.	Employees	As part of the Company's initiative to minimize expenses, employees are expected to act responsible and professionally in terms of incurring expenses. Employees are encouraged conserve energy whenever possible (e.g making sure that lights and aircon in the conference rooms are turned off when not in use).

What are the Risk/s Identified?		
Instability of prices for fuel and other energy resources.	Suppliers and Employees	Given that the identified risk is an external factor in which the Company does not have control over. Hence, employees are encouraged conserve energy whenever possible.
What are the Opportunity/ies Identified?		
Internal cost reduction and savings can contribute to finance other profitable projects.	Stockholders and Employees	Employees are encouraged to save electricity whenever possible.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	-	Cubic meters
Water consumption	508.44	Cubic meters
Water recycled and reused	-	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Like energy conservation, the Company encourages its employees to be mindful of their water consumption as it results to lower utility costs. Managing water resource properly maintains healthy aquatic environment, minimize water pollution and protects drinking water resources, etc.	Employees and Community	As part of the Company's initiative to minimize the expenses, employees are expected to act responsible and professionally in terms of incurring expenses. Employees are encouraged to be mindful in using water (e.g All water faucets in the office should be turned off when not in use).
What are the Risk/s Identified?		
Shortage of water supply brought about by natural occurrence namely, drought.	Suppliers and Employees	Given that the identified risk is an external factor in which the Company does not have control over, the management encourages mindfulness to its employees in water usage.
What are the Opportunity/ies Identified?		
Internal cost reduction and savings that can contribute to finance other profitable projects.	Stockholders and Employees	As mentioned, employees are encouraged to save water whenever possible.

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
Renewable	—	kg/liters
Non-renewable	—	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	—	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company is engaged in software development and other IT solutions thus the main operations don't usually consume materials that may affect the services' pricing and availability.	Customers and Suppliers	The Company ensures that its systems (hardware and software) are upgraded and in good condition. It also encourages recycling habits for other departments who utilizes consumable materials such as paper, office supplies, etc.
What are the Risk/s Identified?		
No identifiable risk in relation to sourcing materials that may have a big impact to the operations of the Company and the environment.	Not Applicable	Not Applicable
What are the Opportunity/ies Identified?		
No identifiable opportunity in relation to sourcing materials that may have a big impact to the operations of the Company and the environment.		

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	—	
Habitats protected or restored	—	ha
IUCN17 Red List species and national conservation list species with habitats in areas affected by operations	—	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The property that is being leased by the Company is not within, or adjacent to any protected areas and areas of high biodiversity value outside protected areas.	Not Applicable	Not Applicable
What are the Risk/s Identified?		
No risk identified since the Company's office is not located near protected areas of areas of high biodiversity.		
What are the Opportunity/ies Identified?		
No identifiable opportunity in relation to impact/involvement to the ecosystem and areas of high biodiversity.		

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	–	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	–	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	–	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Given the nature of the Company's business, that is, software development and other IT services, it does not have a direct contribution to the emission of greenhouse gases in the environment. Nevertheless, it strives to work towards sustainable development.	Not Applicable	Not Applicable
What are the Risk/s Identified?		
No identifiable risks since the Company is engaged in software development and does not have a direct contribution to the emission of greenhouse gases in the environment.		
What are the Opportunity/ies Identified?		
No identifiable opportunities in relation to the topic since the Company is engaged in software development and does not have a direct contribution to the emission of greenhouse gases in the environment.		

Air pollutants

Disclosure	Quantity	Units
NOx (Nitrogen Oxides)	–	kg
SOx (Sulfur Oxides)	–	kg
Persistent organic pollutants (POPs)	–	kg
Volatile organic compounds (VOCs)	–	kg
Hazardous air pollutants (HAPs)	–	kg
Particulate matter (PM)	–	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Given the nature of the Company's business, that is, software development and other IT services, it does not contribute any air pollutant into the environment. Nevertheless, it strives to work towards sustainable development.	Not Applicable	Not Applicable
What are the Risk/s Identified?		
No identifiable risks since the Company is engaged in software development and does not contribute air pollutants.		
What are the Opportunity/ies Identified?		
No identifiable opportunities since the Company is engaged in software development and does not contribute air pollutants.		

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	-	kg
Reusable	-	kg
Recyclable	-	kg
Composted	-	kg
Incinerated	-	kg
Residuals/Landfilled	-	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Given the nature of the Company's business, that is, software development and other IT services, it does not contribute any solid waste into the environment. Nevertheless, it strives to work towards sustainable development.	Not Applicable	Not Applicable
What are the Risk/s Identified?		
No identifiable risks since the Company is engaged in software development and does not contribute solid waste into the environment.		
What are the Opportunity/ies Identified?		
No identifiable opportunities since the Company is engaged in software development and does not contribute solid waste into the environment.		

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	–	kg
Total weight of hazardous waste transported	–	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Given the nature of the Company's business, that is, software development and other IT services, it does not contribute any hazardous waste into the environment. Nevertheless, it strives to work towards sustainable development.	Not Applicable	Not Applicable
What are the Risk/s Identified?		
No identifiable risk in relation to production of hazardous waste since the Company is engaged in software development.		
What are the Opportunity/ies Identified?		
No identifiable opportunity in relation to minimizing/production of hazardous waste that requires any prescribed disposal method since the Company is engaged in software development.		

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	-	Cubic meters
Percent of wastewater recycled	-	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Given the nature of the Company's business, that is, software development and other IT services, it does not contribute any effluents into the environment. Nevertheless, it strives to work towards sustainable development.	Not Applicable	Not Applicable
What are the Risk/s Identified?		
No identifiable risk in relation to production of hazardous discharge or liquid waste on any bodies of water since the Company is engaged in software development.		
What are the Opportunity/ies Identified?	Not Applicable	Not Applicable
No identifiable opportunity in relation to minimizing/production of hazardous discharge or liquid waste that requires any prescribed disposal method since the Company is engaged in software development.		

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	-	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	-	#
No. of cases resolved through dispute resolution mechanism	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As an Information Technology company, we identify that our main contribution to sustainability is providing digital transformation with our technical capabilities. Though the effects of digital transformation to the environment and society is indirect, the Company, nevertheless complies with the environmental laws and regulations.	Customers, Employees, and Stockholders	Through its own way, the Company tries to contribute to sustainable development by providing digital transformation to customers. This results to increased efficiency resulting to less consumption of natural resources. Moreover, policies on conserving energy and water in the workplace is encouraged not only to lessen utility cost but also minimize help conserve natural resources.

What are the Risk/s Identified?		
The Company complies with environmental laws and regulations hence, it does not identify any risk in relation to the topic.		Not Applicable
What are the Opportunity/ies Identified?		
The IT industry in which the Company operates in seen to be a driver for sustainability. By optimizing business processes through digitization, businesses can operate more efficiently at the same time minimize the consumption of natural resources.	Customers	The Company ensures to deliver quality and efficient solutions to its clients.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees		
a. Number of female employees	36	#
b. Number of male employees	48	#
Attrition rate	47.62	%
Ratio of lowest paid employee against minimum wage	-	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	2	3
PhilHealth	Y	4	3
Pag-ibig	Y	1	-
Parental leaves	Y	1	-
Vacation leaves	Y	33	42
Sick leaves	Y	32	42
Medical benefits (aside from PhilHealth))	Y	25	33
Housing assistance (aside from Pagibig)	N	-	-
Retirement fund (aside from SSS)	N	-	-
Further education support	N	-	-
Company stock options	N	-	-
Telecommuting	N	-	-
Flexible-working Hours	Y	34	47
(Others)	N	-	-

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Human resource plays a vital role for the Company's success. A mechanism for employee participation was developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.	The Company is committed to continually review its incentive programs that rewards its employees for their contribution to achieve the Company's goals.
What are the Risk/s Identified?	
Increasing attrition rate and employee dissatisfaction.	
What are the Opportunity/ies Identified?	
Having a competitive compensation package provides the opportunity to retain talented employees & increase employee satisfaction. It can also attract potential talents that may contribute to the Company's success.	

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	104	hours
b. Male employees	336	hours
Average training hours provided to employees		
a. Female employees	13	hours/employee
b. Male employees	21	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Developing the talents and skill sets of employees impact the Company's efficiency and productivity. Having a well-developed workforce ensures timely and quality outputs positively impacts the company's relationship with customers and its financial state.	The Company has programs for upgrading employee skill sets which allow them to acquire new skills that may help them easily adopt to the challenges of the industry where technology evolution is considered fast-paced. Moreover, the compensation package is reviewed periodically and the employee is appropriately recognized for their contributions to the growth of the Company.
What are the Risk/s Identified?	
Without talent development, the Company may face the risk of project delays due to inefficient manpower complement. This may lead to losses in terms of number of customer base and generation of revenues. Another risk that the Company may face is losing a talented employee to another company who may offer better compensation package.	
What are the Opportunity/ies Identified?	
Having a talented and diverse workforce opens the opportunity for the Company to strengthen its efficiency in performing its services to customers. This efficiency can result to increased revenue generation since it can accomplish more projects in less time.	

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	-	%
Number of consultations conducted with employees concerning employee-related policies	9	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
In terms of Labor-Management Relations, the Company does not deal with any labor unions. The Company does not identify any impact of this topic to the business operations, etc.	Even though employees are not represented by any labor union, the Company still aims to provide a work environment that is safe and healthy. It also works providing an inclusive feeling where employees feel that their contribution to achieve set goals is important and is recognized.
What are the Risk/s Identified?	
No risk identified regarding this topic.	
What are the Opportunity/ies Identified?	
With the absence of any labor group paves the way to efficient business dealings to all stakeholders.	

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	43	%
% of male workers in the workforce	57	%
Number of employees from indigenous communities and/or vulnerable sector*	4	#

*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Xurpas Inc. is committed to fair employment practices without prejudice to gender, age, religion, etc. The Company respects all of its employees and strives to protect them from all forms of harassment or any other inhumane treatments. Fostering a work environment that is inclusive and open to all affects the efficiency of the Company in delivering quality services.	Through the Company's policies on safe and healthy work environment, it ensures that the fair employment practices are implemented.
What are the Risk/s Identified?	
Given the strict implementation of its policies on inclusivity and equality among its employees, the Company cannot identify any risk in relation to the topic.	

What are the Opportunity/ies Identified?	
Promotion of the diverse and equal employment opportunity in terms of employee management allows better synergy in the workplace. When problems arise and people work on it together, it may result to finding fast and creative solutions.	

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	8	Man-hours
No. of work-related injuries	-	#
No. of work-related fatalities	-	#
No. of work related ill-health	104	#
No. of safety drills	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company ensures that the physical, emotional and mental well-being of its employees are well taken care of. The health, safety and welfare of its employees and members of community are of vital importance through which human and operational efficiencies are achieved. It also ensures the Company's competitiveness to strive amidst stiff competition in the industry.	<p>The Company complies with the regulations of the Department of Labor and Employment (DOLE) including the occupational health and safety standards. The Company also promotes a work-life balance for its employees with its flexible working hours. Lastly, it has established programs to engage employees and check on their overall well-being.</p>
What are the Risk/s Identified?	
Given the strict implementation of its policies on inclusivity and equality among its employees, the Company cannot identify any risk in relation to the topic.	
What are the Opportunity/ies Identified?	
Having a safe and healthy workplace promotes a conducive and productive environment.	

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	-	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace? **Yes, the Company has a policy on employee health, safety and welfare. Said policy is found on the Company's website.**

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company respects all of its employees and strives to protect them from all forms of harassment or any other inhumane treatments. Fostering a work environment that is inclusive and open to all affects the efficiency of the Company in delivering quality services.	Through the Company's policies on promoting a work environment that is safe and healthy for everyone, it ensures that the fair employment practices are implemented. It does not tolerate any form of harassment or bullying that may result to mental and emotional degradation.
What are the Risk/s Identified?	Management Approach
Strictly implementing and ensuring that the work place upholds the value of respect and professionalism, the Company has not identified any risk.	Not Applicable
What are the Opportunity/ies Identified?	Management Approach
Having a company caring for its employees well-being may bring about the abolition of illegal labor practices. Having every employee feel safe and their individual traits are respected results to increased efficiency and productivity.	Through the Company's policy on promoting a work environment that is safe and healthy for everyone, it ensures that the fair employment practices are implemented. It does not tolerate any form of harassment or bullying that may result to mental and emotional degradation.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy: **None**

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the company policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	Y	Anti-Corruption Policy, Whistleblowing Policy, RPT Policy and Insider Trading Policy

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
In terms of supply chain management, the Company deals mostly with IT companies whose operations does not have a direct impact in the environment and social issues.	The Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates. Moreover, it ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development
What are the Risk/s Identified?	
No identifiable risk in relation to supply chain.	Not Applicable
What are the Opportunity/ies Identified?	
No identifiable opportunities since the Company deals mostly with other IT companies whose operations does not have a direct impact in the environment and social issues.	

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Not Applicable					

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available. **Not Applicable.**

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	—	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Providing quality services and having strong and good relationships to the customers is of utmost importance. Not only does it result to positive results financially but will also result positively to all stakeholders involved with the Company.	The Company commits to provide quality services and innovative solutions to help the customers achieve digital transformation encouraging increased efficiency and productivity.
What are the Risk/s Identified?	
Customer dissatisfaction & loss of clients.	
What are the Opportunity/ies Identified?	
The opportunities that the Company may encounter includes good and trustworthy reputation and increased market share through servicing new clients and/or grow existing business accounts.	

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	—	#
No. of complaints addressed	—	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company has not encountered health and safety issues from customers given the services provided consist of software development and other IT solutions.	Though the Company does not have these issues, it is still committed to provide quality services to its customers.
What are the Risk/s Identified?	
No identifiable risks in relation to this topic.	
What are the Opportunity/ies Identified?	
No identifiable opportunities in relation to this topic.	

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	—	#
No. of complaints addressed	—	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company ensures that it delivers what it promises through its marketing channels. The marketing and sales team constantly updates product offerings and provides feedback for any customer-related concerns.	The Company is committed to practicing ethical and responsible marketing. It discourages misleading and dishonest marketing and advertising activities that may result to customer dissatisfaction or reputational risks.
What are the Risk/s Identified?	
Misleading unethical marketing practices poses a risk of loss of customer and revenue. It also risks the Company's image.	
What are the Opportunity/ies Identified?	
Having an honest marketing practice can be beneficial to the Company. It will give a positive image and be regarded as a trustworthy business partner to its customers and suppliers. This will help the company sustain its operations in the long run and support future plan for growth.	

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy	—	#
No. of complaints addressed	—	#
No. of customers, users and account holders whose information is used for secondary purposes	—	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company adopts strict implementation not to disclose any pertinent information about its customers for secondary purposes. Disclosing such information may have a negative impact to the Company, namely, loss of client and revenue. It may also have a negative effect on the Company's image and trustworthiness.	The Company complies with Data Privacy Act and only discloses customers' data as required by the law and/or as stated in the contract.
What are the Risk/s Identified?	
Risks identified in relation to this topic is violation of Data Privacy Act that may lead to serious legal consequences.	
What are the Opportunity/ies Identified?	
Constant review of its customer privacy policies will improve internal control regarding customer privacy at the same time, mitigate the risk of unlawful disclosures.	

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	—	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company adopts strict implementation not to disclose any pertinent information about its customers for secondary purposes. Disclosing such information may have a negative impact to the Company, namely, loss of client and revenue. It may also have a negative effect on the Company's image and trustworthiness.	The Company complies with Data Privacy Act and only discloses customers' data as required by the law and/or as stated in the contract.
What are the Risk/s Identified?	
Risks identified in relation to this topic is violation of Data Privacy Act that may lead to serious consequences.	
What are the Opportunity/ies Identified?	
Constant review of its customer privacy policies will improve internal control regarding customer privacy at the same time, mitigate the risk of unlawful disclosures.	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Software Development and Other IT-Related Services	Gender Equality and Reduced Inequalities (The Company is committed to fair employment practices without prejudice to gender, age, religion, etc. It also ensures that the physical, mental and emotional well-being of the employees are taken care of through its policy and employee engagement programs.)	No identifiable negative impact of contribution.	The Company sees no negative impact of hiring talents regardless of their backgrounds and differences. In fact, it welcomes a diverse workforce who can produce a synergy that can contribute to the Company's growth and sustainability.
	Decent work and Economic Growth (The Company provides a safe and healthy work environment for its employees. It abides by the DOLE's safety standards. Moreover, the Company provides full and productive employment for all especially the young professionals.)	No identifiable negative impact of contribution.	
	Industry, Innovation and Infrastructure (Through the services and expertise it provides, the Company is promoting digital transformation for all kinds of companies across all sectors. Upgrading systems result to increased productivity and efficiency. It also promotes inclusivity and sustainable industrialization.	Breach of Data and Customer Privacy.	The Company complies with Data Privacy Act and only discloses customers' data as required by the law and/or as stated in the contract. Aside from that, it also enforces strict internal data precautions.
	Peace, Justice and	No identifiable	

	<p>Strong Institutions (The Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs including acquisitions and financial standing. It values transparency and accountability since it recognizes the importance of regular communication to the stakeholders.</p>	negative impact of contribution.	
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PART V - EXHIBITS AND SCHEDULES

ITEM 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits – See accompanying Index to Exhibits

The other exhibits as indicated in the Exhibit Table of Revised Securities Act Forms are either not applicable to the Company or require no answer.

(b) Reports on SEC Form 17-C

Xurpas Inc. (the “**Company**”) filed the following reports on SEC Form 17-C were filed in 2019 and the first two (2) quarters of 2020:

DATE FILED	ITEMS REPORTED
January 4, 2019	Certification on the attendance of the Board of Directors in its 2018 meetings
January 7, 2019	Certification on adoption of leading practices and principles of good corporate governance.
January 15, 2019	Public Ownership Report
January 16, 2019	List of Top 100 Stockholders
January 30, 2019	On January 29, 2019, Mr. Raymond Gerard S. Racaza resigned as Director, President and Chief Executive Officer. His resignation became effective on January 30, 2019. Mr. Alexander D. Corpuz and Mr. Fernando Jude F. Garcia was appointed as President and Treasurer, respectively.
January 30, 2019	Press Release: Listed tech company Xurpas Inc. (PSE: X) announced that it has engaged the services of Primeiro Partners as its financial advisor to provide strategic and financial advisory services for the company.
February 07, 2019	The Company furnished the Commission with its Amended General Information Sheet for the year 2018, incorporating the changes since its last submission.
February 20, 2019	The Company announced that its founders will provide shareholder advances in an aggregate amount of Php150 million into the Company, through shareholder advances. The said loan has been approved by the board of directors of the Company on the said date.
April 01, 2019	Statement of changes in Beneficial Ownership of Securities.

April, 8 2019	<p>The Company submitted the following:</p> <ul style="list-style-type: none"> a. PSE Disclosure Form 17-13 - Foreign Ownership Report; b. PSE Disclosure Form 4-30 - Material Information Transactions on the date, time and agenda for the 2019 Annual Stockholders' Meeting and issuance of 415,000 Xurpas shares to the Company's President and Chief Finance Officer, Alexander Corpuz; c. PSE Disclosure Form 7-1 - Notice of Annual Stockholders' Meeting; and d. PSE Disclosure Form 9-2 - Sale of Treasury Shares;
April 12, 2019	List of Top 100 Stockholders.
July 4, 2019	The Company submitted PSE Disclosure Form 4-30 or Material Information / Transaction on the sale of 475,000 Xurpas shares to certain Employees. The Company also submitted PSE Disclosure Form 9-2 on the sale of Treasury Shares.
July 11, 2019	List of Top 100 Stockholders
July 15, 2019	Public Ownership Report
August 7, 2019	The Company submitted PSE Disclosure form 4-30 on Material Information / Transactions. The disclosure reflects the approval of the date of the Annual Stockholders' Meeting and approval of the Unaudited Consolidated Financial Statements. The Company also amended the Notice of Annual Stockholders' Meeting.
August 19, 2019	<p>The Company submitted an amended PSE Disclosure Form 7-1 or the Notice of Annual or Special Stockholder Meeting or PSE Disclosure form 7-1. The disclosure was amended to reflect the following information:</p> <ul style="list-style-type: none"> 1. Record Date (September 6, 2019); and 2. The Start and End Dates of closing of Stock Transfer Books.
September 12, 2019	The Company submitted PSE Disclosure Form 4-32 or the Reply to Exchange's query for additional information relevant to the sale of Yondu Inc. to Globe Telecom and dissolution of Xeleb Technologies Inc. and Xeleb Inc.
September 12, 2019	The Company submitted PSE Disclosure Form 17-11 or the List of Stockholders as of Record Date.
October 15, 2019	<p>The Company submitted the following:</p> <ul style="list-style-type: none"> a. PSE Disclosure Form POR-1 - Public Ownership Report; b. PSE Disclosure Form 17-12 - the List of Top 100 Stockholders.
November 6, 2019	<p>The Company submitted the following disclosures:</p> <ul style="list-style-type: none"> a. PSE Disclosure Form LR-1 or Comprehensive Corporate Disclosure on Issuance of Shares to issue new shares from its authorized capital stock to the General Partners of Wavemaker Partners US, namely: Eric Manlunas, Paul Santos and James Jordan; b. PSE Disclosure Form 4-2 or Acquisition or Disposition of Shares of Another Corporation on the approval of the purchase of 100% equity interest in Wavemaker Partners US; c. PSE Disclosure Form 4-31 or Press Release wherein the Company

	disclosed that it acquired Wavemaker Partners US.
November 8, 2019	The Company submitted the following disclosure: <ul style="list-style-type: none"> a. Results of Annual Stockholders' Meeting; b. Results of Organizational Meeting.
November 11, 2019	The Company submitted SEC Form 17-Q or the Quarterly Report for the period ended September 30, 2019.
November 11, 2019	In relation to the sale by Xurpas Inc. of its 51% share in Yondu Inc., and the dissolution of Xeleb Technologies Inc. and Xeleb Inc., the Company submitted its Pro Forma Consolidated Financial information to show the significant effect had the transaction occurred at an earlier date.
November 12, 2019	The Company submitted the following: <ul style="list-style-type: none"> a. Amended PSE Disclosure Form 4-2 or the Acquisition or Disposition of Shares of Another Corporation to clarify the following matters: (1) Xurpas will purchase 100% equity interest in a holding company that has not been formed as of date; (2) the said holding company will consolidate all of the General Partners' rights in the following management companies: 62.5% of Siemer Ventures LLC, 66.67% of Wavemaker Partners LLC, 90% of Wavemaker Management LLC, and 100% of Wavemaker Global Select, LLC (collectively known as Wavemaker Partners US); b. PSE Disclosure Form 4-32 of the Reply to Exchange's Query on additional information relevant to the acquisition of a holding company, Wavemaker Partners US.
November 26, 2019	The Company announced that the Board of Directors approved to hold a special stockholder meeting on February 19, 2020, with record date on December 13, 2019.
December 20, 2019	The Company submitted PSE Disclosure Form 17-11 or the List of Stockholder as of Record Date.
January 10, 2020	The Company submitted a Certification that the Corporation has adopted the leading practices and principles of good corporate governance in its Revised Manual on Corporate Governance approved and adopted on May 30, 2017.
January 14, 2020	The Company submitted the following disclosures: <ul style="list-style-type: none"> a. PSE Disclosure Form 17-12 or List of Top 100 Stockholders b. PSE Disclosure Form POR-1 or Public Ownership Report
January 27, 2020	The Board of Directors of the Company approved to move the date of the Special Stockholders' Meeting from February 19, 2020 to March 4, 2020.
January 27, 2020	The Company submitted its Definitive Information Statement for the Special Stockholders' Meeting.
February 11, 2020	The Board of Directors of the Company approved to move the date of the Special Stockholders' Meeting from March 4, 2020 to March 24, 2020 and amended PSE Disclosure Form No. 7-1 or the Notice of Special

	Stockholders' Meeting.
February 14, 2020	The Definitive Information Statement was amended to incorporate the comments of the SEC.
March 16, 2020	The Company responded to the SEC Memorandum issued on March 12, 2020 regarding Covid-19. As a technology company which has the capability to provide and/or deliver its services remotely, the Company expects limited interruptions in its operations.
March 16, 2020	The Company amended the Notice of Special Stockholders' Meeting to indefinitely postpone meeting originally the scheduled on March 24, 2020.
March 30, 2020	The Company amended the Notice of Special Stockholders' Meeting to hold the meeting on May 7, 2020. The said Special Stockholders' Meeting shall also be conducted virtually.
March 30, 2020	The Company submitted PSE Disclosure Form No. 4-4 or Amendments to By-Laws to allow the following: <ul style="list-style-type: none"> a. Distribution of meeting materials via electronic means; b. Participation of stockholders in meetings through remote communication or in absentia; and c. Voting in absentia.
March 30, 2020	The Company submitted PSE Disclosure Form No. 4-30 or Material Information / Transactions to announce the decision of the Board to suspend the business operations of its wholly owned subsidiary in Singapore, Art of Click Pte. Ltd. The Board also approved the sale of 80% of the shares of CTX Technologies Inc. to Mr. Fernando Jude F. Garcia.
March 30, 2020	The Company submitted PSE Disclosure Form 4-32 or Reply to Exchange's Query requesting for additional information on Art of Click Pte. Ltd and CTX Technologies Inc.
March 31, 2020	The Company submitted PSE Disclosure Form 4-2 or the Acquisition / Disposition of Shares of Another Corporation which reflects the sale of 80% of CTX Technologies Inc. to Mr. Fernando Jude F. Garcia.
March 31, 2020	The Company submitted an amendment to PSE Disclosure Form 4-32 to provide additional information requested by the Exchange regarding its recent disclosures on Art of Click and CTX Technologies Inc.
April 2, 2020	The Company amended the Definitive Information Statement to reflect that the meeting will be conducted on May 7, 2020 via http://ssmlivestream.xurpas.com .
April 2, 2020	The Company amended the Notice of Special Stockholders' Meeting to hold the meeting on May 7, 2020 via http://ssmlivestream.xurpas.com .
April 3, 2020	The Company submitted PSE Disclosure Form 17-3 or the Request for Extension to File SEC Form 17-A.
April 3, 2020	The Company submitted PSE Disclosure Form 17-4 or the Request for Extension to File SEC Form 17-Q.
April 3, 2020	The Company approved the postponement of the Annual Stockholders' Meeting to 3rd Quarter of 2020.

April 13, 2020	In compliance with SEC Notice dated April 3, 2020, the disclosure on the Postponement of Annual Stockholders' Meeting was amended to include SEC Form 17-C and the Secretary's Certificate reciting the resolution of the Board postponing the Annual Stockholders' Meeting.
April 13, 2020	The Company amended PSE Disclosure Form 17-3 or the Request for Extension to File SEC Form 17-A or Annual Report to include SEC Form 17-LC.
April 13, 2020	The Company amended PSE Disclosure Form 17-4 or the Request for Extension to File SEC Form 17-Q or Quarterly Report to include SEC Form 17-LC.
April 13, 2020	The Company submitted the following: a. PSE Disclosure Form POR-1 - Public Ownership Report; b. PSE Disclosure Form 17-12 - the List of Top 100 Stockholders.
May 7, 2020	The Company submitted PSE Disclosure Form 4-8 or Change in Directors and/or Officers to disclose the election of Mr. Bartolome Silayan Jr. and Ms. Imelda C. Tiongson as independent directors.
May 7, 2020	PSE Disclosure Form 4-4 was amended to reflect the date of stockholders' approval to the amendments to By-Laws.
May 7, 2020	The Company disclosed the Results of the Special Stockholders' Meeting. The following matters were approved during the meeting: 1. Approval of Minutes of the Special Stockholders' Meeting held on November 8, 2019; 2. Approval on the issuance of up to 1,706,072,261 New Common Shares from the unissued authorized capital stock and listing of the Subscription Shares with the PSE; 3. Election of Mr. Bartolome Silayan, Jr. and Ms. Imelda C. Tiongson as Independent Directors; and 4. Amendment of By-Laws to reflect the following: (a) allow electronic distribution of stockholders' meeting materials; (b) participation through remote participation or in absentia; and (c) voting in absentia.
May 8, 2020	The Company submitted PSE Disclosure Form 4-30 or Material Information / Transactions to provide for new Board Committee Memberships.
May 8, 2020	The Company disclosed the Change in Directors and / or Officers to show the election of Mr. Bartolome Silayan, Jr. and Ms. Imelda C. Tiongson.
May 8, 2020	The Company submitted PSE Disclosure Form 4-4 or Amendments to By-Laws to include SEC Form 17-C.
May 8, 2020	The Company submitted PSE Disclosure Form 4-24 or Results of the Special Stockholders' Meeting to include SEC Form 17-C.
May 8, 2020	The Company submitted PSE Disclosure Form 4-30 or Material Information / Transaction to include SEC Form 17-C.

May 29, 2020	The Company submitted the Amended General Information Sheet of Xurpas Inc. which reflects the election of its independent directors, Ms. Imelda C. Tiongson and Mr. Bartolome S. Silayan Jr.
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INDEX TO EXHIBITS

Form 17-A

No.		Page No.
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	*
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	*
(8)	Voting Trust Agreement	*
(9)	Material Contracts	*
(10)	Annual Report to Security Holders, Form 11-Q or Quarterly Report to Security Holders	*
(13)	Letter re Change in Certifying Accountant	*
(15)	Letter re: Change in Accounting Principles	*
(16)	Report Furnished to Security Holders	*
(18)	Subsidiaries of the Registrant	**
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	15
(20)	Consent of Experts and Independent Counsel	*
(21)	Power of Attorney	*
(29)	Additional Exhibits	*

*These Exhibits are either not applicable to the Company or require no answer.


**Please refer to *Note 2* of the accompanying Notes to the Consolidated Financial Statements for details.

SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of **PASIG CITY** on **AUG 14 2020**.

By:


ALEXANDER D. CORPUZ
President/ Chief Finance Officer


FERNANDO JUDE F. GARCIA
Treasurer/ Chief Technology Officer


ESTRELITA B. LABAN
Finance Controller


MARK S. GORRICETA
Corporate Secretary

Republic of the Philippines)
PASIG CITY) S.S.

SUBSCRIBED AND SWORN to before me this **AUG 14 2020** affiant(s)
exhibiting to me his/their Competent Evidence of Identity, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUANCE	PLACE OF ISSUANCE
ALEXANDER D. CORPUZ	P5670777A	January 18, 2018	DFA NCR East
FERNANDO JUDE F. GARCIA	P3524556B	October 15, 2019	DFA NCR East
MARK S. GORRICETA	P4531123B	January 24, 2020	DFA NCR East
ESTRELITA B. LABAN	EC8421222	July 28, 2016	DFA NCR South

Doc. No. 24 ;
Page No. 44 ;
Book No. 3 ;
Series of 2020.

ATTY. MARIEL CLAIRE D. GONZALES
PTR No. 5242389 / 01-10-2020/ Pasig City
IBP LIFETIME No. 017254 / 06-09-17
Roll No. 89080
MCLE Compliance No. 00000053; 03-25-19
Gorriceta Africa Cauton & Saavedra Law Office
5th Flr. Strata 2000 Building, F. Ortigas, Jr. Road
Pasig City, Tel. No. (02)6960988/6990687
Appointment No. 147 (2019-2020)

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	2	0	0	1	1	7	7	0	8	
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COMPANY NAME

[illegible]**PRINCIPAL OFFICE** (No. / Street / Barangay / City / Town / Province)[illegible]

Form Type

A	A	F	S
---	---	---	---

Department requiring the report

S	E	C
----------	----------	----------

Secondary License Type, If Applicable

N	/	A
----------	----------	----------

COMPANY INFORMATION

Company s Email Address

info@xurpas.com

Company s Telephone Number

8889-6467

Mobile Number

	N/A
--	-----

No. of Stockholders

26

Annual Meeting (Month / Day)

2nd Monday of May

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person _____ be an Officer of the Corporation

Name of Contact Person

Alexander D. Corpuz

Email Address

mar@xurpas.com

Telephone Number/s

8889-6467

Mobile Number

Mobile Number	N/A
---------------	-----

CONTACT PERSON'S ADDRESS

7th Floor Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City

M In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

N All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.





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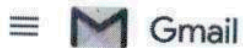
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**“STATEMENT OF MANAGEMENT’S RESPONSIBILITY
FOR FINANCIAL STATEMENTS”**

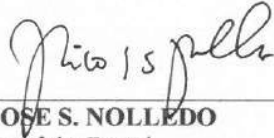
The management of **XURPAS INC.** (the “Company”) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company’s financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

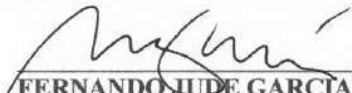
SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



NICO JOSE S. NOLLEDO
Chairman of the Board



ALEXANDER D. CORPUZ
President/ Chief Finance Officer



FERNANDO JUDE GARCIA
Treasurer/ Chief Technology Officer

Signed this **AUG 14 2020**

Republic of the Philippines)
PASIG CITY) S.S.

SUBSCRIBED AND SWORN to before me this 14th day of August 2020 at Pasig City affiants exhibiting to me their respective Passports:

Name	Passport No.	Date of Issuance	Place of Issuance
NICO JOSE S. NOLLEDO	P3513313A	June 28, 2017	DFA Manila
FERNANDO JUDE F. GARCIA	P3524556B	October 15, 2019	DFA NCR East
ALEXANDER D. CORPUZ	P5670777A	January 18, 2018	DFA NCR East

Doc. No. 218 ;
Page No. 45 ;
Book No. 3 ;
Series of 2020.

ATTY. MARIEL CLAIRE D. GONZALES
PTR No. 5242388 (01-10-2020) Pasig City
IBP LFE7 (06-09-17)
MCLE Commission No. 853; 03-25-19
Gorriceta Africa Gansan & Saavedra Law Office
5th Flr. Strata 2000 Building, F. Ortigas, Jr. Road
Pasig City, Tel. No. (02)6960988/6990687
Appointment No. 147 (2019-2020)

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
Xurpas Inc.
7th Floor, Cambridge Centre Buidling,
108 Tordesillas St., Salcedo Village,
Makati City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the accompanying parent company financial statements of Xurpas Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2019 and 2018, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the parent company financial statements, which indicates that the Parent Company incurred a net loss of ₱2,677.54 million and ₱558.54 million, and net operating cash outflow of ₱149.59 million and ₱1.38 million for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Parent Company's current liabilities exceeded its current assets by ₱33.38 million and ₱548.36 million, respectively. As stated in Note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



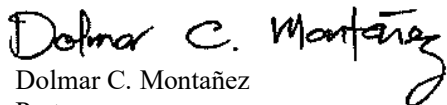
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 26 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Parent Company. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is
Dolmar C. Montañez.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez
Partner

CPA Certificate No. 112004

SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022

Tax Identification No. 925-713-249

BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022

PTR No. 8125272, January 7, 2020, Makati City

August 14, 2020



XURPAS INC.**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 22)	₱130,589,983	₱15,109,315
Accounts and other receivables (Notes 5, 18 and 22)	206,954,274	251,263,979
Other current assets (Note 6)	24,034,812	28,818,518
Total Current Assets	361,579,069	295,191,812
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Notes 7 and 22)	440,000	475,000
Investment in associates (Note 8)	325,537,430	577,561,082
Investment in subsidiaries (Note 9)	78,535,986	2,963,690,905
Property and equipment (Note 10)	3,377,679	9,570,099
Right-of-use asset (Notes 2 and 17)	741,825	—
Other noncurrent assets (Note 6)	29,448,338	28,114,673
Total Noncurrent Assets	438,081,258	3,579,411,759
	₱799,660,327	₱3,874,603,571
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 11, 18 and 22)	₱394,100,289	₱555,841,009
Lease liability (Notes 2 and 17)	861,023	—
Loans payable (Notes 12, 22 and 24)	—	287,709,500
Total Current Liabilities	394,961,312	843,550,509
Noncurrent Liability		
Advances from stockholders - net of current portion (Notes 18 and 22)	54,033,333	—
Pension liability (Note 20)	20,038,308	17,777,551
Total Noncurrent Liabilities	74,071,641	17,777,551
Total Liabilities	469,032,953	861,328,060
Equity		
Capital stock (Note 21)	193,492,586	193,492,586
Additional paid-in capital (Note 21)	3,585,092,296	3,592,076,660
Deficit (Note 21)	(2,929,915,993)	(252,107,993)
Net unrealized loss on financial assets at FVOCI (Note 7)	(44,254,956)	(44,219,956)
Retirement benefit reserve (Note 20)	(7,870,216)	(2,004,079)
Equity reserve (Notes 9 and 21)	(358,497,432)	(358,497,432)
Treasury stock (Note 21)	(107,418,911)	(115,464,275)
Total Equity	330,627,374	3,013,275,511
	₱799,660,327	₱3,874,603,571

See accompanying Notes to Parent Company Financial Statements.



XURPAS INC.**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31	
	2019	2018
SERVICE INCOME (Note 13)	₱62,627,620	₱73,948,939
COST OF SERVICES (Note 14)	(56,453,902)	(139,658,859)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	(2,433,758,864)	(246,000,407)
OTHER CHARGES - NET (Note 16)	(249,282,624)	(247,890,370)
LOSS BEFORE INCOME TAX	(2,676,867,770)	(559,600,697)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)	668,930	(1,064,991)
NET LOSS	(2,677,536,700)	(558,535,706)
OTHER COMPREHENSIVE INCOME (LOSS) <i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
Unrealized (loss) gain on financial assets at FVOCI (Note 7)	(35,000)	95,000
Actuarial gain (loss) on pension liabilities - net of income tax effect (Note 20)	(5,866,137)	3,157,532
	(5,901,137)	3,252,532
TOTAL COMPREHENSIVE LOSS	(₱2,683,437,837)	(₱555,283,174)

See accompanying Notes to Parent Company Financial Statements.



XURPAS INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

Year Ended December 31, 2019									
					Net				
					Unrealized				
					Loss on				
					Financial				
					Assets				
					at FVOCI				
					(Note 7)				
						Retirement			
						Benefit			
						Reserve			
						(Note 20)			
							Equity		
							Reserve		
							(Notes 9		
							and 21)		
								Treasury	
								shares	
								(Note 21)	
									Total Equity
Balances at beginning of year,									
as previously reported									
Adjustment as a result of PFRS 16 adoption									
Balances at beginning of year, as restated									
Reissuance of treasury shares									
Net loss									
Other comprehensive income - net of tax effect									
Total comprehensive (loss) income									
Balances at end of year									



Year Ended December 31, 2018

	Capital Stock		Additional Paid-in Capital		Retained Earnings - Appropriated		Retained Earnings - Unappropriated		Unrealized Loss on Financial Assets at FV/OCI (Notes 2 and 7)	Net Unrealized Loss on AFS Financial Assets (Notes 2 and 7)	Retirement Benefit Reserve (Note 20)	Equity Reserve (Notes 9 and 21)	Treasury shares (Note 21)	Total Equity
	(Note 21)	(Note 21)	(Note 21)	(Note 21)	(Note 21)	(Note 21)	(Note 21)	(Note 21)						
Balances at beginning of year, as previously reported	₱186,764,015	₱3,343,119,548	₱115,464,275	₱303,626,635	₱-	(₱70,000)	(₱5,161,611)	(₱358,497,432)	(₱115,464,275)	₱3,469,781,155				(156,908,153)
Adjustments as a result of PFRS 9 adoption	-	-	-	(112,663,197)	(44,314,956)	70,000	-	-	-	-	-	-	-	-
Balances at beginning of year, as restated	186,764,015	3,343,119,548	115,464,275	190,963,438	(44,314,956)	-	(5,161,611)	(358,497,432)	(115,464,275)	3,312,873,002				255,685,683
Issuance of common shares through cash subscription	6,728,571	248,957,112	-	-	-	-	-	-	-	-	-	-	-	(558,535,706)
Net loss	-	-	-	(558,535,706)	-	-	-	-	-	-	-	-	-	-
Other comprehensive income - net of tax effect	-	-	-	-	95,000	-	3,157,532	-	-	-	-	-	-	3,252,532
Total comprehensive (loss) income	-	-	-	(558,535,706)	95,000	-	3,157,532	-	-	-	-	-	-	(555,283,174)
Balances at end of year	₱193,492,586	₱3,592,076,660	₱115,464,275	(₱367,572,268)	(₱44,219,956)	₱-	(₱2,004,079)	(₱358,497,432)	(₱115,464,275)	₱3,013,275,511				

See accompanying Notes to Parent Company Financial Statements.



XURPAS INC.**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(P2,676,867,770)	(P559,600,697)
Adjustments for:		
Provision for impairment losses (Note 15)	2,361,554,478	175,846,935
Loss on disposal of investment in subsidiary (Notes 9 and 16)	337,387,133	—
Interest expense (Notes 12, 16 and 18)	27,950,374	24,887,214
Depreciation and amortization (Notes 10, 14, 15 and 17)	9,963,528	11,578,459
Loss on disposal of property and equipment (Notes 10 and 16)	114,753	—
Loss on derecognition of derivatives (Notes 9 and 16)	—	248,818,855
Dividend income (Notes 9 and 16)	—	(41,537,611)
Unrealized foreign currency exchange (gain) loss	(3,782,385)	4,267,281
Pension expense (gain on curtailment) (Note 20)	(3,605,380)	2,525,818
Interest income (Notes 4 and 16)	(6,007,247)	(3,943,351)
Gain on derecognition of trade payables (Notes 16 and 18)	(103,777,265)	—
Operating loss before changes in working capital	(57,069,781)	(137,157,097)
Decrease (increase) in:		
Accounts and other receivables - net	(49,668,916)	7,013,363
Other assets	(6,331,400)	(2,523,176)
(Decrease) increase in accounts and other payables	(42,771,743)	149,503,354
Net cash generated from (used in) operations	(155,841,840)	16,836,444
Dividend received	31,153,208	10,384,403
Interest received	1,485,844	224,181
Interest paid	(25,722,012)	(22,524,428)
Income taxes paid, including creditable withholding taxes	(668,930)	(6,302,081)
Net cash used in operating activities	(149,593,730)	(1,381,481)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of:		
Investment in subsidiary (Note 9)	501,251,674	—
Property and equipment (Note 10)	1,510,149	—
Additions to:		
Property and equipment (Notes 10 and 24)	(356,183)	(2,477,019)
Investment in subsidiaries (Note 9)	(4,000,000)	(1,955,769)
Investment in associates (Note 8)	—	(1,977,019)
Payments to former shareholders of a subsidiary (Note 9)	—	(255,685,683)
Decrease (increase) in other noncurrent assets	—	(97,895)
Net cash provided by (used in) investing activities	498,405,640	(262,193,385)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from stockholders (Note 18)	150,000,000	—
Issuance of shares (Note 21)	—	255,685,683
Proceeds from loans payable (Note 12)	—	231,533,000
Payments of:		
Principal and interest portion of lease liability (Note 17)	(3,437,460)	—
Advances from stockholders (Note 18)	(95,966,667)	—
Loans payable (Note 12)	(287,709,500)	(309,242,500)
Net cash (used in) provided by financing activities	(237,113,627)	177,976,183
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	111,698,283	(85,598,683)
EFFECT OF CHANGE IN FOREIGN EXCHANGE RATE	3,782,385	6,992,086
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,109,315	93,715,912
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P130,589,983	P15,109,315

See accompanying Notes to Parent Company Financial Statements.



XURPAS INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Xurpas Inc. (the Parent Company or Xurpas) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 26, 2001. The principal activities of the Parent Company is to develop, produce, sell, buy or otherwise deal in products, goods or services in connection with the transmission, receiving, or exchange of voice, data, video or any form or kind of communication whatsoever.

The Parent Company's registered office address and principal place of business is at 7th Floor, Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City.

On December 2, 2014, the Parent Company's shares of stock were listed in the PSE.

The Parent Company incurred a net loss of ₱2,677.54 million and ₱558.54 million and net operating cash outflow of ₱149.59 million and ₱1.38 million for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Parent Company's current liabilities exceeded its current assets by ₱33.38 million and ₱548.36 million, respectively. These conditions indicate a material uncertainty exists that may cast significant doubt on the Parent Company's ability to continue as a going concern and therefore, the Parent Company may not be able to realize its assets and discharge its liabilities in the normal course of business. Management's plans on future actions to address such uncertainty include the Parent Company's continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors .

Management does not have plans to liquidate and continues to believe that the Parent Company is in a unique position being one of the few technology companies that can assist companies in their digital transformation initiatives and develop marketing promotions for consumer and enterprise businesses.

Planned acquisition of Wavemaker US Fund Management Holdings, LLC

In 2019, the Parent Company's Board of Directors (BOD) approved the acquisition of 100% equity interest in Wavemaker US Fund Management Holdings, LLC, a venture capital management firm based in Los Angeles. As of August 14, 2020, the transaction is subject to the approval of stockholders.

The accompanying parent company financial statements were approved and authorized for issue by BOD on August 14, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying parent company financial statements have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI) which have been measured at fair value. The parent company financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All amounts were rounded off to the nearest peso, except when otherwise indicated.



Statement of Compliance

The accompanying parent company financial statements as at December 31, 2019 and 2018 and for the years then ended have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the parent company financial statements are consistent with those of the previous financial year except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2019. Adoption of these new standards and amendments did not have any significant impact on the parent company financial position or performance unless otherwise indicated.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the parent company statement of financial position.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 did not have an impact for leases where the Parent Company is the lessor. Unlike lessors, the Parent Company as lessee is required right-of-use assets and lease liabilities.

As a lessee, the Parent Company adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. Under the modified retrospective approach, the Parent Company recognized right-of-use asset based on its carrying amount as if PFRS 16 had always been applied while the lease liability is recognized at date of adoption, January 1, 2019. The difference between the right-of-use asset and lease liability is recognized in the beginning Retained Earnings as at January 1, 2019.

The Parent Company has lease contract for the office space it occupies. Before the adoption of PFRS 16, the Parent Company classified its leases at the inception date as an operating lease. The standard provides specific transition requirements and practical expedients, which has been applied by the Parent Company.

Leases previously accounted for as operating leases

Except for short-term leases, the Parent Company recognized right-of-use asset and lease liability for those leases previously classified as operating leases. The right-of-use asset for all leases was recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liability was recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.



The Parent Company also applied the available practical expedients wherein it:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The effect of the adoption of PFRS 16 to the parent company statement of financial position as at January 1, 2019 is as follows:

	Increase (decrease)
Assets	
Right-of-use asset	₱3,709,123
Liabilities	
Lease liability	₱4,102,104
Accounts and other payables	(121,681)
	3,980,423
Equity	
Retained earnings	(271,300)
	₱3,709,123

The lease liability as at January 1, 2019 as can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitment as at December 31, 2018	₱14,028,870
Weighted average incremental borrowing rate at January 1, 2019	8.31%
Discounted operating lease commitments at January 1, 2019	13,826,544
Commitments relating to short term leases	(9,724,440)
Lease liability recognized at January 1, 2019 (Note 17)	₱4,102,104

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

These amendments had no material impact on the parent company financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.



The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption, the Parent Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments. The Parent Company determined, based on its assessment, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the Philippine Interpretation did not have an impact on the parent company financial statements.

- *Annual Improvements to PFRS 2015-2017 Cycle*
 - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
 - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
 - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
 - IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23)

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its parent company financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.



An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*
The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

Deferred effectivity

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)



- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

During its March 2020 Board Meeting, the International Accounting Standards Board (IASB) completed its planned re-deliberations on the Exposure Draft Amendments to PFRS 17, *Insurance Contracts*. The IASB agreed to defer the effective date of PFRS 17 to annual reporting periods beginning January 1, 2023.

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Current and Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company statement of financial position based on current / noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Parent Company classifies all other liabilities as noncurrent.



Fair Value Measurement

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Parent Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy (see Note 22).

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Parent Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments

Date of recognition

The Parent Company recognizes a financial asset or a financial liability in the parent company statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets

Initial recognition of financial instrument

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*. Refer to the accounting policies on revenue recognition.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.



The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost

The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Parent Company's financial assets at amortized cost includes "Cash and cash equivalents" and "Accounts and other receivables".

Financial assets at FVOCI (debt instruments)

The Parent Company measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income (OCI). Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Parent Company has not designated any financial assets under this category.

Financial assets at FVOCI (equity instruments)

Upon initial recognition, the Parent Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.



Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Parent Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Parent Company elected to classify irrevocably its quoted and unquoted equity investments under this category.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the parent company statement of financial position at fair value with net changes in fair value recognized in the parent company statement of comprehensive income.

This category includes derivative instruments and listed equity investments which the Parent Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in profit or loss when the right of payment has been established.

The Parent Company has designated its unquoted debt instruments under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the parent company statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or;
- The Parent Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company has retained.



Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Impairment of Financial Assets

The Parent Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For cash, the Parent Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Parent Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

For trade receivables, the Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Parent Company has established a provision matrix for trade receivables that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as receivable from related parties, nontrade receivables, interest receivables, advances to employees and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-month (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The key inputs in the model include the Parent Company's definition of default and historical data of three years for the origination, maturity date and default date. The Parent Company considers accounts receivables in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company.

Determining the stage for impairment

At each reporting date, the Parent Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Parent Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.



The Parent Company considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

b. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Parent Company's financial liabilities include "Accounts and other payables" (except "Accrued expenses", "Taxes payable", "Deferred output VAT" and statutory payables included in "Other payables" which are covered by other accounting standard), "Lease liability" and "Loans payable".

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Parent Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Parent Company has not designated any financial liability as at FVPL.

Other Financial Liabilities

Issued financial instruments or their components, which are not designated at FVPL, are classified as accounts payable and accrued expenses where the substance of the contractual arrangement results in the Parent Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument the amount separately determined as the fair value of the liability component on the date of issue.



After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effect of restatement of foreign currency-denominated liabilities is recognized in profit or loss.

This accounting policy applies to the Parent Company's "Accounts and other payables" (except "Accrued expenses", "Taxes payable", "Deferred output VAT" and statutory payables included as "Other payables"), "Lease liability", "Loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the parent company statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Investments in Subsidiaries and Associates

The Parent Company's investments in its subsidiaries and associates are accounted for under the cost method and are carried at cost less accumulated provisions for impairment losses, if any. A subsidiary is an entity over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An associate is an entity in which the Parent Company has a significant influence and which is neither a subsidiary nor a joint venture.

The Parent Company recognizes dividend income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

The Parent Company reduces the carrying value of its investment based on average acquisition cost per share (historical cost) when the Parent Company disposes the investment or the investee reacquires its own equity instruments from the Parent Company. Any gain or loss from disposal of an investment is recognized in profit or loss.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. It excludes the cost of day-to-day servicing.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Parent Company and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.



Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the property and equipment which are as follows:

	Years
Information Technology (IT) equipment	4
Office equipment	4
Furniture and fixtures	4
Leasehold improvements	4 years or lease term, whichever is shorter

The estimated residual values, useful life and depreciation and amortization method are reviewed at least annually to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

If there is an indication that there has been a significant change in depreciation and amortization rate or the useful lives, the depreciation of that property and equipment is revised prospectively to reflect the new expectations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Impairment of Nonfinancial Assets

The Parent Company assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.



Investments in Subsidiaries and Associates

The Parent Company also determines at each reporting date whether there is any objective evidence that the investments in subsidiaries and associates are impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the associate and recognizes the difference in profit or loss.

In assessing impairment indicators, the Parent Company considers, as a minimum, the following indicators: (a) dividends exceeding the total comprehensive income of the associate in the period the dividend is declared; or (b) the carrying amount of the investment in the parent company financial statements exceeding the carrying amount of the associate's net assets, including goodwill.

For investment in subsidiaries, a test of impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each cash-generating unit (CGU) (or group of CGUs). Where the recoverable amount of the CGUs is less than its carrying amount, an impairment loss is recognized.

Equity

Capital stock and additional paid-in capital

Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital". When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

The Parent Company incurred various costs in issuing its own equity instruments. Those costs include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Parent Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings

Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policy and other capital adjustments.

Unappropriated retained earnings

Unappropriated retained earnings represent the portion of retained earnings that is free and can be declared as dividends to stockholders.



Appropriated retained earnings

Appropriated retained earnings represent the portion of retained earnings which has been restricted and therefore is not available for dividend declaration.

Equity reserve

Equity reserve represents a portion of equity against which payments to a former shareholder of a subsidiary was charged (see Note 9).

Revenue Recognition

Revenue is measured based on the consideration to which the Parent Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Parent Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

Service income

Service income consists of revenue from Value-Added Services (VAS), which pertains to the Parent Company's short services of mobile content application for telephone, internet, mobile and other forms of communication. Service income is recognized at a point in time when the services are rendered in accordance with the terms of the contract.

For the year ended December 31, 2019 and 2018, the Parent Company has no variable consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Interest Income

Interest income is recognized as it accrues using the effective interest method.

Other Income

Other income is recognized as it accrues.

Cost and Expenses

"Cost of services" and "General and administrative expenses" are expenditures that arise in the course of the ordinary operations of the Parent Company. The following specific recognition criteria must also be met before costs and expenses are recognized:

Cost of services

Cost that includes all expenses associated with the specific sale of services. Cost of services include outsourced services, salaries, wages and employee benefits, segment fee and network costs and other expenses related to services. Such costs are recognized when the related sales have been recognized.

General and administrative expenses

General and administrative expenses constitute expenses of administering the business and are recognized in profit or loss as incurred.

Leases effective January 1, 2019

The Parent Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.



Parent Company as lessee

Except for short-term leases, the Parent Company applies a single recognition and measurement approach for all leases. The Parent Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Office space	1.5 to 3 years

If ownership of the leased asset transfers to the Parent Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in 'Impairment of nonfinancial assets' section.

ii) Lease liabilities

At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Parent Company and payments of penalties for terminating the lease, if the lease term reflects the Parent Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Parent Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases

The Parent Company applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.



Leases prior to January 1, 2019

Parent Company as lessee

Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred tax

Deferred tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will not reverse in the foreseeable future taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.



Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial reporting date. Movements in deferred tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

Deferred tax relating to items outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- Where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- Receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the parent company statements of financial position.

Pension Liability

The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in the parent company statements of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.



The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Foreign Currency Transactions

The parent company financial statements are presented in Philippine Peso, which is also the Parent Company's functional currency. The Philippine peso is the currency of the primary economic environment in which the Parent Company operates.

Transactions denominated in foreign currencies are initially recorded in Philippine Peso at the exchange rate based on the Bangko Sentral ng Pilipinas (BSP) rate at the date of transaction. Foreign currency-denominated monetary assets and liabilities are retranslated at the closing BSP rate at reporting date. Exchange gains or losses arising from foreign currency transactions are recognized in profit or loss.

Segment Reporting

The Parent Company's operating business is its only income generating activity and such is the measure used by the Chief Operations Officer (COO) in allocating resources.

Provisions

Provisions are recognized when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

Events after the Reporting Period

Post year-end events up to date when the parent company financial statements are authorized for issue that provide additional information about the Parent Company's position at the reporting period (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying parent company financial statements in compliance with PFRS requires management to make judgments and estimates that affect the amounts reported in the parent company financial statements and accompanying notes. The judgments and estimates used in the accompanying parent company financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the parent company financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the parent company financial statements as they become reasonably determinable.



Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements:

a. Assumption of going concern

The use of the going assumption involves management making judgments, at a particular point in time, about the future outcome of events or condition that are inherently uncertain. The Parent Company has no plans to liquidate. Management believes that it will be able to maintain its positive cash position and settle its liabilities as they fall due through future actions such as continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors. Accordingly, the parent company financial statements are prepared on a going concern basis.

b. Provision for credit losses of accounts and other receivables

The Parent Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern. The provision matrix is initially based on the Parent Company's historical observed default rates. The Parent Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Parent Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

For other financial assets such as receivable from related parties, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

c. Determination of control over investment in subsidiaries

The Parent Company determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Parent Company's voting rights and potential voting rights



d. Existence of significant influence over associates

The Parent Company determined that it exercises significant influence over its associates (see Note 8) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee) and board representation.

Management's Use of Estimates

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. Realizability of deferred tax assets

The Parent Company reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Parent Company did not recognize deferred tax assets on deductible temporary differences, NOLCO and MCIT amounting to ₱502.82 million and ₱600.64 million as at December 31, 2019 and 2018, respectively (see Note 19).

b. Evaluation of nonfinancial assets for impairment

The Parent Company reviews its nonfinancial assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in the asset's market value or net realizable value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

Based on management's assessment, its nonfinancial assets are recoverable as of December 31, 2019 and 2018. The carrying values of the Company's nonfinancial assets follow:

	2019	2018
Other current assets (Note 6)*	₱18,974,683	₱28,818,518
Investment in associates (Note 8)	325,537,430	577,561,082
Investment in subsidiaries (Note 9)	78,535,986	2,963,690,905
Property and equipment (Note 10)	3,377,679	9,570,099
Right-of-use asset (Note 17)	741,825	—
Other noncurrent assets (Note 6)*	6,770,052	4,141,790
	₱433,937,655	₱3,583,782,394

**This excludes restricted cash equivalents, advances to affiliate and rental deposits*

Allowance for impairment losses on investment in associates amounted to ₱252.02 million and nil as of December 31, 2019 and 2018, respectively (see Note 8). Allowance for impairment losses on investment in subsidiaries amounted to ₱2,187.04 million and ₱144.86 million as of December 31, 2019 and 2018, respectively (see Note 9).



4. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	₱34,170	₱34,162
Cash in banks	29,482,875	15,075,153
Cash equivalents	101,072,938	—
	₱130,589,983	₱15,109,315

Cash in banks earn interest at the prevailing bank deposit rates.

Cash equivalents are short-term, highly liquid investments that are made for varying periods up to three (3) months depending on the immediate cash requirements of the Parent Company, and earn interest at the respective short-term rates.

Interest income earned from cash in banks and cash equivalents amounted to ₱1.49 million and ₱0.21 million in 2019 and 2018, respectively (see Note 16).

There are no restrictions on the Parent Company's cash balances as of December 31, 2019 and 2018.

5. Accounts and Other Receivables

This account consists of:

	2019	2018
Receivable from related parties (Note 18)	₱270,167,277	₱259,790,134
Interest receivable (Note 18)	10,305,798	5,784,395
Nontrade receivable	7,595,250	7,887,000
Trade receivables	3,837,228	10,346,165
Other receivables	526,999	148,262
	292,432,552	283,955,956
Less: Allowance for impairment losses	85,478,278	32,691,977
	₱206,954,274	₱251,263,979

Interest receivable pertains to interest on short-term advances to subsidiaries and is expected to be settled within one year.

Nontrade receivable pertains to advances to Insights Pte. Ltd ("Insights") which is due and demandable.

Trade receivables arise mainly from mobile content development services. These are noninterest-bearing and are generally settled on a 30- to 60-day term.

Other receivables are noninterest-bearing and are generally collectible within one year.



The table below shows the movements in the allowance for impairment losses of accounts and other receivables:

	2019	2018
Balance at beginning of year	₱32,691,977	₱4,715,258
Provision (Note 15)	67,346,817	32,691,977
Reversal (Note 15)	—	(1,700,409)
Write-off	(14,560,516)	(3,014,849)
Balance at end of year	₱85,478,278	₱32,691,977

6. Other Assets

Other current assets

This account consists of:

	2019	2018
Deferred input VAT	₱10,805,519	₱23,072,372
Restricted cash equivalents	5,060,129	—
Input VAT	4,855,588	1,593,007
Creditable withholding taxes	2,602,909	2,600,565
Prepaid expenses	710,667	1,552,574
	₱24,034,812	₱28,818,518

Deferred input VAT represents input VAT related to unpaid balances for the services availed by the Parent Company. These will be recognized as input VAT and applied against output VAT upon payment. Any remaining balance is recoverable in the future periods.

Restricted cash equivalents earn interest at the prevailing bank deposit rates. This was reserved as a counterbond in connection with the legal case of Seer Technologies Inc.'s, a subsidiary.

Input VAT represents VAT imposed on the Parent Company by its suppliers for the acquired goods and services already paid.

Prepaid expenses mainly pertain to deposits to network companies for the internet subscription of the Parent Company.

Creditable withholding taxes refer to income taxes withheld by customers of the Parent Company that can be applied against income tax liability in the future.

Other noncurrent assets

This account consists of:

	2019	2018
Advances to affiliate (Note 8)	₱22,084,586	₱22,084,586
Developed software	6,770,052	4,141,790
Rental deposit	593,700	1,888,297
	₱29,448,338	₱28,114,673



Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment.

Rental deposits represent refundable deposits for office and parking space which are refundable after the contract term.

7. Financial Assets at Fair Value through Other Comprehensive Income and at Fair Value through Profit or Loss

This account consists of:

	2019	2018
Balance at beginning of year	₱475,000	₱380,000
Unrealized (loss) gain on financial assets at FVOCI	(35,000)	95,000
Balance at end of year	₱440,000	₱475,000

The rollforward analysis of net unrealized loss on financial assets at FVOCI follow:

	2019	2018
Balance at beginning of year	(₱44,219,956)	(₱44,314,956)
Unrealized (loss) gain on financial assets at FVOCI	(35,000)	95,000
Balance at end of year	(₱44,254,956)	(₱44,219,956)

Unrealized loss on financial assets at FVOCI is recognized under “Other comprehensive income” in the parent company statements of comprehensive income.

Carrying amount of the investments in financial assets at FVOCI and FVPL as of December 31, 2019 and 2018 are as follow:

	2019	2018
Financial assets at FVOCI:		
Quoted equity investment		
Club Punta Fuego	₱440,000	₱475,000
Unquoted equity investment		
Zowdow Inc.	44,244,956	44,244,956
Less: Unrealized loss on financial assets at FVOCI	(44,244,956)	(44,244,956)
Financial assets at FVPL		
Unquoted debt investments	—	—
	₱440,000	₱475,000

The quoted shares are categorized under the Level 2 of the fair value hierarchy. The unquoted equity and debt investments are categorized under Level 3 (see Note 22).

Quoted equity investments

Quoted equity instruments consist of investment in golf club shares.



Unquoted equity investments

In April 2015, the Parent Company acquired 666,666 shares of Series A Preferred Stock of Zowdow Inc. (“Zowdow”) at a purchase price of \$1.50 per share for a total investment of US\$999,999 or ₱44.24 million. As at December 31, 2019 and 2018, the Parent Company holds a 3.56% ownership of Zowdow on a fully-diluted basis.

Unquoted debt investments

MatchMe Pte. Ltd.

On November 2, 2015, the Parent Company acquired a convertible promissory note for US\$300,000 (₱14.06 million) issued by MatchMe Pte. Ltd. (“MatchMe”), an associate of the Parent Company based in Singapore (see Note 8). On February 11, 2016, the Parent Company acquired additional convertible promissory note issued by MatchMe for US\$500,000 (₱23.89 million). On October 7, 2016, the Parent Company acquired additional convertible promissory note issued by MatchMe for US\$300,000 (₱14.55 million).

Altitude Games Pte. Ltd.

On January 19, 2016, the Parent Company purchased a convertible promissory note for US\$400,000 (₱19.26 million) issued by Altitude Games Pte. Ltd. (“Altitude Games”), an associate of the Parent Company. On September 21, 2016, the Parent Company acquired additional convertible promissory note for US\$200,000 (₱9.60 million) issued by Altitude Games.

Einsights Pte. Ltd.

On September 30, 2015, the Parent Company purchased a convertible promissory note for US\$500,000 (₱23.48 million) issued by Einsights, a Singapore-based technology solutions provider with operations in Singapore, Vietnam, Hong Kong, India, Australia, Canada and Switzerland.

Pico Candy Pte. Ltd.

In August 2013, the Parent Company invested in Pico Candy Pte. Ltd.’s (“Pico Candy”) convertible bonds amounting to SG\$0.10 million (₱3.60 million). Pico Candy operates a digital sticker distribution platform. It was founded in 2013 and is based in Singapore.

As of December 31, 2019 and 2018, the unquoted debt investments classified as financial assets at FVPL have nil carrying amounts.

8. Investment in and Advances to Associates

The Parent Company’s investment in associates are accounted for under the cost method of accounting, adjusted for impairment losses, if any. The Parent Company determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the associate company and recognizes the difference in profit or loss.

In assessing impairment indicators, the Parent Company considers, as a minimum, the following indicators: (a) dividends exceeding the total comprehensive income of the associate in the period the dividend is declared; or (b) the carrying amount of the investment in the parent company financial statements exceeding the carrying amount of the associate’s net assets, including goodwill.



The related percentages of ownership are shown below:

	Percentages of Ownership		Carrying Amounts	
	2019	2018	2019	2018
Investment in associates				
Micro Benefits Limited	23.53%	23.53%	₱469,780,137	₱469,780,137
MatchMe Pte. Ltd.	29.10	29.10	63,577,019	63,577,019
Altitude Games Pte. Ltd.	21.78	21.78	33,008,920	33,008,920
PT Sembilan Digital Investama	49.00	49.00	10,983,350	10,983,350
Altitude Games Inc.	21.17	21.17	211,656	211,656
			577,561,082	577,561,082
Less: Allowance for impairment loss			252,023,652	—
			325,537,430	577,561,082
 Advances to associate			 22,084,586	 22,084,586
			₱347,622,016	₱599,645,668

Micro Benefits Limited

On March 9, 2016, the Parent Company acquired 718,333 new Series C Preferred Shares equivalent to a 23.53% stake in Micro Benefits Limited (“Micro Benefits”) for US\$10.00 million. Micro Benefits, a company registered in Hong Kong, is engaged in the business of providing employee benefits to Chinese workers through its operating company, Micro Benefits Financial Consulting (Suzhou) Co. Ltd. located in China.

In 2019, indicators of impairment were identified by management, as a result, an impairment test was carried out for investment in Micro Benefits where it showed that an impairment provision must be recognized. In determining the provision, the recoverable amount was determined based on value-in-use (“VIU”) calculations. The VIU was derived from cash flow projections over a period of five years based on the 2019 financial budgets and calculated terminal value.

Using the projections for five years and applying a terminal value thereafter, the Parent Company calculated a recoverable amount of ₱281.55 million. Consequently, the Parent Company recognized a provision for impairment loss of its investment in Micro Benefits amounting to ₱188.23 million. The key assumptions used to which the fair value is most sensitive to are discount rates, including cost of debt and cost of capital, and growth rates.

Micro Benefits’ registered office address is at 11th Floor, Club Lusitano, 16 Ice House Street, Central, Hong Kong.

MatchMe Pte. Ltd.

On March 30, 2015, the Parent Company acquired 1,000,000 ordinary shares of MatchMe Pte. Ltd. (“MatchMe”), an international game development company based in Singapore, for a total consideration amounting to ₱61.60 million.

In 2018, MatchMe issued 1,547,729 ordinary shares worth US\$0.079 per share or a total of US\$122,944. The Parent Company subscribed to 467,820 ordinary shares for a total of US\$37,161 or ₱1,977,018 resulting to increase in percentage ownership from 28.59% to 29.10%.

MatchMe incurred recurring losses for the past four years and attained capital deficiency position as of December 31, 2019. During the year, it was also made known to the management that MatchMe became dormant. On these bases, the Parent Company recognized full impairment loss on its investment in MatchMe amounting to ₱63.58 million in 2019 (see Note 15).



MatchMe's registered office address is at 100 Cecil Street #10-01/02 the Globe, Singapore.

Altitude Games Pte. Ltd.

As at December 31, 2019 and 2018, the Parent Company owns 21.78% ownership in Altitude Games Pte. Ltd. ("Altitude Games"), a Singaporean IT company engaged in computer game development and publishing. The Parent Company acquired a total of 24.69 million shares with par value of US\$0.01 per share for a total consideration of US\$740,800 or US\$0.03 per share.

Altitude Games' registered office address is at 16 Raffles Quay, #33-03, Hong Leong Building, Singapore.

PT Sembilan Digital Investama

On March 26, 2015, the Parent Company acquired 147 shares representing 49% shareholdings in PT Sembilan Digital Investama ("SDI") amounting to ₱10.98 million. The acquisition gave the Parent Company access to PT Ninelives Interactive ("Ninelives"), a mobile content and distribution company in Indonesia, which SDI owns.

As of December 31, 2019 and 2018, the Parent Company has advances to SDI amounting to ₱22.08 million to fund its mobile content and distribution services.

SDI's registered office address is at Jl. Pos Pengumben Raya No. 01 RT 010 RW 03, Kel Srengseng, Jakarta Barat.

Altitude Games Inc.

On July 22, 2015, the Parent Company subscribed to 211,656 shares of stock or 21.17% shareholdings in Altitude Games Inc. ("Altitude Philippines"), an affiliate of Altitude Games. Altitude Philippines is engaged in the business of development, design, sale and distribution of games and applications.

In 2019, the Parent Company provided full impairment loss on its investment in Altitude Philippines based on recurring losses and capital deficiency position. The Parent Company recognized an impairment loss amounting to ₱0.21 million (see Note 15).

Altitude Philippines' registered office address is at Unit A51 5th Floor Zeta II Bldg, Salcedo St. Legaspi Village, Makati City.

As at December 31, 2019 and 2018, there are no capital commitments relating to the Parent Company's interests in its associates.



9. Investment in Subsidiaries

The Parent Company's investment in subsidiaries are accounted for under the cost method of accounting, adjusted for impairment losses, if any, and the related percentages of ownership are shown below:

	Percentages of Ownership		Carrying Amount	
	2019	2018	2019	2018
Art of Click Pte. Ltd	100.00%	100.00%	₱1,959,810,316	₱1,978,142,415
Storm Technologies, Inc.	51.31	53.96	202,723,635	202,723,635
Xeleb Technologies Inc.	100.00	67.00	68,085,646	64,085,646
Seer Technologies, Inc.	70.00	70.00	18,000,000	18,000,000
CTX Technologies Inc.	100.00	—	9,999,995	—
Xurpas Enterprise Inc.	100.00	100.00	5,000,000	5,000,000
ODX Pte. Ltd.	100.00	100.00	1,955,769	1,955,769
Yondu Inc.	—	51.00	—	838,638,807
			2,265,575,361	3,108,546,272
Less: Allowance for impairment losses			2,187,039,375	144,855,367
			₱78,535,986	₱2,963,690,905

Art of Click Pte. Ltd. ("AOC")

On October 6, 2016, the Parent Company executed a Share Purchase Agreement for the acquisition of 100.00% shares of AOC, for an aggregate consideration of ₱1.40 billion in cash and in Parent Company's shares. AOC is a Singaporean start-up firm established in 2011 that specializes on mobile marketing solutions for advertisers, publishers, app developers, and other operators. Its key markets include Japan, Korea, Hong Kong, Taiwan, Southeast Asia, North America and Europe.

The cash consideration consists of (1) an upfront payment to Emmanuel Michel Jean Allix and Wavemaker Labs Pte. Ltd. (the Sellers) amounting to US\$2,797,106 (₱135,379,930) and (2) cancellation of employee stockholder options through Parent Company's subscription to one ordinary share in the capital of AOC for US\$2,202,894 (₱106,620,070). This was used to pay the AOC's Employee Stock Ownership Plan ("ESOP") shareholders.

The Xurpas shares to be issued to the Sellers consists of (1) an Upfront Payment amounting to US\$19,451,739 payable in Xurpas shares to the Sellers on the acquisition date, (2) Installment Payment payable to the Sellers in Xurpas shares one year after the closing date and every year thereafter until three years after the closing date, and (3) a Deferred Purchase consideration which shall be subject to a net income after tax floor per year that AOC has to meet as a condition precedent to the entitlement of the Sellers to the Deferred Purchase Consideration. The aggregate amount of Deferred Payment Consideration for a three year deferred payment period shall in no case be greater than US\$13,962,725. In the finalization of the purchase price, the parties have clarified that the Deferred Purchase Consideration shall be fixed at US\$13,962,725 and shall not be subject to the performance metrics of AOC, and such is intentionally part of the original consideration. The Deferred Purchase Consideration was considered as part of the acquisition cost in the final purchase price.

The number of Xurpas shares to be issued at each tranche shall be determined using the average market value of Xurpas common shares 15 days before and 15 days after the closing date or each commitment date, as applicable, agreed to by the parties.



The Installment Payment payable and Deferred Purchase Consideration in the next three years amounted to ₱760.69 million was initially recognized under payable to former shareholders of a subsidiary in the parent company statements of financial position. These were measured at its fair value as at acquisition date using an assumed discount rate of 11.55%. In 2016, interest expense and foreign exchange loss amounting to ₱21.96 million and ₱22.78 million, respectively, were recognized in “Other income - net” in the parent company statements of comprehensive income.

Included in the Share Purchase Agreement is a call option granting the Sellers an option exercisable within 51 months following the Closing Date and only upon the occurrence of a Call Option event to purchase from the Parent Company their respective proportionate share in the Sale Shares. This was subsequently waived.

In June 2017, the Parent Company entered into an agreement to reacquire the 53,298,242 common shares Upfront Payment issued at acquisition date to Emmanuel Michel Jean Allix (“Allix”), a former shareholder of AOC, for a consideration of US\$532,983 or ₱26.65 million (see Note 21). On the same date, amendments were made to the share purchase agreement with Allix which (a) resulted in the payment of US\$7.24 million or ₱358.50 million, (b) changed the manner of payment of the Installment Payment payable and Deferred Purchase Consideration from being partly in cash and Xurpas shares to solely in cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. The additional payment and the buyback of the common shares are linked transactions and in substance is accounted for as an equity transaction for accounting purposes. Based on the agreement, only the ₱26.65 million is presented as treasury shares while the remaining amount of ₱358.50 million is presented under equity reserve in the parent company statements of financial position. The change from being payable in three years to being payable within the year resulted in the acceleration of the accretion of unamortized interest expense amounting to ₱26.00 million.

In October 2017, the Parent Company entered into an agreement to amend the share purchase agreement with Wavemaker Labs Pte. Ltd. (“Wavemaker”), a former shareholder of AOC, which provides for (a) the adjusted purchase price, (b) the change in manner of payment for the Installment Payment and Deferred Consideration pertaining to Wavemaker from being payable in Xurpas shares to cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. To implement these amendments, there will be a placement and subscription transaction involving 67,285,706 Xurpas listed shares by way of a block sale through the facilities of the PSE in 2018. The amendments resulted in an additional payable to Wavemaker amounting to US\$3.01 million or ₱153.96 million. The change in the timing of the payment resulted in an acceleration of the accretion of unamortized interest expense amounting to ₱4.92 million. The amendments were ratified by the BOD on February 22, 2018.

The 16,641,244 common shares initially issued to Wavemaker representing the Upfront Payment shall be placed by Wavemaker in an escrow agent who is authorized to sell these shares after these are listed. The allocation of the proceeds from the sale of these shares will be determined in the future subject to certain conditions.

In October 2017, Allix and Wavemaker executed a waiver of the second and third tranches of the Deferred Purchase Consideration. Since the waiver is not considered as a measurement period adjustment as allowed under PFRS 3 to adjust the recorded acquisition cost of the Parent Company’s investment, the extinguishment of the liability amounting to US\$7.11 million or ₱364.01 million is recognized as a gain in the parent company statements of comprehensive income. The Sellers also waived their call option on the shares.



In 2017, interest expense and foreign exchange losses amounting to ₱61.63 million and ₱26.59 million, respectively, were recognized in the parent company statements of comprehensive income. As of December 31, 2017, the remaining payable to former shareholders of a subsidiary amounted to ₱244.43 million.

In 2017, the Parent Company provided other long-term employee benefits to an employee of AOC for the services provided by the employee to AOC, which are to be settled in cash. A liability and an additional investment for the long-term employee benefit is recognized when the services have been rendered and is amortized during the period of entitlement. Other long-term benefits in 2017 amounting to ₱35.67 million is included as an additional investment in AOC. As of December 31, 2017, investment in AOC amounted to ₱1,978.14 million. Related outstanding payable amounting to ₱18.33 million as of December 31, 2017 is recognized as “Other payables” under “Accounts and other payables” in the parent company statements of financial position. In 2019, the related liability was reversed since the criteria for entitlement was not met.

In 2018, based on the assessment of AOC’s VIU compared with carrying amount of investment in AOC, the Parent Company recognized impairment loss amounting to ₱144.86 million (see Note 15). The calculation of AOC’s VIU in 2018 was based on budgets and forecast over a 5-year period, considering its 2017 performance and its expected future recovery in revenues. AOC’s forecast in 2018 includes better revenue mix focused on programmatic and branded consumer advertising, pivoting to a license model of its ad technology to other third parties in other territories, and massive cost cutting measures. Its past performance, however, carried a heavier weight in the computed VIU warranting the recognition of impairment loss. In 2019, the failure of AOC to implement most of its plan led to erosion of its revenue base. As a result, the Parent Company recognized impairment loss amounting to ₱1,814.95 million (see Note 15).

AOC’s registered office address and principal place of business is at 50 Prinsep Street, #02-01 Prinsep Place, Singapore.

Yondu Inc. (“Yondu”)

On September 16, 2015, the Parent Company acquired 22,950 shares of common stock in Yondu, a content developer and provider of mobile value-added services and IT services for a total consideration of ₱900.00 million. Five thousand (5,000) shares out of the 22,950 shares were from unissued shares of Yondu while 17,950 shares were purchased from Globe Telecom, Inc. (“GTI”). Purchase price of unissued shares and shares previously held by GTI amounted to ₱230.00 million and ₱670.00 million, respectively. The purchase resulted in a 51% ownership by the Parent Company in Yondu.

Included in the Shareholders’ Agreement are a call and put option granting the Parent Company the right to require GTI to sell and granting GTI the right to require the Parent Company to purchase all, but not part only, of the 49% shareholding of GTI in Yondu at ₱39,215.69 per company share, respectively. The options have an exercise date starting September 16, 2016 and will expire after two years therefrom. The put option and call option shall be exercised by a share swap of Xurpas shares for shares held by GTI or a combination of share swap and cash, at the mutual agreement of both parties.

The embedded call and put options have been separated and are carried at fair value through profit or loss. At acquisition date, the fair value of the derivative asset and the derivative liability amounted to ₱247.10 million and ₱185.74 million, respectively. These were included in the determination of the investment cost for Yondu. The derivatives were subsequently revalued to reflect their fair values as at reporting date which resulted in a gain on remeasurement of the derivatives amounting to



₱130.13 million in 2017. As at December 31, 2017, the carrying values of derivative asset amounted to ₱315.16 million while derivative liability amounted to ₱66.34 million.

On September 16, 2018, the put option and call option expired which resulted to a loss amounted to ₱248.82 million recorded as “Loss on derecognition of derivatives” under “Other Income - net” in the parent company statements of comprehensive income (see Note 16).

On September 11, 2019, the board of directors of Parent Company approved the sale of 51% ownership in Yondu to GTI for a total amount of ₱501.25 million. Loss on disposal of Yondu recognized for the year ended December 31, 2019 amounted to ₱337.39 million (see Note 16).

In 2019 and 2018, dividend income recognized from Yondu amounted to nil and ₱41.54 million, respectively (see Notes 16 and 18).

Yondu’s registered office address and principal place of business is at 7th Floor Panorama Building, 34th Street corner Lane A, Bonifacio Global City, Taguig City.

Storm Technologies, Inc. (“Storm Tech”)

On February 26, 2015, the Parent Company and Storm Tech, a human resource consultancy firm, signed a deal that will give the Parent Company 37,565 common shares or a 51.06% stake in Storm and other rights through primary and secondary issuances, for a total consideration of US\$4.30 million or ₱190.89 million.

On December 28, 2015, a stockholder of Storm Tech assigned 342 shares to the Parent Company for a total consideration of ₱1.83 million. This brought the Parent Company’s ownership from 51.06% to 51.52% of the outstanding capital stock of Storm Tech and there was no change in control.

On August 12, 2016, Storm Tech’s BOD authorized the registration and/or use the name “Storm Technologies, Inc.”, a human resource consultancy firm, to replace its corporate name “Storm Flex Systems, Inc.” and was approved by the SEC on December 27, 2016.

On October 27, 2016, the Parent Company acquired additional 3,735 common shares of Storm Tech for ₱10.00 million. This brought the Parent Company’s ownership from 51.52% to 56.60% of the outstanding capital stock of Storm Tech and there was no change in control.

In 2018, Storm Tech issued a total of 3,601 common shares for a total amount of ₱11.97 million to various individuals, bringing the Parent Company’s ownership from 56.60% down to 53.96%. No change in control resulted from the said transaction.

In 2019, Storm Tech issued 3,985 common shares to various individuals for a total of ₱7.08 million. This brought down the Parent Company’s ownership from 53.96% to 51.31% of the outstanding capital stock of Storm Tech. No change in control resulted from the said transaction.

The recoverable amount of Storm was determined based on its VIU using a discounted cash flow model based on cash flow projections covering a five-year period and applying calculated terminal value. In 2019, as a result of the assessment of Storm’s recoverable amount, the Parent Company recognized an impairment loss amounting to ₱146.48 million (see Note 15) since the investment’s carrying value exceeded the computed VIU. The key assumptions used to which the fair value is most sensitive to are discount rates, including cost of debt and cost of capital, and growth rates.

Storm Tech’s registered office address and principal place of business is at 602 Centerpoint Building, Julia Vargas St. Corner Garnet Road, Ortigas Center, Pasig City.



Xeleb Technologies Inc. (“Xeleb Tech”)

On August 22, 2016, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 35.00% interest in Xeleb Tech for ₱45.00 million. The acquisition of the 35.00% interest in Xeleb Tech made it a wholly-owned subsidiary of the Parent Company.

On August 24, 2016, the BOD and Stockholders of Xeleb Tech approved its increase in authorized capital stock from ₱5.00 million divided into 5,000,000 common shares at a par value of ₱1.00 each, to ₱100.00 million divided into 4,000,000,000 common shares at a par value of ₱0.025 each.

On the same date, Xeleb Tech’s BOD authorized the registration and/or use the name “Xeleb Technologies Inc.” to replace the Company’s corporate name “Fluxion, Inc.” was approved by the SEC on November 21, 2016.

On November 21, 2016, the SEC approved the increase in authorized capital stock of Xeleb Tech. On the same date, Xeleb Tech issued shares in relation to Subscription Agreements by the Parent Company, Selajo Inc., Conrev Inc., Joseliemm Holdings Inc. and Rainy Day Future Entertainment, Inc. for a total subscription of 1,000,000,000 common shares. This resulted in the reduction of Parent Company’s interest in Xeleb Tech to 67%.

In 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33% stake in Xeleb Tech from its minority stakeholders for a total consideration of ₱4.00 million. This resulted in 100% ownership of Parent Company in Xeleb Tech.

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb Tech. As a result of management’s decision to dissolve Xeleb Tech, the Parent Company recognized impairment loss amounting to ₱68.09 million.

As at December 31, 2019, Xeleb Tech has yet to apply for the approval of government regulatory agencies for its dissolution.

Xeleb Tech’s registered office address and principal place of business is Unit 2501, The Trade and Financial Tower, 32nd St. cor. 7th Ave., Taguig City.

Seer Technologies, Inc. (“Seer”)

On June 25, 2015, the Parent Company acquired 70,000 common shares representing 70.00% stake holdings in Seer, a leading software consultancy and design company, at a price of ₱18.00 million and an earn-out amount corresponding to a fixed percentage of Seer’s net income after tax for the years 2015 to 2017. No earn-out paid for the years 2015 to 2017.

The recoverable amount of Seer was determined based on its VIU using a discounted cash flow model based on cash flow projections covering a five-year period and applying calculated terminal value. In 2019, as a result of the assessment of Storm’s recoverable amount, the Parent Company recognized an impairment loss amounting to ₱12.66 million (see Note 15) since the investment’s carrying value exceeded the computed VIU. The key assumptions used to which the fair value is most sensitive to are discount rates, including cost of debt and cost of capital, and growth rates.

Seer’s registered office address and principal place of business is Unit 2801, The Trade and Financial Tower, 32nd St. cor. 7th Ave., Taguig City.



Xurpas Enterprise Inc. (“Xurpas Enterprise”)

On March 23, 2016, the Parent Company incorporated Xurpas Enterprise. Xurpas Enterprise is primarily engaged in software development including designing, upgrading and marketing all kinds of IT systems or parts thereof and other related services.

Xurpas Enterprise’s registered office address and principal place of business is 4th Floor Cambridge Centre, 108 Tordesillas St., Salcedo Village, Makati City.

ODX Pte. Ltd. (“ODX”)

On April 27, 2018, the Parent Company incorporated a wholly-owned subsidiary in Singapore ODX with the following principal activities: 1) other information technology and computer service activities (e.g., disaster recovery services) and 2) development of software for interactive digital media (except games).

ODX’s registered office address is 25 North Bridge Road #08-01 EFG Bank Building, Singapore.

CTX Technologies Inc. (“CTX”)

On October 16, 2018, the Parent Company incorporated a wholly-owned subsidiary, CTX, an entity engaged as a remittance and transfer company, to operate as a virtual currency exchange. In order to complete CTX’s incorporation, a stockholder of Parent Company made an advance payment of ₱10.00 million in behalf of the Parent Company, subject to reimbursement by the latter.

CTX’s registered office address is 7F Cambridge Centre Building, 108 Tordesillas Street, Salcedo Village, Brgy. Bel-Air, Makati City.

10. Property and Equipment

Rollforward of this account is as follows:

2019

	IT Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Cost					
Balance at beginning of year	₱11,118,771	₱16,222,368	₱3,188,292	₱6,053,672	₱36,583,103
Additions	7,483	370,326	284,542	145,949	808,300
Disposals	(2,723,059)	(4,369,860)	(869,428)	(3,647,279)	(11,609,626)
Balance at end of year	8,403,195	12,222,834	2,603,406	2,552,342	25,781,777
Accumulated Depreciation and Amortization					
Balance at beginning of year	7,248,498	13,288,537	2,119,936	4,356,033	27,013,004
Depreciation and amortization (Note 15)	1,665,216	2,689,278	401,884	619,440	5,375,818
Disposals	(2,291,232)	(4,151,904)	(664,722)	(2,876,866)	(9,984,724)
Balance at end of year	6,622,482	11,825,911	1,857,098	2,098,607	22,404,098
Net Book Value	₱1,780,713	₱396,923	₱746,308	₱453,735	₱3,377,679



2018

	IT Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Cost					
Balance at beginning of year	₱10,940,385	₱14,074,225	₱3,037,802	₱6,053,672	₱34,106,084
Additions	178,386	2,148,143	150,490	—	2,477,019
Balance at end of year	11,118,771	16,222,368	3,188,292	6,053,672	36,583,103
Accumulated Depreciation and Amortization					
Balance at beginning of year	4,939,091	9,732,357	1,467,481	3,086,188	19,225,117
Depreciation and amortization (Note 15)	2,309,407	3,556,180	652,455	1,269,845	7,787,887
Balance at end of year	7,248,498	13,288,537	2,119,936	4,356,033	27,013,004
Net Book Value	₱3,870,273	₱2,933,831	₱1,068,356	₱1,697,639	₱9,570,099

The Parent Company disposed property and equipment with cost amounting to ₱11.61 million resulting to a loss of ₱0.11 million in 2019 recognized under “Other charges - net” (see Note 16).

Depreciation and amortization in 2019 and 2018 charged under “General and administrative expenses” amounted to ₱5.38 million and ₱7.79 million, respectively (see Note 15).

There was no capitalized interest as at December 31, 2019 and 2018.

There were no property and equipment pledged as collateral as at December 31, 2019 and 2018.

11. Accounts and Other Payables

This account consists of:

	2019	2018
Payable to related parties (Note 18)	₱191,013,871	₱214,261,832
Advances from stockholders (Note 18)	103,906,873	100,216,884
Trade payables		
Related parties (Note 18)	79,146,783	193,450,555
Third parties	1,206,303	2,083,286
Interest payable (Note 18)	5,249,432	3,021,071
Accrued expenses	3,370,898	2,465,466
Taxes payable	2,921,928	1,430,163
Notes payable (Note 18)	1,360,690	18,058,075
Deferred output VAT	761,101	1,414,482
Other payables (Note 9)	5,162,410	19,439,195
	₱394,100,289	₱555,841,009

Trade payables represent the unpaid subcontracted services and other cost of services to third parties and related parties. These are noninterest-bearing and are normally settled within one year.

Accrued expenses mainly consist of accruals of professional fees and rent. These are noninterest-bearing and are normally settled within one year.

Taxes payable include expanded withholding tax on payment to suppliers and withholding tax on employees' compensation which are settled within one year.



Deferred output VAT represents deferral of output VAT related to trade receivables for the services rendered by the Parent Company. These will be recognized as output VAT upon receipt of payment.

Other payables consist of payable to an employee of a subsidiary and statutory payables to SSS, Philhealth and HDMF. These are noninterest-bearing and are normally settled within one year.

12. Loans Payable

This account pertains to short-term, unsecured and interest bearing 30- to 180- day term loans entered into by the Parent Company with different local banks, with interest rates of 6.90% to 9.25% per annum in 2019 and 4.25% to 7.60% in 2018.

The rollforward analysis of this account follows:

	2019	2018
Balance at beginning of year	₱287,709,500	₱365,419,000
Availments of loans	—	231,533,000
Payment of loans	(287,709,500)	(309,242,500)
Balance at end of year	₱—	₱287,709,500

Interest expense recognized in the parent company statements of comprehensive income amounted to ₱17.36 million and ₱19.17 million in 2019 and 2018, respectively (see Note 16).

There were no undrawn loan commitments, transaction costs and interest expenses capitalized in 2019 and 2018.

13. Service Income

Service income, amounting to ₱62.63 million and ₱73.95 million in 2019 and 2018, respectively, pertains mainly to revenues earned from mobile content development services. Revenue is recognized at a point in time.

The Parent Company's revenue from GTI amounted to ₱1.55 million and ₱42.25 million in 2019 and 2018, respectively, which comprise approximately 6.21% and 57.00%, respectively, of the total service income of the Parent Company.

14. Cost of Services

This account consists of:

	2019	2018
Salaries, wages and employee benefits	₱38,963,036	₱64,857,712
Outsourced services (Note 18)	11,321,145	47,427,274
Web hosting	2,354,892	7,409,576
Segment fee and network costs	1,118,488	4,724,906
Rent (Note 17)	641,395	6,539,281

(Forward)



	2019	2018
Utilities	₱415,484	₱981,173
Prizes and winnings	16,499	93,080
Commissions	2,551	3,835,285
Miscellaneous	1,620,412	3,790,572
	₱56,453,902	₱139,658,859

15. General and Administrative Expenses

This account consists of:

	2019	2018
Provision for impairment losses (Notes 5, 8 and 9)	₱2,361,554,478	₱175,846,935
Professional fees	32,898,205	9,614,136
Salaries, wages and employee benefits	16,312,397	20,899,184
Depreciation and amortization (Note 10 and 17)	8,343,116	7,787,887
Outsourced services (Note 18)	6,081,815	15,623,313
Taxes and licenses	3,011,387	6,802,193
Directors' fees (Note 18)	2,080,000	1,865,000
Transportation and travel	959,621	842,230
Dues and subscription	577,839	1,488,430
Advertising and promotions	490,859	83,311
Communication	188,935	392,305
Entertainment, amusement and recreation	115,474	1,706,830
Rent (Note 17)	71,266	726,587
Office supplies	65,205	248,674
Utilities	40,752	95,836
Seminars and trainings	54,499	87,347
Repairs and maintenance	49,583	55,041
Miscellaneous	863,433	1,835,168
	₱2,433,758,864	₱246,000,407

16. Other Charges - net

This account consists of:

	2019	2018
Gain on derecognition of trade payables (Note 18)	₱103,777,265	₱-
Other income	8,819,716	55,162
Interest income (Notes 4 and 18)	6,007,247	3,943,351
Foreign exchange gains (losses)	3,445,484	(18,166,178)
Loss on disposal of property and equipment (Note 10)	(114,753)	-
Bank charges	(5,880,076)	(1,554,247)
Interest expense (Notes 12 and 18)	(27,950,374)	(24,887,214)
Loss on disposal of investment in subsidiary (Note 9)	(337,387,133)	-
Dividend income (Notes 9 and 18)	-	41,537,611
Loss on derecognition of derivatives (Note 9)	-	(248,818,855)
	(₱249,282,624)	(₱247,890,370)



17. Lease Commitments

The Parent Company entered into various lease agreements with third parties for the office spaces it occupies. Leases have terms ranging from one to three years and renewable subject to new terms and conditions to be mutually agreed upon by both parties.

- a. The Parent Company entered into a non-cancellable lease contract with Gervel, Inc. for the lease of 7th floor office space for a period of three (3) years which commenced on April 1, 2014 and expired on March 31, 2017. In 2017, the Parent Company renewed this contract for a period of 3 years which commenced on April 1, 2017 and expired on March 21, 2020. The applicable rate per month is ₱0.27 million and a corresponding annual increase of 4.00%.
- b. The Parent Company renewed a non-cancellable lease contract with Gervel, Inc. for the 4th floor office space for a period of 1 year and 6 months which commenced on October 1, 2015 and expired on March 31, 2017. In 2017, the Parent Company renewed its contract for a period of 3 years which commenced on April 1, 2017 and expired on March 31, 2020. The applicable rate per month is ₱0.29 million and a corresponding annual increase of 4.00%. The lease contract was pre-terminated through mutual agreement of the parties on March 30, 2019.
- c. In 2017, the Parent Company entered into a non-cancellable lease contract with Gervel, Inc. for the 6th floor office space for a period of 2 years and 4.5 months which commenced on November 16, 2017 and expired on March 31, 2020. The applicable rate per month is ₱0.33 million. The lease contract may be renewed in writing by mutual agreement of the parties. On March 30, 2019, the lease contract was assigned to Xurpas Enterprise Inc. effective April 1, 2019 through mutual agreement of the parties.

As at December 31, 2019 and 2018, the future minimum lease payments under non-cancellable operating leases follow:

	2019	2018
Within one year	₱866,970	₱11,210,340
After one year but not more than 5 years	—	2,818,530
	₱866,970	₱14,028,870

Set out below is the carrying amount of right-of-use asset recognized and the movement in 2019:

Cost	
Addition as result of PFRS 16 adoption (Note 2)	₱8,901,896
Accumulated Depreciation	
Addition as result of PFRS 16 adoption (Note 2)	5,192,773
Depreciation	2,967,298
Balance at end of year	8,160,071
Net Book Value	₱741,825



The rollforward analysis of lease liability as of December 31, 2019 follows:

Addition as result of PFRS 16 adoption (Note 2)	₱4,102,104
Accretion of interest	196,379
Payments	(3,437,460)
Current lease liability	₱861,023

The following are the amounts recognized in the parent company statement of comprehensive income in 2019:

Depreciation expense of right-of-use asset	₱2,967,299
Accretion of interest expense on lease liability	196,379
Rent expense charged under:	
Cost of services (Note 14)	641,395
General and administrative expenses (Note 15)	71,266
	₱3,876,339

18. Related Party Transactions

The Parent Company, in the regular conduct of business, has entered in transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control, or one party is an associate or a joint venture of the other party.

Terms and conditions of transactions with related parties

There have been no guarantees provided or received for any related party receivables and payables. Except as otherwise indicated, these accounts are noninterest-bearing, generally unsecured and shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. Impairment assessment is undertaken through examination of the financial position of the related party and market in which the related party operates.

Material related party transactions ("RPT")

This refers to any related party transaction, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Parent Company's total consolidated assets based on its latest audited financial statements. All material related party transactions are subject to the review by the RPT Committee.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the related party transactions policy.



Details of transactions with related parties and their outstanding balances as at December 31, 2019 and 2018 follow:

			Amount/Volume		Outstanding Balance			
					2019		2018	
	Terms	Conditions	2019	2018	Receivables (Note 5)	Payables (Note 11)	Receivables (Note 5)	Payables (Note 11)
Subsidiaries								
Notes payable (a)	Noninterest-bearing	Unsecured	P=	P=	P=	P1,360,690	P=	P18,058,075
Dividend income (b)	Noninterest-bearing	Unsecured, no impairment	–	41,537,611	–	–	31,153,208	–
Outsourced services (c-g)	Noninterest-bearing	Unsecured	7,648,935	30,325,245	–	79,146,783	–	193,431,348
Advances (h)	Noninterest-bearing	Unsecured, no impairment	39,770,445	70,686,552	151,539,375	17,231,539	129,828,465	–
Advances (i-k)	Noninterest-bearing	Unsecured	18,389,189	200,501,394	–	171,910,332	–	212,676,582
Advances (l)	Interest-bearing	Unsecured, no impairment	25,450,000	58,000,000	108,250,000	–	93,000,000	–
Interest (l)	Noninterest-bearing	Unsecured, no impairment	4,521,403	3,611,931	10,305,798	–	5,784,395	–
Associates								
Cost of services (a-b)	Noninterest-bearing	Unsecured	–	373,198	–	–	–	19,208
Advances (c)	Noninterest-bearing	Unsecured, no impairment	4,569,441	550,461	10,377,902	–	5,808,461	–
Stockholders								
Payable to directors and officers (a-b)	Interest-bearing	Unsecured	150,000,000	–	–	147,940,211	–	100,216,884
Payable to directors and officers (c)	Noninterest-bearing	Unsecured	2,080,000	1,865,000	–	11,871,995	–	1,585,250
Interest (a-b)	Noninterest-bearing	Unsecured	10,393,385	1,518,612	–	5,249,432	–	3,021,071
					P280,473,075	P434,710,982	P265,574,529	P529,008,418

The significant transactions with related parties follow:

Subsidiaries:

- a. On September 15, 2017, the Parent Company issued a promissory note to AOC amounting to US\$1,350,000 or P67.40 million.

As at December 31, 2019 and 2018, the Parent Company has outstanding payable related to subsidiaries amounting to P1.36 million and P18.06 million, respectively (see Note 11).

- b. Dividend income pertains to dividends declared by Yondu payable to the Parent Company totaling to nil and P41.54 million in 2019 and 2018, respectively (see Note 9).

As at December 31, 2019 and 2018, outstanding dividends receivable of the Parent Company amounted to nil and P31.15 million, respectively.

- c. In 2018, the Parent Company availed various mobile content development services from Xeleb. Total outsourced services recognized by the Parent Company under "Cost of Services" amounted to nil and P10.95 million, respectively (see Note 14).

In 2019, the Parent Company derecognized trade payable amounting to P46.97 million in light of the dissolution process of Xeleb. Gain from derecognition of trade payables amounting to P41.94 million was recognized under "Other charges - net".

As at December 31, 2019 and 2018, the Parent Company has an outstanding payable to Xeleb amounting to P44.31 million and P91.78 million, respectively, presented under "Accounts and other payables" (see Note 11).

- d. In 2019 and 2018, the Parent Company availed various mobile content development services from Xeleb Tech. Total outsourced services recognized by the Parent Company under "Cost of Services" amounted to P1.83 million and P15.29 million, respectively (see Note 14).



In 2019, the Parent Company had offset trade payable amounting to ₱11.17 million against advances to Xeleb Tech. Furthermore, the Parent Company derecognized trade payable amounting to ₱68.85 million in light of the dissolution process of Xeleb Tech. Gain from derecognition of trade payables amounting to ₱61.84 million was recognized under “Other charges - net”.

As at December 31, 2019 and 2018, the Parent Company has an outstanding payable to Xeleb Technologies amounting to ₱30.38 million and ₱99.78 million, respectively, presented under “Accounts and other payables” (see Note 11).

- e. In 2019 and 2018, the Parent Company availed software development services from Xurpas Enterprise. Total outsourced services recognized by the Parent Company under “Cost of Services” amounted to ₱3.70 million and ₱2.00 million, respectively (see Note 14).

As at December 31, 2019 and 2018, the Parent Company has an outstanding payable to Xurpas Enterprise amounting to ₱4.46 million and ₱0.14 million, respectively, presented under “Accounts and other payables” (see Note 11).

- f. In 2019 and 2018, the Parent Company availed software development services from Yondu. Total outsourced services recognized by the Parent Company under “Cost of Services” amounted to ₱2.12 million and ₱1.41 million, respectively (see Note 14).

As at December 31, 2019 and 2018, the Parent Company has an outstanding payable to Yondu amounting to nil and ₱1.48 million, respectively, presented under “Accounts and other payables” (see Note 11).

- g. The Parent Company availed website hosting and maintenance services from Seer. Total outsourced services recognized by the Parent Company under “Cost of services” amounted to nil and ₱0.67 million in 2019 and 2018, respectively (see Note 14).

As at December 31, 2019 and 2018, the Parent Company has no outstanding payable to Seer.

- h. Advances to subsidiaries include payments to and in behalf of Xurpas Enterprise, AOC, Seer and ODX for their operational expenditures. Total outstanding advances amounted to ₱151.54 million and ₱129.83 million as at December 31, 2019 and 2018, respectively.

- i. The Parent Company received advances from ODX to finance the research and development expenditures for ODX Platform, and its overall business development. A service agreement was entered into by the parties in 2019 and commenced with the project development phase of the ODX Platform. In 2019, service revenue recognized in relation to the service agreement amounted to ₱46.58 million. Total advances extended by ODX to the Parent Company as of December 31, 2019 and 2018 amounted to ₱153.45 million and ₱186.59 million, respectively (see Note 11).

- j. In 2018, the Parent Company availed management services of AOC. Total outsourced services recognized by the Parent Company under “General and administrative expenses” amounted to ₱3.84 million and ₱13.91 million, respectively (see Note 15).

As at December 31, 2019 and 2018, the Parent Company has an outstanding payable to AOC amounting to ₱13.91 million.



- k. As at December 31, 2019, the Parent Company has outstanding payable to Xeleb Tech amounting to ₱4.55 million for the purchase of property and equipment and intangible assets.
- l. As of December 31, 2019 and 2018, advances to subsidiaries include short-term, interest-bearing loans to Storm Tech. Total outstanding advances amounted to ₱108.25 million and ₱93.00 million as at December 31, 2019 and 2018, respectively. These are subject to interest rate of 3.75% to 8.00% per annum. Interest income earned as at December 31, 2019 and 2018 from the said advances amounted to ₱9.92 million and ₱3.73 million, respectively.

As at December 31, 2019 and 2018, outstanding interest receivable amounted to ₱10.24 million and ₱5.78 million, respectively.

Associates:

- a. In 2014, the Parent Company gained an exclusive right to distribute a mobile game of Altitude Games, Run Run Super V. In return, the Parent Company shall pay Altitude Games a certain percentage of the revenues generated from such applications.

In 2019 and 2018, the Parent Company has no outsourced services recognized in relation to the aforementioned transaction.

As at December 31, 2019 and 2018, payable to Altitude Games amounted to nil and ₱0.02 million, respectively, presented under “Accounts and other payables” (see Note 11).

- b. In 2016, the Parent Company was granted exclusive right to distribute “Globe with Friends”, a game developed by MatchMe. As agreed by the parties, the Parent Company shall pay MatchMe a certain percentage of the revenues earned from the said game.

In 2019 and 2018, the Parent Company recognized “Outsourced services” under “Cost of services” amounting to nil and ₱0.37 million, respectively (see Note 14). As at December 31, 2019 and 2018, payable to MatchMe amounted to nil.

- c. Advances to associates include payments to and in behalf of Altitude Games and Ninelives for their operational expenditures. Total outstanding advances amounted to ₱10.38 million and ₱5.81 million as at December 31, 2019 and 2018, respectively.

Stockholder:

- a. In 2017, the Parent Company entered into a loan agreement with its directors amounting to US\$1,945,758 or ₱97.15 million subject to 5% interest rate per annum. In 2019 and 2018, the Parent Company recognized interest expense amounting to ₱5.78 million and ₱5.72 million, respectively (see Note 16). As at December 31, 2019 and 2018, outstanding loans and interest payable amounted to ₱93.91 million and ₱4.67 million, respectively, and ₱100.22 million and ₱2.20 million, respectively (see Note 11).
- b. On April 29, 2019, the Parent Company entered into a loan agreement with its directors amounting to ₱150.00 million subject to 5.50% interest rate per annum. In 2019, the Parent Company recognized interest expense amounting to ₱4.61 million under “Other charges - net” in its parent company statements of comprehensive income (see Note 16).

As at December 31, 2019, outstanding loans and interest payable pertaining to this transaction amounted to ₱54.03 million and ₱0.58 million, respectively.



- c. In 2019, in relation to the Parent Company's investment in CTX, the Parent Company executed a Memorandum of Agreement with a stockholder to reimburse the latter of the amount advanced in 2018 for the incorporation of CTX. As at December 31, 2019, outstanding payable pertaining to this transaction amounted to ₱10.00 million.
- d. Payable to directors and officers also pertain to directors' fees amounting to ₱2.08 million and ₱1.87 million in 2019 and 2018, respectively (see Note 15).

Outstanding payable amounted to ₱1.87 million and ₱1.59 million as at December 31, 2019 and 2018, respectively.

Key management compensation

Compensation of key management personnel amounted to ₱3.35 million and ₱14.96 million in 2019 and 2018, respectively. In 2019, the Parent Company issued 415,000 common shares from the Parent Company's treasury shares at ₱1.23 per share to its President and Chief Finance Officer.

Compensation of key management personnel by benefit type follows:

	2019	2018
Short-term employee benefits	₱6,690,358	₱12,584,516
Post-employment benefits	(3,342,207)*	2,376,625
	₱3,348,151	₱14,961,141

**includes gain on curtailment on defined benefit plan*

19. Income Tax

Provision for income tax consists of the following:

	2019	2018
Current	₱371,799	₱—
Deferred	—	(1,082,197)
Final	297,131	17,206
	₱668,930	(₱1,064,991)

The current provision for income tax expense represents MCIT in 2019.

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. Below are the Parent Company's deductible temporary differences for which no deferred tax assets are recognized since management believes that there are no sufficient taxable profits against which the deferred tax assets can be utilized:

	2019	2018
NOLCO	₱334,451,492	₱232,272,657
Allowance for impairment losses	85,478,277	172,127,654
Accrued expenses	71,092,558	177,547,343
Pension liability	10,824,441	14,429,822
Unrealized foreign exchange loss	484,896	4,267,281
MCIT	371,799	—
Net lease liability	119,198	—
	₱502,822,661	₱600,644,757



The Parent Company did not recognize deferred tax assets from actuarial loss on defined benefit obligation recorded under “Retirement benefit reserve” in the parent company statements of changes in equity amounting to ₱2.76 million and ₱1.00 million in 2019 and 2018, respectively.

The unexpired excess of MCIT over RCIT is available for offset against future income tax payable over a period of three years, details of which follow:

Year Incurred	Beginning	Applied/ Expired	End	Year of Expiration
2019	₱371,799	₱–	₱371,799	2022

The carryforward of NOLCO that can be claimed as deduction from future taxable income or used as deduction against income tax liabilities over a period of three years follow:

Year Incurred	Beginning	Applied/ Expired	End	Year of Expiration
2019	₱102,178,835	₱–	₱102,178,835	2022
2018	232,272,657	–	232,272,657	2021
	₱334,451,492	₱–	₱334,451,492	

The reconciliation between the provision for income tax computed at statutory and the effective income tax rate follow:

	2019	2018
Statutory income tax	(₱803,060,331)	(₱167,880,209)
Tax effects of:		
Nondeductible expenses	833,082,147	399,970
Nontaxable dividend income	–	(12,461,283)
Interest income already subjected to final tax	(148,622)	(46,373)
Unrecognized deferred tax assets	(29,204,264)	178,922,904
Effective income tax	₱668,930	(₱1,064,991)

20. Pension Liability

The Parent Company does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement benefit equal to 22.5 days’ pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement.

The principal actuarial assumptions used to determine the cost of pension benefits with respect to the discount rate and salary increase rate were based on historical and projected rates. Annual cost is determined using the projected unit credit actuarial valuation method.



The components of pension expense/ (gain on curtailment) (included in salaries, wages and employee benefits under “General and administrative expenses” or under “Other charges - net”) in the parent company statements of comprehensive income are as follows:

	2019	2018
Current service cost	₱1,377,388	₱2,585,901
Interest cost on benefit obligation	952,610	1,223,080
Past service cost - curtailment	(5,935,378)	(1,283,163)
	(₱3,605,380)	₱2,525,818

Changes in the present value of the defined benefit obligation follow:

	2019	2018
Balance at beginning of year	₱17,777,551	₱21,197,234
Current service cost	1,377,388	2,585,901
Interest cost on benefit obligation	952,610	1,223,080
Past service cost - curtailment	(5,935,378)	(1,283,163)
Actuarial loss (gain)	5,866,137	(5,945,501)
Balance at end of year	₱20,038,308	₱17,777,551

Actuarial loss on defined benefit obligation recorded under “Retirement benefit reserve” in the parent company statements of changes in equity is as follows:

	2019	2018
Balance at beginning of year	₱2,004,079	₱5,161,611
Actuarial loss (gain)	5,866,137	(5,945,501)
Tax effect relating to actuarial gain (loss)	—	2,787,969
Balance at end of year	₱7,870,216	₱2,004,079

The assumptions used to determine pension benefits of the Parent Company are as follows:

	2019	2018
Discount rate	5.54%	7.70%
Salary projection rate	5.00%	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption of the defined benefit obligation (DBO) as of the end of the reporting period, assuming if all other assumptions were held constant:

		Effect on DBO Increase (decrease)	
		2019	2018
Discount rate	(+) 1.0%	(₱2,701,946)	(₱2,476,623)
	(-) 1.0%	3,256,475	2,978,495
Salary increase rate	(+) 1.0%	₱3,240,967	₱3,030,958
	(-) 1.0%	(2,738,351)	(2,556,714)

The weighted average duration of defined benefit obligation at the end of the reporting period is 14.9 years and 15.3 years in 2019 and 2018, respectively.



21. Equity

The details of the Parent Company's capital stock follow:

	2019	2018
Authorized shares	5,000,000,000	5,000,000,000
Par value per share	₱0.10	₱0.10
Issued shares	1,934,925,852	1,934,925,852
Treasury shares	63,095,642	63,985,642
Value of shares issued	₱193,492,586	₱193,492,586
Value of treasury shares	(₱107,418,911)	(₱115,464,275)

The Parent Company is a corporation having a renewable term of 50 years. As of December 31, 2019, the Parent Company's remaining corporate life is 32 years.

In accordance with Revised Securities Regulation Code Rule No. 68, Annex 68-K, below is the summary of the Parent Company's track record of registration of securities as of December 31:

			2019	2018
	Number of shares registered	Issue/offer price	Number of holders of securities as of December 31	Number of holders of securities as of December 31
Common shares	344,000,000	₱3.97 issue price	26	26

The balance of additional paid-in capital (APIC) as of December 31, 2019 and 2018 represents the excess of the subscription price over paid-up capital.

On March 2, 2018, the Parent Company issued 67.29 million common shares by way of block sale to implement the amendments in a share purchase agreement with Wavemaker in relation to the acquisition of AOC shares (see Note 9). The shares were issued at ₱3.80 per share.

In 2019, APIC reduced as a result of reissuance of treasury shares by the amount of ₱6.98 million.

Retained Earnings

Appropriations

On November 9, 2016, the BOD of the Parent Company approved the appropriation of unrestricted retained earnings for the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the share buyback.

On March 27, 2017, the BOD of the Parent Company approved the termination of the buyback program adopted in 2016. A total of ₱88.82 million has been used under the said program. Accordingly, the balance of ₱81.18 million previously allocated for the buyback program was released from such appropriation.

On July 18, 2017, the BOD of the Parent Company approved the appropriation of unrestricted retained earnings for the buyback of its common shares amounting to ₱26.65 million.

Appropriated retained earnings amounted to ₱115.46 million as of December 31, 2019 and 2018.



Equity Reserve

In 2017, a reserve amounting to ₱358.50 million was recognized for the payment resulting from amendments in the Share Purchase Agreement with Allix and the acquisition of the Parent Company's own shares (see Note 9).

Treasury Stock

On April 8, 2019, the Parent Company issued 415,000 shares taken from its treasury shares for a price of ₱1.23 per share.

On July 14, 2019, the Parent Company issued 475,000 shares taken from its treasury shares for a price of ₱1.16 per share.

As of December 31, 2019 and 2018, the Parent Company has 63,095,642 and 63,985,642 treasury shares amounting to ₱107.42 million and ₱115.46 million, respectively.

Employee Stock Option Plan

The Parent Company's BOD, on January 20, 2016, and the stockholders, on May 11, 2016, approved the Employee Stock Option Plan (the Plan) of the Parent Company. Full time and regular employees of the Parent Company and those deemed qualified by the Compensation and Remuneration Committee from the names recommended by the Executive Committee are eligible to participate in the Plan. As at December 31, 2019, the Plan has been filed with and still pending approval of SEC and PSE.

Capital Management

The primary objective of the Parent Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders or issue new shares.

The Parent Company's sources of capital follow:

	2019	2018
Capital stock	₱193,492,586	₱193,492,586
Additional paid-in capital	3,585,092,296	3,592,076,660
Deficit	(2,929,915,993)	(252,107,993)
	₱848,668,889	₱3,533,461,253

The Parent Company is not subject to externally-imposed capital requirements. The Parent Company regards its equity as its primary source of capital. No changes were made in the capital management policies as at December 31, 2019 and 2018.



22. Financial Instruments

Fair Value Information

The methods and assumptions used by the Parent Company in estimating fair value of the financial instruments are as follows:

- Cash, accounts and other receivables, accounts and other payables (excluding “Accrued expenses”, “Taxes payable”, “Deferred output VAT” and statutory payables included as “Other payables”), loans payable - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments.
- Financial assets at FVOCI (quoted equity investment) - Fair value is based on quoted prices published in the market.
- Financial assets at FVOCI (unquoted equity investments) - Fair values are based on the latest selling price available.
- Financial assets at FVPL (unquoted debt investments) - Fair values are based on the comparable prices adjusted for specific market factors such as nature, industry, location and market recovery rates.
- Advances from stockholders - Fair value is estimated using the discounted cash flow methodology using the applicable risk-free rates for similar types of loans adjusted for credit spread. The discount rate used is 5.27% in 2019.

The fair values and carrying values of financial assets at FVOCI and advances from stockholders are as follows:

	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial asset				
Financial assets at fair value through other comprehensive income	₱440,000	₱440,000	₱475,000	₱475,000
Financial liability				
Advances from stockholders	157,940,206	151,858,113	100,216,884	100,216,884

Fair Value Hierarchy

The Parent Company uses the following three-level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable



Cash, accounts and other receivables, accounts and other payables (excluding “Accrued expenses”, “Taxes payable”, “Deferred output VAT” and statutory payables included as “Other payables”) and loans payable were classified under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus certain spread.

Quoted FVOCI instruments amounting to ₱0.44 million and ₱0.48 million as of December 31, 2019 and 2018 were classified under Level 2 (see Note 7).

As at December 31, 2019 and 2018, there have been no reclassifications from Level 1 to Level 2 or 3 categories.

Financial Risk Management and Objectives and Policies

The Parent Company’s principal financial instruments comprise of cash, accounts and other receivables, financial assets at FVOCI, accounts and other payables (excluding accrued expenses, taxes payable, deferred output VAT and statutory payables), and loans payable which arise directly from operations. The main purpose of these financial instruments is to finance the Parent Company’s operations and to earn additional income on excess funds.

Exposure to credit risk and liquidity risk arise in the normal course of the Parent Company’s business activities. The main objectives of the Parent Company’s financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

There were no changes in the Parent Company’s risk management objectives and policies in 2019 and 2018.

The Parent Company’s risk management policies are summarized below:

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Parent Company by failing to discharge an obligation.

The Parent Company’s credit risk is primarily attributable to cash, accounts and other receivables, financial assets at FVPL and financial assets at FVOCI. Credit risk management involves monitoring its exposure to credit risk on a continuous basis.

The Parent Company entered into an agreement with GTI, wherein the former will provide mobile content services and mobile application development services to the latter in accordance with the service order and description specified in the service level agreement among the parties involved. The mobile content services include creation and development of mobile electronic content for delivery to GTI and distribution to GTI’s mobile phone subscribers. Mobile application development, on the other hand, includes development and maintenance of its own platforms which host and enable mobile subscribers to access or use GTI’s mobile content products.

In 2018, the Parent Company has concentration of credit risk with receivable from GTI, its largest customer, representing 31% of its total trade receivables as at December 31, 2018 (see Note 5). Recent economic condition and market segment of GTI shows its continuing growth and success. There is no concentration of credit risk in 2019.



There being no collaterals or credit enhancements attached to the Company's financial assets, the carrying value of its financial assets approximates the maximum exposure to credit risk as at December 31, 2019 and 2018.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate based on days past due of all customers as they have similar loss patterns. The expected credit loss rate ranges from 0.40% to 11.29% that resulted in the ECL of ₱44.52 million and ₱32.69 million as of December 31, 2019 and 2018, respectively.

The Parent Company's credit risk exposure on its accounts and other receivables using provision matrix are as follows:

December 31, 2019

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱288,887,074	₱—	₱—	₱3,837,228	₱292,724,302
Loss allowance	(84,524,028)	—	—	(954,250)	(85,478,278)
Carrying amount	₱204,363,046	₱	₱—	₱2,882,978	₱207,246,024

December 31, 2018

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱273,129,607	₱—	₱480,184	₱10,346,165	₱283,955,956
Loss allowance	(31,327,852)	—	(480,184)	(883,941)	(32,691,977)
Carrying amount	₱241,801,755	₱	₱—	₱9,462,224	₱251,263,979

The credit quality of the financial assets was determined as follows:

Cash in banks, financial assets at FVPL and financial assets at FVOCI - based on the nature of the counterparty and the Parent Company's rating procedure. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.

Accounts and other receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three defaults in payment; and low grade pertains to receivables with more than three defaults in payment.

Unquoted financial assets at FVOCI are unrated.

Liquidity Risk

Liquidity risk is the risk that the Parent Company will be unable to meet its obligations as they fall due. The Parent Company seeks to manage its liquidity risk to be able to meet its operating cash flow requirement, finance capital expenditures and service maturing debts. To cover its short-term funding requirements, the Parent Company intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Parent Company can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables to manage liquidity.



The table summarizes the maturity profile of the Parent Company's financial assets and liabilities as at December 31, 2019 and 2018 based on contractual undiscounted payments:

December 31, 2019

	<1 year	>1 to <5 years	>5 years	Total
Financial Assets				
Cash in banks and cash equivalents	₱130,555,813	₱—	₱—	₱130,555,813
Accounts and other receivables				
Receivable from related parties	270,167,277	—	—	270,167,277
Interest receivable	10,305,798	—	—	10,305,798
Nontrade receivable	7,595,250	—	—	7,595,250
Trade receivables	3,837,228	—	—	3,837,228
Other receivables	526,999	—	—	526,999
Other current assets				
Restricted cash equivalent	5,060,129	—	—	5,060,129
Financial assets at FVOCI	—	440,000	—	440,000
Total undiscounted financial assets	428,048,494	440,000	—	428,488,494
Financial Liabilities				
Accounts and other payables				
Payable to related parties	191,013,871	—	—	191,013,871
Advances from stockholders	103,906,873	60,945,899	—	164,852,772
Trade payables	80,353,086	—	—	80,353,086
Interest payable	5,249,432	—	—	5,249,432
Notes payable	1,360,690	—	—	1,360,690
Lease liability	866,970	—	—	866,970
Total undiscounted financial liabilities	382,750,922	60,945,899	—	443,696,821
Liquidity gap	₱45,297,572	(₱60,505,899)	₱—	(₱15,208,327)

December 31, 2018

	<1 year	>1 to <5 years	>5 years	Total
Financial Assets				
Cash in banks	₱15,075,153	₱—	₱—	₱15,075,153
Accounts and other receivables				
Receivable from related parties	259,790,134	—	—	259,790,134
Trade receivables	10,346,165	—	—	10,346,165
Nontrade receivable	7,887,000	—	—	7,887,000
Interest receivable	5,784,395	—	—	5,784,395
Other receivables	148,262	—	—	148,262
Financial assets at FVOCI	—	475,000	—	475,000
Total undiscounted financial assets	299,031,109	475,000	—	299,506,109
Financial Liabilities				
Accounts and other payables				
Payable to related parties	214,261,832	—	—	214,261,832
Advances from stockholders	100,216,884	—	—	100,216,884
Trade payables	195,533,841	—	—	195,533,841
Interest payable	3,021,071	—	—	3,021,071
Notes payable	18,058,075	—	—	18,058,075
Loans payable	287,709,500	—	—	287,709,500
Total undiscounted financial liabilities	818,801,203	—	—	818,801,203
Liquidity gap	(₱519,770,094)	₱475,000	₱—	(₱519,295,094)



Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The terms and maturity profile of the interest-bearing financial assets, together with the corresponding nominal amounts and carrying values are shown in the following table:

December 31, 2019

	Interest Terms (p.a.)	Rate Fixing Period	Nominal Amount	<1 year	1 to 6 years	>6 years	Carrying Value
Cash in banks and cash equivalents	Fixed at the date of investment	Various	₱130,555,813	₱130,555,813	₱—	₱—	₱130,555,813
Receivable from related parties	Fixed at 3.75% to 8.00%	n/a	108,250,000	108,250,000	—	—	108,250,000
Nontrade receivable	Fixed at 5%	n/a	7,887,000	7,887,000	—	—	7,887,000
Financial assets at FVPL							
<i>Floating</i>							
SGD	Variable at 3.5% to 4.5%	Annually	3,602,123	—	3,602,123	—	—
<i>Fixed</i>							
USD	Fixed at 5%	n/a	52,495,000	—	52,495,000	—	—
USD	Fixed at 3% and 3.75%	n/a	28,856,000	—	28,856,000	—	—
USD	Fixed at 3%	n/a	23,475,000	—	23,475,000	—	—
			₱355,120,936	₱246,692,813	₱108,428,123	₱—	₱246,692,813

December 31, 2018

	Interest Terms (p.a.)	Rate Fixing Period	Nominal Amount	<1 year	1 to 6 years	>6 years	Carrying Value
Cash in banks	Fixed at the date of investment	Various	₱15,075,153	₱15,075,153	₱—	₱—	₱15,075,153
Receivable from related parties	Fixed at 3.75%	n/a	247,614,946	247,614,946	—	—	247,614,946
Nontrade receivable	Fixed at 5%	n/a	7,887,000	7,887,000	—	—	7,887,000
Financial assets at FVPL							
<i>Floating</i>							
SGD	Variable at 3.5% to 4.5%	Annually	3,602,123	—	3,602,123	—	—
<i>Fixed</i>							
USD	Fixed at 5%	n/a	52,495,000	—	52,495,000	—	—
USD	Fixed at 3% and 3.75%	n/a	28,856,000	—	28,856,000	—	—
USD	Fixed at 3%	n/a	23,475,000	—	23,475,000	—	—
			₱379,005,222	₱270,577,099	₱108,428,123	₱—	₱270,577,099

Foreign Currency Risk

The Parent Company's exposure to foreign exchange rate is minimal as concentration of business is denominated in Philippine peso.



The table below summarizes the Parent Company's exposure to foreign exchange risk as of December 31, 2019 and 2018. As of December 31, 2019 and 2018, the applicable exchange rates were US\$1.00 to ₱50.74 and US\$1.00 to ₱52.72, respectively.

	2019		2018	
	USD	Peso equivalent	USD	Peso equivalent
Asset				
Cash in bank	1,953	₱99,121	11,803	₱613,625
Liabilities				
Accounts and other payables				
Payable to related party	4,067,422	206,397,253	3,832,916	202,086,644
Advances from stockholders	1,850,601	93,906,878	1,862,850	98,216,884
Notes payable	26,815	1,360,690	342,502	18,058,075
	5,944,838	301,664,821	6,038,268	318,361,603
Net foreign currency denominated financial instruments		(₱301,565,700)		(₱317,747,978)

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Parent Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Parent Company's equity.

	2019		2018	
	+1%	-1%	+1%	-1%
USD	(₱5,997,617)	₱5,888,153	(₱1,587,780)	₱10,465,150

There is no other impact on the Parent Company's equity other than those already affecting the net income.

Equity Price Risk

Equity price risk is the risk that the financial assets whose values will fluctuate as a result of changes in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in market. As of December 31, 2019 and 2018, the Parent Company has minimal exposure in equity price risk since the Parent Company's financial asset at FVOCI amounted only to ₱0.44 million and ₱0.48 million, respectively. Moreover, the Parent Company's financial asset at FVOCI are generally perceived as not highly susceptible to the equity price risk since the shares are issued by stable companies and are not subjected to other than temporary decline.

There is no impact on the Parent Company's equity other than those already affecting net income.

23. Segment Reporting

The Parent Company has determined that it is operating as an operating segment. Based on management's assessment, no part or component of the business of the Parent Company meets the qualifications of an operating segment as defined by PFRS 8, *Operating Segments*.

The Parent Company's business operations is its only income generating activity and such is the measure used by the Chief Operating Officer (COO) in allocating resources.



24. Notes to Parent Company Statements of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2019	Cash flows	Non-cash changes	December 31, 2019
Loans payable	₱287,709,500	(₱287,709,500)	₱—	₱—
Lease liability	4,102,104	(3,437,460)	196,379	861,023
Advances from stockholders	100,216,884	54,033,333	3,689,989	157,940,206
Total liabilities from financing activities	₱392,028,488	(₱237,113,627)	₱3,886,368	(₱158,801,229)

	January 1, 2018	Cash flows	Non-cash changes	December 31, 2018
Loans payable	₱365,419,000	(₱77,709,500)	₱—	₱287,709,500
Advances from stockholders	97,151,697	—	3,065,187	100,216,884
Total liabilities from financing activities	₱462,570,697	(₱77,709,500)	₱3,065,187	₱387,926,384

In 2018, the Parent Company issued 67.29 million common shares by way of block sale to implement the amendments in the share purchase agreement (see Note 21). The shares were issued at ₱3.80 per share. Proceeds from issuance of shares amounted to ₱255.69 million in 2018.

The noncash investing and financing activity of the Parent Company are as follows:

- Unrealized gain on financial assets at FVOCI amounted to ₱35,000 and ₱95,000 in 2019 and 2018, respectively.
- As of December 31, 2019, additions to property and equipment with outstanding trade payables amounted to ₱0.45 million.

25. Events after Reporting Date

COVID-19 Outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine until May 31, 2020, general community quarantine until July 30, 2020, and modified enhanced community quarantine until August 18, 2020, unless earlier lifted or extended throughout the island of Luzon. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Parent Company continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In the interim, in line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Parent Company.

The Parent Company considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. The Parent Company will continue to monitor the situation and assess its impact on its 2020 financial results and periods thereafter.

AOC suspension of operations

On March 30, 2020, the Board of Directors approved to suspend the business operations of AOC in light of the AOC's continuing business challenges.



Sale of CTX

On March 30, 2020, the Board of Directors approved the sale of 80% ownership in CTX to Mr. Fernando Jude Garcia, a founder of the Parent Company, for a total amount of ₱4.00 million.

Issuance of Shares

On May 7, 2020, the Parent Company conducted its Special Stockholders' Meeting on the approval of the issuance of up to 1,706,072,261 new common shares to new investors from the unissued authorized capital stock of the Parent Company. Pending subscription agreement and such other definitive agreements and considering that less than 67% of the outstanding shares of Parent Company was present or represented in the meeting, there was no stockholders' approval on the purchase of 100% interest in Wavemaker US Fund Management Holdings, LLC.

Sale of Treasury Shares

On July 23, 2020, the Board of Directors approved the issuance of 966,667 Xurpas shares to certain employees of the Parent Company from its treasury shares.

26. Supplementary Information Required Under Revenue Regulations 15-2010

Revenue Regulations (RR) No. 15-2010 are promulgated to amend certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of parent company financial statements accompanying tax returns. In addition to the disclosures mandated under PFRS, RR No. 15-2010 requires disclosures regarding information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company also reported and/or paid the following types of taxes for 2019:

Value-added tax

Output VAT

The Parent Company is a VAT-registered company with VAT output tax declaration of ₱2.24 million for 2019 based on the net receipts on taxable sales of services amounting to ₱18.65 million.

Input VAT

Details of the Parent Company's input VAT follow:

Input tax carried over from previous period	₱1,593,007
Current year's domestic purchases/payments for:	
Domestic purchase of services	5,391,580
Domestic purchases of goods other than capital goods	46,147
Purchase of capital goods not exceeding ₱1 million	21,191
Amortization of deferred input tax on capital goods exceeding ₱1 million from previous year	41,304
	7,093,229
Claims for tax credit/refund and other adjustments	(2,237,641)
Balance at end of year	₱4,855,588

The Parent Company's taxable sale of services are based on actual collections received, hence, may not be the same as amounts accrued in the parent company statements of comprehensive income.



Taxes and Licenses

This includes all other taxes, local and national, including licenses and permit fees lodged in the Parent Company statement of comprehensive income under the general and administrative expenses in the account "Taxes and licenses" for the year ended December 31, 2019.

Details consist of the following:

Documentary stamp tax	₱1,859,868
Municipal permits and licenses	558,306
Capital gains tax	469,681
Community tax certificate	10,500
BIR annual registration	500
Others	112,532
	<u>₱3,011,387</u>

Withholding Taxes

Details of withholding taxes for 2019 are as follow:

Withholding taxes on compensation and benefits	₱6,956,316
Final withholding taxes	4,891,325
Expanded withholding taxes	4,353,255
	<u>₱16,200,896</u>

Tax Contingencies

The Parent Company did not receive any final tax assessments in 2019, nor did it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of Bureau of Internal Revenue.



COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

X	U	R	P	A	S		I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S		

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

7	t	h		F	l	o	o	r		C	a	m	b	r	i	d	g	e		C	e	n	t	r	e		1	0	8
	T	o	r	d	e	s	i	l	l	a	s		S	t	.		S	a	l	c	e	d	o		V	i	l	l	a
	g	e	,		M	a	k	a	t	i		C	i	t	y														

Form Type

A	C	F	S
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Department requiring the report

S	E	C
---	---	---

Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

info@xurpas.com

Company's Telephone Number

8889-6467

Mobile Number

N/A

No. of Stockholders

26

Annual Meeting (Month / Day)

2nd Monday of May

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Alexander D. Corpuz

Email Address

mar@xurpas.com

Telephone Number/s

8889-6467

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

7th Floor Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



**“STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS”**

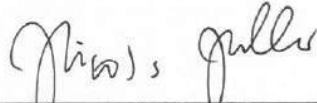
The management of **XURPAS INC. AND SUBSIDIARIES** (the “Group”) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

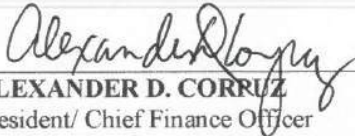
The Board of Directors is responsible for overseeing the Group’s financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



NICO JOSE S. NOLLEDO
Chairman of the Board



ALEXANDER D. CORRUIZ
President/ Chief Finance Officer



FERNANDO LUBE GARCIA
Treasurer/ Chief Technology Officer

Signed this _____

Republic of the Philippines)
PASIG CITY) S.S.

SUBSCRIBED AND SWORN to before me this 14th day of August 2020 at Pasig City affiants exhibiting to me their respective Passports:

Name	Passport No.	Date of Issuance	Place of Issuance
NICO JOSE S. NOLLEDO	P3513313A	June 28, 2017	DFA Manila
FERNANDO JUDE F. GARCIA	P3524556B	October 15, 2019	DFA NCR East
ALEXANDER D. CORPUZ	P5670777A	January 18, 2018	DFA NCR East

Doc. No. 247 ;
Page No. 45 ;
Book No. 5 ;
Series of 2020.

ATTY. MARIEL CLAIRE D. GONZALES
PTR No. 5242389 / 01-10-2020 / Pasig City
IBP LIFETIME No. 017254 / 06-09-17
MCLE Commission No. 01720853; 09-25-19
Gorrice Africa Carmon & Saavedra Law Office
5th Flr. Strata 2000 Building, F. Ortigas, Jr. Road
Pasig City, Tel. No. (02)6960988/6990687
Appointment No. 147 (2019-2020)

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
Xurpas Inc.
7th Floor Cambridge Centre
108 Tordesillas St.
Salcedo Village, Makati City

Opinion

We have audited the consolidated financial statements of Xurpas Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Group incurred net losses of ₱2,635.36 million and ₱811.64 million, and net operating cash outflows of ₱116.21 million and ₱186.02 million for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Group's current liabilities exceeded its current assets by ₱357.60 million and ₱348.02 million, respectively. As stated in Note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment testing of goodwill and investment in associates

The Group has goodwill arising from business combinations and has various investment in associates. Under PFRSs, the Group is required to annually test the amount of goodwill for impairment while an investment in associate is tested for impairment when indicators exist that the investment may be impaired. This assessment of whether indicator of impairment exists and impairment tests are significant to our audit because the balance of goodwill and investment in associates as of December 31, 2019 is material to the consolidated financial statements and involves significant judgements and estimates. In addition, management's assessment process is complex and judgmental and is based on assumptions, specifically discount rates, growth rates, earnings before interest, taxes, depreciation and amortization (EBITDA) margins and capital expenditures.

The Group's disclosures about goodwill are included in Notes 3 and 11 while the disclosures about investment in associates are included in Note 9 to the consolidated financial statements.

Audit Response

We reviewed the Group's assessment of whether an indicator of impairment exists for its investment in associates. We involved our internal specialist in evaluating the methodologies and the assumptions used in the impairment testing analyses. These assumptions include discount rates, growth rates, EBITDA margins and capital expenditures. We compared the key assumptions used, such as growth rates, EBITDA margins and capital expenditures against the historical performance of the subsidiaries and associates and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and investment in associates.



Accounting for cryptocurrency transactions

The Group has cryptocurrency related transactions during the year. The Group received funds denominated in both fiat and crypto currencies, and recognized certain obligations which include, among others, possible settlement of the funding in cash or through its own equity securities, building a platform, and issuance of own tokens. As of December 31, 2019, the Group continues to recognize certain crypto assets and constructive obligations coming from past cryptocurrency transactions. The related platform is still in the development stage but the Group has already issued its own tokens to investors during the year. The accounting for cryptocurrency transactions and balances was significant to our audit because of (a) the significance of the outstanding liabilities to the consolidated financial statements, (b) the use of blockchain technology to support the existence and completeness of cryptocurrency transactions, (c) involvement of an emerging area of accounting for cryptocurrency transactions, and (d) involvement of significant management analysis and estimation in determining the valuation of certain liabilities.

The Group's disclosures about cryptocurrency transactions are included in Notes 2 and 11 to the consolidated financial statements.

Audit Response

We obtained the Group's listing of cryptocurrency transactions and selected a sample of transactions. We inspected record of cryptocurrency transactions and balances on the public blockchain ledger by using multiple third-party block explorers. We obtained confirmation of cryptocurrencies held by a third party. We also recalculated realized gains/losses from the conversion of cryptocurrencies to fiat currency. We obtained management's updated analysis and estimation in determining the valuation of certain liabilities. We evaluated the Group's accounting policies for cryptocurrency transactions, including the related disclosures.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2019 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) for the year ended December 31, 2019, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

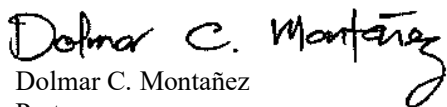
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is
Dolmar C. Montañez.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez

Partner

CPA Certificate No. 112004

SEC Accreditation No. 1561-AR-1 (Group A),

January 31, 2019 valid until January 30, 2022

Tax Identification No. 925-713-249

BIR Accreditation No. 08-001998-119-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 8125272, January 7, 2020, Makati City

August 14, 2020



XURPAS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 28)	₱153,929,046	₱177,396,187
Accounts and other receivables (Notes 5, 20 and 28)	37,182,831	530,636,685
Contract assets (Note 6)	8,290,141	9,748,084
Other current assets (Note 8)	44,201,116	57,901,437
Total Current Assets	243,603,134	775,682,393
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Notes 7 and 28)	440,000	475,000
Investment in associates (Note 9)	319,936,508	455,995,470
Property and equipment (Note 10)	8,763,883	59,520,797
Right-of-use assets (Notes 2 and 19)	4,612,485	—
Intangible assets (Notes 11 and 23)	101,129,808	3,612,923,684
Pension assets (Note 22)	—	1,410,282
Deferred tax assets - net (Note 21)	—	14,186,692
Other noncurrent assets (Notes 8 and 9)	35,457,027	46,370,777
Total Noncurrent Assets	470,339,711	4,190,882,702
	₱713,942,845	₱4,966,565,095
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12, 20 and 28)	₱478,249,032	₱654,522,147
Loans payable (Notes 13 and 28)	52,130,272	358,741,481
Contract liabilities (Note 6)	68,048,657	44,498,497
Income tax payable	3,184	2,190,193
Current portion of lease liabilities (Notes 2 and 19)	2,775,923	—
Other current liabilities (Note 14)	—	63,753,036
Total Current Liabilities	601,207,068	1,123,705,354
Noncurrent Liabilities		
Advances from stockholders - net of current portion (Notes 20 and 28)	54,033,333	—
Lease liabilities - net of current portion (Notes 2 and 19)	1,033,602	25,388
Deferred tax liabilities - net (Note 21)	6,951,740	352,729,028
Pension liabilities (Note 22)	24,823,772	23,521,092
Total Noncurrent Liabilities	86,842,447	376,275,508
Total Liabilities	688,049,515	1,499,980,862
Equity		
Equity attributable to equity holders of Xurpas Inc.		
Capital stock (Note 25)	193,492,585	193,492,585
Additional paid-in capital (Note 25)	3,585,092,298	3,592,076,662
Deficit (Note 25)	(3,184,802,325)	(556,374,537)
Net unrealized loss on financial assets at FVOCI (Note 7)	(44,254,956)	(44,219,956)
Cumulative translation adjustment	47,950,210	34,451,988
Remeasurement gain (loss) on defined benefit plan (Note 22)	(2,571,739)	5,475,312
Equity reserve (Notes 23 and 25)	(363,424,608)	(402,222,322)
Treasury stock (Note 25)	(107,418,911)	(115,464,275)
	124,062,554	2,707,215,457
Noncontrolling interests (Notes 23 and 24)	(98,169,224)	759,368,776
Total Equity	25,893,330	3,466,584,233
	₱713,942,845	₱4,966,565,095

See accompanying Notes to Consolidated Financial Statements.



XURPAS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
INCOME			
Service income (Note 15)	₱879,812,486	₱1,153,342,488	₱2,009,551,016
Sale of goods	92,146,792	88,845,797	94,018,662
	971,959,278	1,242,188,285	2,103,569,678
COST AND EXPENSES			
Cost of services (Note 16)	742,192,172	1,062,874,019	1,373,414,504
Cost of goods sold	83,281,895	69,727,817	81,005,679
	825,474,067	1,132,601,836	1,454,420,183
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	2,204,423,906	701,044,377	572,616,955
EQUITY IN NET LOSSES OF ASSOCIATES (Note 9)	33,286,655	52,988,467	36,721,355
OTHER (INCOME) CHARGES - NET (Note 18)	517,983,414	22,687,905	(82,228,258)
	2,755,693,975	776,720,749	527,110,052
INCOME (LOSS) BEFORE INCOME TAX	(2,609,208,764)	(667,134,300)	122,039,443
PROVISION FOR INCOME TAX (Note 21)	26,152,416	144,506,949	19,467,099
NET INCOME (LOSS)	(2,635,361,180)	(811,641,249)	102,572,344
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustment	9,118,386	7,701,974	15,472,390
Share in OCI of an associate from cumulative translation adjustment (Note 9)	4,375,181	(8,656,022)	2,528,551
Unrealized gain on AFS financial assets (Note 7)	—	—	80,000
<i>Item that may not be reclassified to profit or loss in subsequent periods:</i>			
Unrealized gain (loss) on financial assets at FVOCI (Note 7)	(35,000)	95,000	—
Remeasurement gain (loss) on defined benefit plan, net of tax (Note 22)	(5,069,301)	9,125,561	3,067,528
	8,389,266	8,266,513	21,148,469
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱2,626,971,914)	(₱803,374,736)	₱123,720,813
Net income (loss) attributable to:			
Equity holders of Xurpas Inc.	(₱2,630,944,855)	(₱765,794,458)	₱35,765,776
Noncontrolling interests	(4,416,325)	(45,846,791)	66,806,568
	(₱2,635,361,180)	(₱811,641,249)	₱102,572,344
Total comprehensive income (loss) attributable to:			
Equity holders of Xurpas Inc.	(₱2,622,740,317)	(₱759,949,025)	₱56,505,176
Noncontrolling interests	(4,231,597)	(43,425,711)	67,215,637
	(₱2,626,971,914)	(₱803,374,736)	₱123,720,813
Earnings (loss) per share (Note 27)			
Basic	(₱1.41)	(₱0.41)	₱0.02
Diluted	(₱1.41)	(₱0.41)	₱0.02

See accompanying Notes to Consolidated Financial Statements.



XURPAS INC. AND SUBSIDIARIES

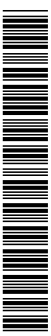
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year Ended December 31, 2019												
Equity attributable to equity holders of Xurpas Inc.												
	Capital Stock (Note 25)	Additional Paid-in Capital (Note 25)	Retained Earnings - Appropriated (Note 25)	Retained Earnings - Unappropriated (Deficit) (Notes 2 and 25)	Net Unrealized Loss on Financial Assets at FVOCI (Note 7)	Cumulative Translation Adjustment	Remeasurement Gain (Loss) on Defined Benefit Plan (Note 22)	Equity Reserve (Notes 23 and 25)	Treasury shares (Note 25)	Total	Non- Controlling Interest	Total Equity
Balances at beginning of year, as previously reported	₱193,492,585	₱3,592,076,662	₱115,464,275	(₱671,838,812)	(₱44,219,956)	₱34,451,988	₱5,475,312	(₱402,222,322)	(₱115,464,275)	₱2,707,215,457	₱759,368,776	₱3,466,584,233
Adjustment as a result of PFRS 16 adoption (Note 2)	-	-	-	(271,300)	-	-	-	-	-	(271,300)	-	(271,300)
Balance at beginning of year, as restated	193,492,585	3,592,076,662	115,464,275	(672,110,112)	(44,219,956)	34,451,988	5,475,312	(402,222,322)	(115,464,275)	2,706,944,157	759,368,776	3,466,312,933
Issuance of treasury shares (Note 25)	-	(6,984,364)	-	-	-	-	-	-	8,045,364	1,061,000	-	1,061,000
Derecognition of defined benefit plan (Note 22)	-	-	-	(813,261)	-	-	813,261	-	-	-	-	-
Acquisition of noncontrolling interest (Notes 23 and 25)	-	-	-	-	-	-	-	36,090,788	-	36,090,788	(36,090,788)	-
Increase in noncontrolling interest (Notes 23 and 25)	-	-	-	-	-	-	-	2,706,926	-	2,706,926	4,375,884	7,082,810
Sale of a subsidiary (Note 24)	-	-	-	3,601,628	-	-	(3,601,628)	-	-	-	(821,591,499)	(821,591,499)
Net income	-	-	-	(2,630,944,855)	-	-	-	-	-	(2,630,944,855)	(4,416,325)	(2,635,361,180)
Other comprehensive income (loss) - net of tax effect	-	-	-	-	(35,000)	13,498,222	(5,258,684)	-	-	8,204,538	184,728	8,389,266
Total comprehensive income	-	-	-	(2,630,944,855)	(35,000)	13,498,222	(5,258,684)	-	-	(2,622,740,317)	(4,231,597)	(2,626,971,914)
Balances at end of year	₱193,492,585	₱3,585,092,298	₱115,464,275	(₱3,300,266,000)	(₱44,254,956)	₱47,950,210	(₱2,571,739)	(₱363,424,608)	(₱107,418,911)	₱12,4062,554	(₱98,169,224)	₱25,893,330



Year Ended December 31, 2018

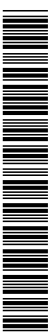
Equity attributable to equity holders of Xurpas Inc.													
	Capital Stock (Note 25)	Additional Paid-in Capital (Note 25)	Retained Earnings Appropriated (Note 25)	Retained Earnings (Deficit) (Note 25)	Net Loss on Financial Assets at FVOCI (Note 7)	Net Unrealized Loss on AFS Financial Assets (Note 7)	Cumulative Translation Adjustment	Remeasurement Gain (Loss) on Defined Benefit Plan (Note 22)	Equity Reserve (Notes 23 and 25)	Treasury shares (Note 25)	Total	Non-Controlling Interest	Total Equity
Balances at beginning of year, as previously reported	₱186,764,015	₱3,343,119,550	₱115,464,275	₱207,266,583	₱-	(₱70,000)	₱35,366,128	(₱1,189,261)	(₱1,250,719,186)	(₱115,464,275)	₱2,520,537,829	₱834,961,420	₱3,355,499,249
Adjustments as a result of PFRS 9 adoption	-	-	-	(113,359,317)	(44,314,956)	70,000	-	-	-	-	(157,604,273)	(127,826)	(157,732,099)
Adjustments as a result of PFRS 15 adoption	-	-	-	(3,144,915)	-	-	-	-	-	-	(3,144,915)	(911,415)	(4,056,330)
Balances at beginning of year, as restated	186,764,015	3,343,119,550	115,464,275	90,762,351	(44,314,956)	-	35,366,128	(1,189,261)	(1,250,719,186)	(115,464,275)	2,359,788,641	833,922,179	3,193,710,820
Issuance of common shares through cash subscription	6,728,570	248,957,112	-	-	-	-	-	-	-	-	255,685,682	-	255,685,682
Cash dividend declaration	-	-	-	-	-	-	-	-	-	-	-	(39,908,698)	(39,908,698)
Increase in noncontrolling interest - net	-	-	-	3,193,295	-	-	-	-	-	-	3,193,295	8,781,006	11,974,301
Expiration of written put option	-	-	-	-	-	-	-	-	848,496,864	-	848,496,864	-	848,496,864
Net loss	-	-	-	(765,794,458)	-	-	-	-	-	-	(765,794,458)	(45,846,791)	(811,641,249)
Other comprehensive income (loss) net of tax effect	-	-	-	-	95,000	-	(914,140)	6,664,573	-	-	5,845,433	2,421,080	8,266,513
Total comprehensive income (loss)	-	-	-	(765,794,458)	95,000	-	(914,140)	6,664,573	-	-	(759,949,025)	(43,425,711)	(803,374,736)
Balances at end of year	₱193,492,585	₱3,592,076,662	₱115,464,275	(₱671,838,812)	(₱44,219,956)	₱-	₱34,451,988	₱5,475,312	(₱402,222,322)	(₱115,464,275)	₱2,707,215,457	₱759,368,776	₱3,466,584,233



Year Ended December 31, 2017

	Equity attributable to equity holders of Xumpas, Inc.									
	Net					Remeasurement				
	Capital Stock (Note 25)	Additional Paid-in Capital (Note 25)	Retained Earnings - Appropriated (Note 25)	Retained Earnings - Unappropriated (Note 25)	Unrealized Loss on Available- for-sale Financial Assets (Note 7)	Cumulative Translation Adjustment	Gain (Loss) on Defined Benefit Plan (Note 22)	Equity Reserve (Notes 23 and 25)	Treasury shares (Note 25)	Total
Balances at beginning of year	P186,764,015	P3,343,119,550	P235,819,709	P143,993,010	(P150,000)	P16,457,357	(P2,939,890)	(P892,221,754)	(P71,510,352)	P2,959,331,645
Appropriation for share buy-back transactions	-	-	26,649,121	(26,649,121)	-	-	-	-	-	-
Reversal of appropriation for share buy-back transactions	-	-	(81,184,846)	81,184,846	-	-	-	-	-	-
Cash dividend declaration	-	-	-	(92,847,637)	-	-	-	-	-	(92,847,637)
Reversal of appropriation for dividend declaration	-	-	(65,819,709)	65,819,709	-	-	-	-	-	-
Payments to a former shareholder of a subsidiary	-	-	-	-	-	-	-	(358,497,432)	-	(358,497,432)
Acquisition by a subsidiary of its own shares from noncontrolling interest shareholders	-	-	-	-	-	-	-	-	-	-
Share buy-back transactions	-	-	-	-	-	-	-	-	(43,953,923)	(43,953,923)
Net income	-	-	-	35,765,776	-	-	-	-	-	35,765,776
Other comprehensive income - net of tax effect	-	-	-	-	80,000	18,908,771	1,750,629	-	-	20,739,400
Total comprehensive income	-	-	-	-	35,765,776	18,908,771	1,750,629	-	-	56,505,176
Balances at end of year	P186,764,015	P3,343,119,550	P115,464,275	P207,266,583	(P70,000)	P35,366,128	(P1,189,261)	(P1,250,719,186)	(P115,464,275)	P2,520,537,829
										P834,961,420
										P3,355,499,249

See accompanying Notes to Consolidated Financial Statements.



XURPAS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	(P2,609,208,764)	(P667,134,300)	P122,039,443
Adjustments for:			
Provision for impairment loss (Notes 8, 9 and 11)	1,920,116,143	144,855,367	—
Loss on disposal of subsidiary (Note 18)	478,950,094	—	—
Depreciation and amortization (Notes 10, 11, 16, 17 and 19)	76,642,043	69,188,578	66,975,820
Interest expense (Notes 13, 18 and 19)	39,684,855	31,109,017	5,904,716
Equity in net losses of associates (Note 9)	33,286,655	52,988,467	36,721,355
Pension expense (Note 22)	2,861,212	(8,881,074)	11,778,555
Realized foreign exchange loss (gain) on sale of cryptocurrencies	442,064	(2,469,611)	—
Loss (gain) on retirement and disposal of property and equipment (Notes 10 and 18)	244,602	(1,041,683)	316,001
Loss from sale of cryptocurrencies (Notes 11 and 18)	185,884	4,985,487	—
Other income (charges) subsequent to a business combination (Notes 18 and 23)	—	—	(90,912,178)
Gain from expiration of liability for written put option (Notes 18 and 23)	—	(16,209,100)	—
Realized gain from redemption of financial assets at FVPL	—	—	(2,216,289)
Interest income (Note 4)	(1,643,224)	(444,430)	(1,588,435)
Unrealized foreign currency exchange loss (gain)	(1,787,912)	4,555,232	(8,677,654)
Unrealized loss (gain) on revaluation of cryptocurrencies (Notes 11 and 18)	(2,049,649)	2,551,474	—
Gain on curtailment (Note 22)	(3,605,380)	—	(2,924,924)
Operating income (loss) before changes in working capital	(65,881,377)	(385,946,576)	137,416,410
Changes in working capital:			
Decrease (increase) in:			
Accounts and other receivables and contract assets - net	(45,060,315)	304,183,225	111,235,958
Other assets	(5,319,550)	42,492	(5,315,085)
Increase (decrease) in:			
Accounts and other payables	28,397,023	(27,647,167)	76,645,851
Contract liabilities	42,652,758	44,498,497	—
Other current liabilities	(8,109,539)	(40,039,853)	67,736,955
Net cash generated from (used in) operations	(53,321,000)	(104,909,382)	387,720,089
Interest received	1,643,224	444,430	1,588,435
Interest paid	(33,255,283)	(27,363,844)	(4,767,843)
Income taxes paid, including creditable withholding taxes	(31,274,360)	(54,188,050)	(136,019,397)
Net cash provided by (used in) operating activities	(116,207,419)	(186,016,846)	248,521,284
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of subsidiary, net of cash disposed (Note 24)	373,028,681	—	—
Proceeds from disposal of property and equipment (Note 10)	3,075,635	3,934,123	338,131,778
Proceeds from sale of cryptocurrencies (Note 11)	2,411,670	158,524,137	(10,571,807)
Decrease in other noncurrent assets	—	4,365,067	5,021,105
Collection from financial assets at FVOCI (Note 7)	—	6,000,000	—
Additions to:			
Property and equipment (Notes 10 and 30)	(9,286,275)	(17,593,227)	(26,383,728)
Intangible assets (Notes 11 and 30)	(3,036,792)	—	—
Available-for-sale financial assets (Note 7)	—	—	(6,000,000)
Investment in associates (Note 9)	—	(1,977,018)	—
Payments to a former shareholder of a subsidiary (Note 23)	—	(255,685,683)	(470,087,747)
Net cash provided by (used in) investing activities	366,192,919	(102,432,601)	(169,890,399)

(Forward)



	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from stockholders (Note 20)	₱150,000,000	₱—	₱—
Proceeds from loans payable (Note 13)	9,735,561	317,741,455	407,419,000
Increase in noncontrolling interest (Note 23)	7,082,805	11,974,301	—
Issuance of treasury shares (Note 25)	1,061,000	—	—
Issuance of shares (Note 25)	—	255,685,683	—
Payment of finance lease liabilities (Note 19)	—	1,029,517	(1,863,531)
Purchase of treasury shares (Note 25)	—	—	(43,953,923)
Payments to a former shareholder of a subsidiary (Note 23)	—	—	(358,497,432)
Acquisition of noncontrolling interest (Note 23)	(4,000,000)	—	—
Dividends paid (Note 25)	(10,983,978)	(13,819,758)	(231,078,267)
Payment of principal portion of lease liabilities (Note 19)	(21,833,336)	—	—
Payment of advances from stockholders (Note 20)	(95,966,667)	—	—
Payment of loans payable (Note 13)	(316,346,770)	(336,418,974)	(46,998,370)
Net cash provided by (used in) financing activities	(281,251,385)	236,192,224	(274,972,523)
EFFECT OF FOREIGN CURRENCY EXCHANGE			
RATE CHANGES ON CASH AND CASH EQUIVALENTS	7,798,744	14,398,900	(16,921,505)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(23,467,141)	(37,858,323)	(213,263,143)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	177,396,187	215,254,510	428,517,653
CASH AND CASH EQUIVALENTS AT END OF YEAR			
(Note 4)	₱153,929,046	₱177,396,187	₱215,254,510

See accompanying Notes to Consolidated Financial Statements.



XURPAS INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Xurpas Inc. (the Parent Company or Xurpas) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 26, 2001. The principal activities of the Parent Company and its subsidiaries (collectively referred to as the Group) are to develop, produce, sell, buy or otherwise deal in products, goods or services in connection with the transmission, receiving, or exchange of voice, data, video or any form or kind of communication whatsoever.

The Parent Company's registered office address and principal place of business is at 7th Floor, Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City.

On December 2, 2014, the Parent Company's shares of stock were listed in the Philippine Stock Exchange (PSE).

The Group incurred net losses of ₱2,635.36 million and ₱811.64 million, and net operating cash outflows of ₱116.21 million and ₱186.02 million for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Group's current liabilities exceeded its current assets by ₱357.60 million and ₱348.02 million, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business. Management assessed that the Group will be able to maintain its positive cash position and settle its liabilities as they fall due through future actions such as continuous venture into new revenue potentials, cost cutting measures, negotiations for the extension of the maturity of the Group's existing loans and entry of new strategic investors which can provide another revenue source and support liquidity.

Management does not have plans to liquidate and continues to believe that the Group is in a unique position being one of the few technology companies that can assist companies in their digital transformation initiatives and develop marketing promotions for consumer and enterprise businesses.

Planned acquisition of Wavemaker US Fund Management Holdings, LLC

In 2019, the Parent Company's Board of Directors (BOD) approved the acquisition of 100% equity interest in Wavemaker US Fund Management Holdings, LLC, a venture capital management firm based in Los Angeles. As of August 14, 2020, the transaction is subject to the approval of stockholders.

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on August 14, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI). The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All amounts were rounded off to the nearest peso, except when otherwise indicated.



Statement of Compliance

The accompanying consolidated financial statements of the Group as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019 have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Xurpas Inc. and its subsidiaries as at December 31, 2019 and 2018.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voter holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not wholly owned and are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.

Total comprehensive income within a subsidiary is attributed to the noncontrolling interest even if that results in a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any noncontrolling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.



- Reclassifies the parent's share of components previously recognized in other comprehensive income (OCI) to profit or loss or retained earnings, as appropriate.

As of December 31, 2019, 2018 and 2017, the consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage Ownership			Principal Activities
	2019	2018	2017	
Xeleb Technologies Inc. (Xeleb Technologies)	100.00%	67.00%	67.00%	Enterprise services and mobile consumer services
Xeleb Inc. (Xeleb)	100.00	67.00	67.00	Mobile consumer services
Seer Technologies, Inc. (Seer)	70.00	70.00	70.00	Enterprise services
Codesignate Inc. (Codesignate)*	52.50	52.50	52.50	Enterprise services
Storm Technologies, Inc. (Storm)	51.31	53.96	56.60	Human resource management
Pt. Storm Benefits Indonesia (Storm Indonesia)**	51.31	53.96	56.60	Human resource management
Allcare Technologies, Inc.**	51.31	—	—	Human resource management
Yondu Inc. (Yondu)	—	51.00	51.00	Enterprise services and mobile consumer services
Rocket Search Inc. (formerly Yondu Software Labs Inc.) (RSI)	—	51.00	51.00	Enterprise services
Xurpas Enterprise Inc. (Xurpas Enterprise)	100.00	100.00	100.00	Enterprise services
Art of Click Pte. Ltd. (AOC)	100.00	100.00	100.00	Mobile consumer services
ODX Pte. Ltd. (ODX)	100.00	100.00	—	Enterprise services
CTX Technologies Inc.	100.00	100.00	—	Enterprise services

*Codesignate is a 75.00%-owned subsidiary of Seer. The Group's effective ownership over Codesignate is 52.50%. The Group has determined that it has control over the entity and consolidates the entity on this basis.

** Storm Indonesia and Allcare are 100%-owned of Storm Technologies, Inc.

All subsidiaries are domiciled in the Philippines except for Storm Indonesia, which is domiciled in Indonesia, and AOC and ODX, which are domiciled in Singapore.

Xeleb Technologies, Inc.

Xeleb Technologies, Inc. was organized to primarily engage in the business of mobile content development. As of December 31, 2018, the Parent Company's interest in Xeleb Technologies to 67%.

In 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33% stake in Xeleb Technologies from its minority stakeholders for a total consideration of ₱4.00 million. This brought Parent Company's interest in Xeleb Technologies to 100%.

On September 11, 2019, the BOD of the Parent Company approved the dissolution of Xeleb Technologies.



Xurpas Enterprise Inc.

On March 23, 2016, the Parent Company incorporated Xurpas Enterprise. Xurpas Enterprise was organized to primarily engage in the business of software development including designing, upgrading and marketing all kinds of information technology systems or parts thereof and other related services.

Xeleb Inc.

On July 14, 2015, the Parent Company incorporated Xeleb Inc., a mobile games company domiciled in the Philippines. Xeleb was organized primarily to design, develop, test, build, market, distribute, maintain, support, customize, sell and/or sell applications, games, software, digital solutions, whether internet, mobile or other handheld applications, portals, hardware and other related projects and services, except internet provider services, both for proprietary and custom development purposes.

On September 11, 2019, the BOD of the Parent Company approved the dissolution of Xeleb.

Storm Technologies, Inc.

The Parent Company's ownership is 56.60% of the outstanding capital stock of Storm as of December 31, 2017. In 2018, Storm issued 3,601 common shares to various individuals for a total of ₱11.97 million. This brought down the Parent Company's ownership from 56.60% to 53.96% of the outstanding capital stock of Storm, which resulted in a transfer of the Parent Company's share in the accumulated net losses of Storm to the noncontrolling interest amounting to ₱3.19 million. Net increase in NCI amounted to ₱8.78 million. No change in control resulted from the said transaction.

In 2019, Storm issued 3,985 common shares to various individuals for a total consideration of ₱4.38 million. This brought down the Parent Company's ownership from 53.96% to 51.31% of the outstanding capital stock of Storm. Net increase in NCI amounted to ₱4.38 million. No change in control resulted from the said transaction.

Storm's primary purpose is to create, develop and maintain an online platform that allows companies to exchange their current human resources benefits given to employees and transform them into a wide range of products and services, provide client management services, data management and information processing services, software network management services, software development services, consultancy, project and program management, marketing solutions, information technology services and business process outsourcing services to various companies.

Art of Click Pte. Ltd.

On October 6, 2016, Xurpas signed a Share Purchase Agreement with Emmanuel Michael Jean Allix and Wavemaker Labs Pte. Ltd. (the "Sellers") for the acquisition of 100% stake in AOC for an aggregate consideration of ₱1.94 billion in cash and in Parent Company's shares (see Note 23).

AOC is engaged in the business of mobile media agency that offers a marketing platform for advertisers.

ODX Pte. Ltd.

On April 27, 2018, the Parent Company incorporated a wholly-owned subsidiary in Singapore, ODX, with the following principal activities: 1) other information technology and computer service activities (e.g., disaster recovery services) and 2) development of software for interactive digital media (except games).



CTX Technologies Inc. (“CTX”)

On October 16, 2018, the Parent Company incorporated a wholly-owned subsidiary, CTX, an entity engaged as a remittance and transfer company, to operate as a virtual currency exchange. As of December 31, 2019 and 2018, CTX has not yet started its operations.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for amended PFRS and improvements to PFRS which were adopted beginning January 1, 2019. Adoption of these new standards and amendments did not have any significant impact on the consolidated financial position or performance unless otherwise indicated.

- Amendments to PFRS 9, *Financial Instruments, Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

Lessor accounting under PFRS 16 is substantially unchanged from today’s accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal to the leased assets and finance lease liabilities recognized under PAS 17). The requirements of PFRS 16 was applied to these leases from January 1, 2019.

Leases previously classified as operating leases

As a lessee, the Group adopted PFRS 16 using the modified retrospective approach in 2019 and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. Under the modified retrospective approach, the Group recognized right-of-use assets for some leases based on its carrying amount as if PFRS 16 had always been applied while the lease liabilities are recognized at date of adoption, January 1, 2019. The difference between the right-of-use assets and lease liabilities is recognized in the beginning Retained Earnings as at January 1, 2019. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group has lease contracts for the office spaces it occupies. Before the adoption of PFRS 16, the Group classified its leases at the inception date as operating leases. Except for short-term leases, upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.



The Group also applied the available practical expedients wherein it:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The effect of the adoption of PFRS 16 to the statement of financial position as at January 1, 2019 is as follows:

	Increase (decrease)
Right-of-use assets - net	₱77,935,560
Advance rentals*	(7,209,658)
Property and equipment	(1,660,738)
Lease liabilities	76,495,086
Accounts and other payables	(7,158,621)
Retained earnings	(271,300)

* This account is recognized under "Other current assets" in the consolidated statement of financial position

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitment as at December 31, 2018	₱100,729,826
Weighted average incremental borrowing rate (IBR) at January 1, 2019	5.84%
Discounted operating lease commitments at January 1, 2019	94,818,191
Commitments relating to short term leases	(25,360,046)
Commitments relating to leases previously classified as finance lease (Note 19)	7,036,941
Lease liabilities recognized at January 1, 2019	₱76,495,086

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

These amendments had no material impact on the consolidated financial statements of the Group.



- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. An entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation does not have an impact on the consolidated financial statements of the Group.

- *Annual Improvements to PFRS 2015-2017 Cycle*

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.



Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.



Deferred effectivity

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

During its March 2020 Board Meeting, the International Accounting Standards Board (IASB) completed its planned re-deliberations on the Exposure Draft Amendments to PFRS 17, *Insurance Contracts*. The IASB agreed to defer the effective date of PFRS 17 to annual reporting periods beginning January 1, 2023.

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Current and Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current / noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;



- Expected to be realized within twelve months after the reporting period; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks are stated at face amount and earn interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of changes in value.

Fair Value Measurement

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy (see Note 28).

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



Financial Instruments - initial recognition and subsequent measurement effective January 1, 2018

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets

Initial recognition of financial instrument

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*. Refer to the accounting policies on revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes "Cash" and "Accounts and other receivables" (except for "Advances to employees" which are subject to liquidation), "Refundable deposits" under other current assets, and "Cash bond" under other noncurrent assets.



Financial assets at FVOCI (debt instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group has not designated any financial assets under this category.

Financial assets at FVOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its quoted and unquoted equity investments under this category.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in profit or loss when the right of payment has been established.

The Group has designated its unquoted debt investments under this category.



Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets and Contract Assets

The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL and contract assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for trade receivables and contract assets that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as receivable from related parties, other receivables, refundable deposits under other current assets, cash bond under other noncurrent assets and financial assets at FVOCI (debt instruments), ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, where there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.



The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

b. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to PSA and statutory payables included as "Others"), "Loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities are only designated as at FVPL



when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in equity reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Financial liabilities arising from amounts received under the Share and Token Allocation Agreement classified as "Nontrade payables" under "Accounts and other payables" were designated at FVTPL as it contains embedded derivatives.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to short-term debts.

Other Financial Liabilities

Issued financial instruments or their components, which are not designated at FVPL, are classified as accounts payable and accrued expenses where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effect of restatement of foreign currency-denominated liabilities is recognized in profit or loss.



This accounting policy applies to the Group's "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to PSA and statutory payables included as "Others") and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

c. Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Financial Instruments - initial recognition and subsequent measurement prior to January 1, 2018

Financial Instruments

Initial recognition of financial instrument

The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity investments (HTM), available-for-sale (AFS) investments and loans and receivables. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

Financial assets at FVPL

Financial assets at FVPL include financial assets held-for-trading and financial assets designated upon initial recognition as at FVPL.

Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract.

Financial assets at FVPL are recorded in the consolidated statement of financial position at fair value, with changes in the fair value recorded in the consolidated statement of comprehensive income, included under "Other income" account.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified as other financial assets held for trading, designated as AFS investments or financial assets designated at FVPL.

AFS financial assets

AFS financial assets are those which are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM financial assets, or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets include convertible notes and equity investments.



Impairment of Financial Assets

The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original EIR of the asset. Accounts and other receivables, together with associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as customer type, credit history, past-due status and terms.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

AFS financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.



In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss as "Miscellaneous" under "General and administrative expenses" account. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Interest income" account in profit or loss. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Investment in Associates

The Group's investment in associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

An investment is accounted for using the equity method from the day it becomes an associate. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the associate.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in values. The consolidated statement of comprehensive income reflects the share of the results of the operations of the associate company. The Group's share of post-acquisition movements in the associate's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the associate company are eliminated to the extent of the interest in the associate company and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investment in an associate is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associate. When the associate subsequently reports net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.



Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Cost which includes all cost directly attributable to acquisition such as purchase price and transport cost is determined using the first in, first out method. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. It excludes the cost of day-to-day servicing.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the property and equipment which are as follows:

	Years
Transportation equipment	3 to 5
Office equipment	2 to 4
Information technology (IT) equipment	2 to 4
Furniture and fixtures	2 to 5
Leased asset	3 to 5
Leasehold improvements	Useful life or lease term, whichever is shorter

The estimated residual values, useful life and depreciation and amortization method are reviewed at least annually to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

If there is an indication that there has been a significant change in depreciation and amortization rate or the useful lives, the depreciation of that property and equipment is revised prospectively to reflect the new expectations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.



Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Cryptocurrencies which are not held in the ordinary course of business are recognized as intangible assets as these are identifiable non-monetary asset without physical substance.

Following initial recognition, intangible assets (other than cryptocurrencies) are carried at cost less any accumulated amortization and accumulated impairment losses. Cryptocurrencies are subsequently carried at revalued amount, being its fair value at the date of the revaluation less any accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The estimated useful lives of intangible assets follow:

	Years
Customer relationships	Indefinite
Cryptocurrencies	Indefinite
Leasehold rights	7
Developed software	5 – 8

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

If the cryptocurrencies' carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the cryptocurrencies' carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.



Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of goods sold.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument, is measured at fair value with changes in fair value recognized either in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit



from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Noncontrolling Interests

In a business combination, as of the acquisition date, the Group recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. There is a choice of two measurement methods for those components of noncontrolling interests that are both present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of a liquidation. They can be measured at:

- a. acquisition-date fair value (consistent with the measurement principle for other components of the business combination); or
- b. at their proportionate share of the value of net identifiable assets acquired.

Written put option over NCI

Any put option granted to noncontrolling interests gives rise to a financial liability measured at fair value, which will be the present value of the redemption amount. The Group's accounting policy on financial instruments applies for the subsequent measurement of the financial liability.

The Group assesses whether the terms and conditions of the option give the acquirer present access to the ownership interest in the share subject to the put option. Factors that indicate that the NCI put provides a present ownership interest include:

- a. pricing - to the extent that the price is fixed or determinable, rather than being at fair value;
- b. voting rights and decision-making - to the extent that the voting rights or decision-making connected to the shares concerned are restricted;
- c. dividend rights - to the extent that the dividend rights attached to the shares concerned are restricted; and
- d. issue of call options - a combination of put and call options, with the same period of exercise and same/similar pricing indicates that the arrangement is in the nature of a forward contract.

If it is concluded that the acquirer has a present ownership interest in the shares concerned, the put option is accounted for as an acquisition of the underlying shares, and no noncontrolling interest is recognized.



When the terms of the transaction do not provide a present ownership interest, the noncontrolling interests continues to be recognized within equity until the NCI put is exercised. The carrying amount of noncontrolling interest changes due to allocations of profit or loss, changes in other comprehensive income and dividends declared for the reporting period. The financial liability for the put option is recognized through a debit made to "Equity reserve", a component of equity attributable to the Parent Company.

If the put option is exercised, the entity accounts for an increase in its ownership interest. At the same time, the entity derecognizes the financial liability and recognizes an offsetting credit in the same component of equity reduced on initial recognition.

If the put option expires unexercised, the financial liability is reclassified to the same component of equity that was reduced on initial recognition.

Combinations of Entities under Common Control

Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interests method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity under the "Equity reserve" account.

Impairment of Nonfinancial Assets

The Group assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.



Investment in associates

The Group also determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the associate company and recognizes the difference in profit or loss.

In assessing impairment indicators, the Group considers, as a minimum, the following indicators: (a) dividends exceeding the total comprehensive income of the associate in the period the dividend is declared; or (b) the carrying amount of the investment in the consolidated financial statements exceeding the carrying amount of the associate's net assets, including goodwill.

Intangible assets with indefinite useful life

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.

Impairment of goodwill

For assessing impairment of goodwill, a test of impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGUs is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Equity

Capital stock and additional paid-in capital

Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital". When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. The costs of an equity transaction that is abandoned are recognized as an expense.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings (deficit)

Retained earnings (deficit) represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policy and other capital adjustments.



Unappropriated retained earnings

Unappropriated retained earnings represent the portion of retained earnings that is free and can be declared as dividends to stockholders.

Appropriated retained earnings

Appropriated retained earnings represent the portion of retained earnings which has been restricted and therefore is not available for dividend declaration.

Equity reserve

Equity reserve represents:

- (a) a portion of equity against which the recognized liability for a written put option was charged;
- (b) a portion of equity against which payments to a former shareholder of a subsidiary was charged;
- (c) gains or losses resulting from increase or decrease in ownership without loss of control; and
- (d) difference between the consideration transferred and the net assets acquired in common control business combination.

Revenue Recognition

Prior to adoption of PFRS 15, revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, and sales taxes, if any.

Upon adoption of PFRS 15, revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

Service income

Service income consists of revenue from Value Added Services (VAS) and Business Process Outsourcing (BPO). BPO is further subdivided into IT Staffing, Custom Development and Managed Services, and Products.

VAS are mobile and content application services provided to mobile subscribers. Revenue is recognized at a point in time, that is when services are delivered to the customers during the period.

IT staffing is a business segment where the Group deploys resources to clients to fulfill their IT requirements. Revenue is recognized at a point in time, that is when services are rendered to the customers during the period.

Custom Development and Managed Services are services offered to customers that are produced in the Company's premises. Revenue is recognized over time and at a point in time. In measuring the progress of its performance obligation over time for Custom Development, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the IT specialists.

Products are readily available solutions that will cater to customers' requirements. Revenue is recognized at a point in time, that is when goods are delivered to the customers during the period.



Sale of goods

Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of the consideration received or receivable, net of discounts and applicable taxes. Revenue is recognized at a point in time, which is normally upon delivery.

For the year ended December 31, 2019 and 2018, the Group has no variable consideration but the timing of revenue recognition resulted in contract assets and liabilities.

Contract Balances

Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional (e.g., warranty fees).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer (e.g., upfront fees, implementation fees, subscription fees, etc.). If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Interest Income

Interest income is recognized as it accrues using the effective interest method.

Other Income

Other income is recognized as it accrues.

Cost and Expenses

"Cost of services", "Cost of goods sold", and "General and administrative expenses" are expenditures recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measure reliably. The following specific recognition criteria must also be met before costs and expenses are recognized:

Cost of services

Cost that includes all expenses associated with the specific sale of services. Cost of services include salaries, wages and employee benefits, utilities and communication, supplies and other expenses related to services. Such costs are recognized when the related sales have been recognized.

Cost of goods sold

Cost of goods sold consists of inventory costs related to goods which the Group has sold. Inventory costs include all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

General and administrative expenses

General and administrative expenses constitute expenses of administering the business and are recognized in profit or loss as incurred.



Leases effective January 1, 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Office space	1.5 to 3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of nonfinancial assets section.

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.



iii) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Leases prior to January 1, 2019

Group as lessee

Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Finance lease

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of minimum lease payments. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the assets or the respective lease terms.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred tax

Deferred tax is provided using the balance sheet method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will not reverse in the foreseeable future taxable profit will be available against which the temporary differences can be utilized.



Deferred tax liabilities are not provided on nontaxable temporary differences associated with investment in domestic associates and interests in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial reporting date. Movements in deferred tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period. Deferred tax relating to items outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to off set current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- Where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the consolidated statement of financial position.

Pensions and other long-term employee benefits

The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.



Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The Group also provided other long-term employee benefit obligations to an employee of a subsidiary as remuneration for the services provided by the employee to the subsidiary, which are to be settled in cash. A liability and expense for the long-term employee benefit is recognized when the services have been rendered and is amortized during the period of entitlement.

Share-based Payment Transactions

Certain employees of the Group receive remuneration (bonuses) in the form of share-based payment transactions from the Parent Company, whereby the employees are issued treasury shares in exchange for the rendered services (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value of the shares at the date the shares are granted. This is recognized as salaries, wages and employee benefits expense in profit or loss when vested.

Foreign Currency Transactions

The Group's consolidated financial statements are presented in Philippine Peso, which is also the Parent Company and the subsidiaries' functional currency, except for AOC and ODX, which is US dollar, and Storm Indonesia, which is Indonesian Rupiah. The Philippine peso is the currency of the primary economic environment in which the Parent Company operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions denominated in foreign currencies are initially recorded in Philippine Peso at the exchange rate at the date of transaction. Foreign currency-denominated monetary assets and liabilities are retranslated at the closing rate at reporting date. Exchange gains or losses arising from foreign currency transactions are recognized in profit or loss.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation are taken directly to a separate component of equity under "Cumulative translation adjustment" account. Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in profit or loss.



Investment in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group's share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Earnings per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares, if any.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 29 to the consolidated financial statements.

Provisions

Provisions are recognized when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Accounting for crypto-related transactions

Proceeds Arising from the Pre-Sale Agreements (PSA)

Proceeds from the PSA are recognized upon receipt and measured at the fair value of the related crypto currency. The entire proceeds is presented under the liability section of the consolidated statement of the financial position at initial recognition. The portion of the proceeds which pertains to the estimated costs to develop the ODX platform is treated as a constructive obligation (refer to the accounting policy for Provisions) and offset by the actual costs incurred for the platform. The remaining balance of the proceeds is accounted for by analogy to government grants under PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*. This portion will be amortized over the life of the platform when it becomes available for use.

Platform Development Costs

Actual costs incurred in the development of the ODX platform are offset against provisions and treated as a fulfillment of the constructive obligation arising from the PSA.

ODX Tokens

ODX Tokens generated but not issued are not recognized in the financial statements of the Group. Issuance of ODX Tokens to third parties do not have impact to the consolidated financial statements. Risks and rewards to these ODX Tokens are transferred to the third parties upon issuance.



Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

This policy also applies to agreements which the Group entered into with certain advisors for which the services received are to be paid through internally generated tokens in the future and for which the obligation cannot be measured with sufficient reliability.

Events after the Reporting Period

Post year-end events up to date when the consolidated financial statements are authorized for issue that provide additional information about the Group's position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material. Information on events after the reporting period is presented in Note 31 to the consolidated financial statements.

3. Significant Accounting Judgments and Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in compliance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments and estimates used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

a. Assumption of going concern

The use of the going assumption involves management making judgments, at a particular point in time, about the future outcome of events or condition that are inherently uncertain. The Group has no plans to liquidate. Management assessed that it will be able to maintain its positive cash position and settle its liabilities as they fall due through future actions such as continuous venture into new revenue potentials, cost cutting measures, negotiations for the extension of the maturity of the Group's existing loans and entry of new strategic investors which can provide another revenue source and support liquidity. Accordingly, the consolidated financial statements are prepared on a going concern basis.



b. Determination of control over investment in subsidiaries

The Group determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Group's voting rights and potential voting rights

c. Existence of significant influence over associates

The Group determined that it exercises significant influence over its associates (see Note 9) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee) and board representation.

d. Capitalization of development costs

The Group determined that intangible assets arising from development qualify for recognition by determining that all of the following are present:

- i. The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- ii. Intention to complete and its ability and intention to use or sell the asset;
- iii. How the asset will generate future economic benefits;
- iv. The availability of resources to complete the asset; and
- v. The ability to measure reliably the expenditure during development.

e. Determination of constructive obligation arising from cryptocurrency transactions

The Group determined that a constructive obligation exists based on the terms of the agreements and the general expectations of the counterparties.

f. Presentation of Yondu's operations prior to sale

An entity is required to disclose information that enables users of the consolidated financial statements to evaluate the financial effects of discontinued operations. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations, (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale. Management has assessed that Yondu does not meet the criteria for a discontinued operation as it will continue to operate the business segment (i.e. Mobile Consumer and Enterprise Services) where Yondu was part of.

Management's Use of Estimates

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. Evaluating impairment of goodwill, intangible assets with indefinite useful lives and investment in associates

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow (DCF) model.



The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the growth rates, earnings before interest, taxes, depreciation and amortization (EBITDA) margins and capital expenditures used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.

The Group recognized impairment loss on goodwill amounting to ₱1,811.39 million, ₱144.86 million and nil in 2019, 2018 and 2017, respectively, based on an assessment of recoverability of goodwill using the DCF model (see Note 11).

The carrying values of goodwill and customer relationship follow:

	2019	2018
Goodwill (Notes 11 and 23)	₱48,221,984	₱2,399,762,153
Cryptocurrencies (Note 11)	6,081,777	5,484,591
Customer relationship (Notes 11, 23 and 24)	–	1,077,809,700
	₱54,303,761	₱3,483,056,444

Investment in associate is tested for impairment when circumstances indicate that the carrying value may be impaired.

The Group recognized impairment loss for its investment in associates amounting to ₱107.15 million, nil and nil in 2019, 2018 and 2017, respectively. The carrying values of investment in associates amounted to ₱319.94 million and ₱456.00 million as of December 31, 2019 and 2018, respectively (see Note 9).

b. Revenue recognition

The Group's revenue recognition require management to make use of estimates that may affect the reported amount of revenue. The Group's revenue from sale of services for development projects recognized based on the percentage of completion are measured principally on the basis of the estimated completion of the development services. In measuring the progress of its performance obligation over time, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the Group's specialists.

Judgment is exercised in determining whether the Group can recognize revenue outright or over the development period. The Group recognizes revenue over the development period if all of the following criteria are met; otherwise, revenue is recognized outright:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the software/platform under development;
- the delivery the developed software/platform directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.



Revenues from other revenue streams are recognized at a point in time when control over goods or services is transferred (see Note 2).

The Group recognized service income subject to percentage of completion amounting to ₱66.68 million and ₱125.44 million in 2019 and 2018, respectively. The Group recognized revenue from other revenue streams amounting to ₱905.28 million and ₱1,116.75 million in 2019 and 2018, respectively.

c. Provisions and contingencies

The Group is currently involved in assessments for national taxes. The estimate of the probable costs for the resolution of these assessments has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these assessments will have a material effect on the Group's consolidated financial position and results of operations (see Notes 12 and 31).

d. Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of December 31, 2019 and 2018, allowance for impairment losses on accounts and other receivables amounted to ₱263.09 million and ₱265.02 million, respectively (see Notes 5 and 28).

e. Realizability of deferred tax assets

The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the subsidiaries of the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized. The Group looks at its projected performance in the sufficiency of future taxable income.

The Group recognized gross deferred tax assets amounting to ₱1.37 million and ₱18.46 million as at December 31, 2019 and 2018, respectively (see Note 21).

The Group did not recognize deferred tax assets on deductible temporary differences and NOLCO amounting to ₱3,244.34 million and ₱1,124.21 million as at December 31, 2019 and 2018, respectively (see Note 21).



4. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	₱104,525	₱217,029
Cash in banks	52,751,583	177,179,158
Cash equivalents	101,072,938	—
	₱153,929,046	₱177,396,187

Cash in banks earn interest at the prevailing bank deposit rates.

Cash equivalents are short-term, highly liquid investments that are made for varying periods up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term rates.

Interest income earned from cash in banks and cash equivalent amounted to ₱1.64 million, ₱0.44 million and ₱1.59 million in 2019, 2018 and 2017, respectively (see Note 18).

5. Accounts and Other Receivables

This account consists of:

	2019	2018
Trade receivables	₱273,387,545	₱771,395,524
Receivable from related parties (Note 20)	10,377,902	5,808,461
Advances to employees	2,389,525	4,764,040
Others	14,113,381	13,693,032
	300,268,353	795,661,057
Less: Allowance for impairment losses	263,085,522	265,024,372
	₱37,182,831	₱530,636,685

Trade receivables arise from the mobile content development, mobile solution and key platform development services rendered by the Group to its customers. These are noninterest-bearing and are generally settled on a 30- to 60-day term.

Advances to employees mainly pertain to advances which are subject to liquidation.

Others are noninterest-bearing and are generally collectible within one year.

The table below shows the movements in the provision for impairment losses of trade receivables:

	2019	2018
Balance at beginning	₱265,024,372	₱118,853,129
Translation adjustments	8,220,359	(4,313,240)
Provisions (Note 17)	3,299,669	166,083,098
Sale of subsidiary	(6,153,477)	—
Write-off	(7,305,401)	(16,053,400)
Recovery	—	454,785
	₱263,085,522	₱265,024,372



6. Contract Balances

This account consists of:

	2019	2018
Contract assets	₱8,290,141	₱9,748,084
Contract liabilities	68,048,657	44,498,497

Contract assets are initially recognized for revenues earned from custom development as receipt of consideration is conditional on successful completion of proportion of work. Upon completion of performance obligation and acceptance by the customer, the amount recognized as contract assets are reclassified to trade receivables.

Contract liabilities consist of collections from customers under custom development services which have not qualified for revenue recognition. Amount of revenue recognized from amounts included in contract liabilities at the beginning of the year amounted to ₱39.80 million and ₱28.20 million in 2019 and 2018, respectively.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) amounted to ₱68.05 million and ₱44.50 million in 2019 and 2018, respectively.

The performance obligations expected to be recognized within one year relates to the continuous custom development.

7. Financial Assets at Fair Value through Other Comprehensive Income and Fair Value through Profit and Loss

This account consists of:

	2019	2018
Balance at beginning of year	₱475,000	₱6,380,000
Collections during the year	—	(6,000,000)
Unrealized gain (loss) on financial assets at FVOCI	(35,000)	95,000
	₱440,000	₱475,000

The rollforward analysis of net unrealized loss on financial assets at FVOCI follow:

	2019	2018
Balance at beginning of year	(₱44,219,956)	(₱44,314,956)
Unrealized gain (loss) on financial assets at FVOCI	(35,000)	95,000
Balance at end of year	(₱44,254,956)	(₱44,219,956)

Unrealized gain (loss) on financial assets at FVOCI is recognized under “Other comprehensive income (loss)” in the consolidated statements of comprehensive income.



Carrying amount of the financial assets at FVOCI as of December 31, 2019 and 2018 are as follow:

	2019	2018
Quoted shares		
Club Punta Fuego	₱440,000	₱475,000
Unquoted equity investment		
Zowdow Inc.	44,244,956	44,244,956
Less: Unrealized loss on financial assets at FVOCI	(44,244,956)	(44,244,956)
	—	—
	₱440,000	₱475,000

The quoted shares are categorized under the Level 2 of the fair value hierarchy. The unquoted equity investments are categorized under Level 3 (see Note 28).

Quoted equity investments

Quoted equity instruments consist of investment in golf club shares.

Unquoted equity investments

In April 2015, the Group acquired 666,666 shares of Series A Preferred Stock of Zowdow Inc. (“Zowdow”) at a purchase price of \$1.50 per share for a total investment of US\$999,999 or ₱44.24 million. As at December 31, 2019 and 2018, the Group holds a 3.56% ownership of Zowdow on a fully-diluted basis. As of January 1, 2018, the Group recognized unrealized loss amounting to ₱44.24 million on this investment upon adoption of PFRS 9.

Unquoted debt investments

The Group has convertible promissory notes and bonds receivable as of December 31, 2019:

	2019	2018
Unquoted debt investments		
MatchMe Pte. Ltd.	₱52,495,000	₱52,495,000
Altitude Games Pte. Ltd.	28,856,000	28,856,000
Einsights Pte. Ltd.	23,475,000	23,475,000
Pico Candy Pte. Ltd.	3,602,123	3,602,123
	108,428,123	108,428,123
Less: Remeasurement loss	(108,428,123)	(108,428,123)
Balance at end of year	₱—	₱—



8. Other Assets

Other current assets

This account consists of:

	2019	2018
Input VAT	₱15,427,616	₱13,740,143
Cash held in trust (Note 20)	10,000,000	—
Creditable withholding tax	6,911,430	18,176,998
Restricted cash equivalent	5,060,129	—
Prepaid expenses	3,925,070	10,219,745
Deferred input VAT	2,287,689	3,494,984
Rental deposit	689,200	—
Inventories	245,717	832,285
Refundable deposits	1,230,667	11,437,282
	45,777,518	57,901,437
Less: Allowance for impairment losses (Note 17)	1,576,402	—
	₱44,201,116	₱57,901,437

Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services.

Restricted cash equivalent earns interest at the prevailing bank deposit rates. This is reserved to accommodate Seer, a subsidiary, for credit line and such other facilities for subsequent borrowings.

Prepaid expenses mainly pertain to advances to suppliers, advances to rentals and prepaid professional fees.

Creditable withholding taxes pertain to prepaid taxes recognized at the amount withheld at source upon payment and overpayment of income tax in previous years. This can be carried forward and claimed as tax credit against income tax due. In 2019, the Group recognized an impairment loss amounting to ₱1.58 million included under “General and Administrative Expenses” in the consolidated statements of comprehensive income (see Note 17).

Deferred input VAT represents input VAT related to unpaid balances for the services availed by the Group. These will be recognized as input VAT and applied against output VAT upon payment. Any remaining balance is recoverable in future periods.

Rental deposits represent refundable deposits for office and parking space which are refundable after the contract term.

Inventories include purchases of goods to be sold. These are carried at cost. Cost of goods sold recognized amounted to ₱83.28 million, ₱69.73 million and ₱81.01 million in 2019, 2018 and 2017, respectively.

Refundable deposits pertain to security deposit made for performance bond and rent which will be received within one year.



Other noncurrent assets

This account consists of:

	2019	2018
Advances to affiliates (Note 9)	₱22,084,586	₱22,084,586
Creditable withholding tax	12,689,807	—
Rental deposit	—	19,945,712
Deferred input VAT	—	1,712,813
Refundable deposits	—	1,299,115
Others	682,634	1,328,551
	₱35,457,027	₱46,370,777

Rental deposit represents refundable deposits for office and parking space which are refundable after the contract term.

Deferred input VAT represents input taxes on purchases of capital goods which are being amortized over the estimated useful life of the capital goods or 5 years, whichever is shorter.

Refundable deposits mainly pertain to security deposits made for performance bond.

9. Investment in and Advances to Associates

This account consists of:

	2019	2018
Investment in Associates		
<i>Cost</i>		
Balance at beginning of year	₱577,561,081	₱575,584,063
Additions during the year	—	1,977,018
Balance at end of year	577,561,081	577,561,081
<i>Equity in net loss</i>		
Balance at beginning of year	(133,091,435)	(80,102,968)
Share in net losses during the year	(33,286,655)	(52,988,467)
Balance at end of year	(166,378,090)	(133,091,435)
<i>Cumulative translation adjustment</i>		
Balance at beginning of year	11,525,824	20,181,846
Movement during the year	4,375,181	(8,656,022)
Balance at end of year	15,901,005	11,525,824
<i>Impairment loss during the year (Note 17)</i>	(107,147,488)	—
	319,936,508	455,995,470
Advances to Associate (Note 8)	22,084,586	22,084,586
	₱342,021,094	₱478,080,056

The equity in cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.



The Group's equity in the net assets of associates and the related percentages of ownership are shown below:

	Percentages of Ownership		Carrying Amounts	
	2019	2018	2019	2018
Investment in Associates				
Micro Benefits Limited	23.53%	23.53%	₱281,545,160	₱377,307,980
Altitude Games Pte. Ltd.	21.78	21.78	24,601,980	24,339,262
PT Sembilan Digital Investama	49.00	49.00	13,789,368	10,638,785
MatchMe Pte. Ltd.	29.10	29.10	—	43,709,443
Altitude Games Inc.	21.17	21.17	—	—
			319,936,508	455,995,470
Advances to associate				
PT Sembilan Digital Investama			22,084,586	22,084,586
			₱342,021,094	₱478,080,056

Micro Benefits Limited

On March 9, 2016, the Group acquired 718,333 new Series C Preferred Shares equivalent to a 23.53% stake in Micro Benefits Limited ("Micro Benefits") for US\$10.00 million. Micro Benefits, a company registered in Hong Kong, is engaged in the business of providing employee benefits to Chinese workers through its operating company, Micro Benefits Financial Consulting (Suzhou) Co. Ltd., located in China.

In 2019, indicators of impairment were identified by management, as a result, an impairment test was carried out for investment in Micro Benefits where it showed that an impairment provision must be recognized. In determining the provision, the recoverable amount was determined based on value-in-use ("VIU") calculations. The VIU was derived from cash flow projections over a period of five years based on the 2019 financial budgets and calculated terminal value.

Using the projections for five years and applying a terminal value thereafter, the Group calculated a recoverable amount of ₱303.52 million. Consequently, the Group recognized a provision for impairment loss of its investment in Micro Benefits amounting to ₱68.49 million.

Micro Benefit's registered office address is at 11th Floor, Club Lusitano, 16 Ice House Street, Central, Hong Kong.

Altitude Games Pte. Ltd.

As at December 31, 2018 and 2017, the Group owns 21.78% ownership interest in Altitude Games. The Group acquired a total of 24.69 million shares with par value of US\$0.01 per share for a total consideration of US\$740,800 or US\$0.03 per share.

Altitude Game's registered office address is at 16 Raffles Quay, #33-03, Hong Leong Building, Singapore.

PT Sembilan Digital Investama

On March 26, 2015, the Group acquired 147 shares representing 49% shareholdings in PT Sembilan Digital Investama ("SDI") amounting to ₱10.83 million. The acquisition gave the Group access to PT Ninelives Interactive, a mobile content and distribution company in Indonesia, which SDI owns.

As of December 31, 2019 and 2018, the Group has advances to SDI amounting to ₱22.08 million to fund its mobile content and distribution services.



SDI's registered office address is at Jl. Pos Pengumben Raya No. 01 RT 010 RW 03, Kel Srengseng, Jakarta Barat.

MatchMe Pte. Ltd.

On March 30, 2015, the Group acquired 1,000,000 ordinary shares of MatchMe, an international game development company based in Singapore, for a total consideration amounting to ₱60.47 million.

In 2016, MatchMe issued 325,385 common shares to various individuals which resulted in the decrease in the Group ownership interest from 31.52% to 28.59%.

In 2018, MatchMe issued 1,547,729 ordinary shares worth US\$0.079 per share or a total of US\$122,944. The Group subscribed to 467,820 ordinary shares for a total of US\$37,161 or ₱1,977,018 resulting in an increase in percentage ownership from 28.59% to 29.10%.

MatchMe incurred recurring losses for the past four years and attained capital deficiency position as of December 31, 2019. During the year, it was also made known to the management that the Company became dormant. On these bases, the Group recognized full impairment loss on its investment in MatchMe amounting to ₱38.66 million.

MatchMe's registered office address is at 100 Cecil Street #10-01/002 the Globe, Singapore.

Altitude Games Inc.

On July 22, 2015, the Group subscribed to 211,656 shares of stock or 21.17% shareholdings in Altitude Games Inc. ("Altitude Philippines"), an affiliate of Altitude Games. Altitude Philippines engages in the business of development, design, sale and distribution of games and applications.

Altitude Philippine's registered office address is at Unit A51 5th Floor Zeta II Bldg., Salcedo St. Legazpi Village, Makati City.

As of December 31, 2019, and 2018, there are no capital commitments relating to the Group's interests in its associates.

The Group considers an associate with material interest if its net assets exceed 5% of its consolidated total assets as of reporting period and considers the relevance of the nature of activities of the entity compared to other operations of the Group. There are no significant restrictions on the Group's ability to use assets and settle liabilities.

Following is the significant financial information of the associate with material interest:

Micro Benefits

	2019	2018
Current assets	₱23,637,846	₱47,366,392
Noncurrent assets	59,067,910	90,497,755
Current liabilities	(57,626,652)	(36,564,334)
Noncurrent liabilities	(474,376,055)	(439,791,003)
Total equity	(449,296,951)	(338,491,190)
Proportion of Group's ownership	23.53%	23.53%
Group's share in identifiable net assets	(105,719,573)	(79,646,977)
Goodwill and changes in fair value of net assets	387,264,733	456,954,957
Carrying amount of the investment	₱281,545,160	₱377,307,980



No dividends were received in 2019 and 2018.

	2019	2018
Total revenue	₱56,956,403	₱85,040,814
Total expenses	188,289,692	262,009,977
Net loss/ Total comprehensive loss	(131,333,289)	(176,969,163)
Group's share in net loss/ total comprehensive loss for the year	(30,902,723)	(41,640,844)

Aggregate financial information on associates with immaterial interest is as follows:

	2019	2018
Carrying amount	₱38,391,348	₱78,687,490
Group's share of net losses for the year	(2,383,932)	(11,347,622)
Group's share in total comprehensive loss	(2,383,932)	(11,347,622)

In 2019 and 2018, the Group performed impairment testing using a discounted cash flow analysis to determine value-in-use. Key assumptions used to determine the value-in-use are discount rates including cost of debt and cost of capital and growth rates.

- Discount rate*

The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's weighted average cost of capital (WACC). The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets where the associates domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset beta of the associate. In 2019 and 2018, management assumed discount rates of 10.85% and 11.23% to 17.66%, respectively.
- Growth rate*

Average growth rates in revenues are based on the Group's expectation of market developments and the changes in the environment in which it operates. The Group uses revenue growth rates based on past historical performance as well as expectations on the results of its strategies. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of real gross domestic product (GDP) of the economy in which the business operates. In 2019 and 2018, management assumed average growth rates in revenues of 5.00% to 36.88% and 5.00% to 42.94%, respectively, and terminal growth rates of 2.50% and 5.00%, respectively.

Impairment loss amounting to ₱107.15 million was recognized in 2019 for the Group's investment in associates.



10. Property and Equipment

Rollforward of this account is as follows:

December 31, 2019

Cost	Transportation Equipment	Office Equipment	IT Equipment	Furniture and Fixtures	Leasehold Improvements	Leased Asset (Note 19)	Total
At beginning of year	₱120,536	₱10,435,527	₱32,260,727	₱10,914,904	₱61,284,166	₱4,004,540	₱119,020,400
Transfer to right-of-use assets as a result of adoption of PFRS 16 (Note 19)	–	–	–	–	–	(4,004,540)	(4,004,540)
At the beginning of year, as restated	120,536	10,435,527	32,260,727	10,914,904	61,284,166	–	115,015,860
Additions	–	211,568	9,010,557	187,744	753,460	–	10,163,329
Retirements and disposals	–	–	(2,723,059)	(4,278,478)	(21,857,435)	–	(28,858,972)
Sale of subsidiary (Note 24)	–	(5,455,438)	(18,725,330)	(2,396,795)	(39,119,613)	–	(65,697,176)
Translation adjustments	–	(33,392)	(1,961)	–	–	–	(35,353)
At end of year	120,536	5,158,265	19,820,934	4,427,375	1,060,578	–	30,587,688
Accumulated Depreciation and Amortization							
At beginning of year	120,536	9,241,474	6,361,189	8,075,632	33,356,970	2,343,802	59,499,603
Transfer to right-of-use assets as a result of adoption of PFRS 16 (Note 19)	–	–	–	–	–	(2,343,802)	(2,343,802)
At the beginning of year, as restated	120,536	9,241,474	6,361,189	8,075,632	33,356,970	–	57,155,801
Depreciation and amortization (Notes 16 and 17)	–	262,517	10,898,754	1,559,520	9,178,550	–	21,899,341
Retirements and disposals	–	–	(2,291,232)	(3,495,781)	(19,751,722)	–	(25,538,735)
Sale of subsidiary (Note 24)	–	(5,455,438)	(1,688,108)	(2,274,314)	(22,238,260)	–	(31,656,120)
Translation adjustments	–	(1,424)	(35,058)	–	–	–	(36,482)
At end of year	120,536	4,047,129	13,245,545	3,865,057	545,538	–	21,823,805
Net Book Value	₱–	₱1,111,136	₱6,575,389	₱562,318	₱515,040	₱–	₱8,763,883



December 31, 2018

	Transportation Equipment	Office Equipment	IT Equipment	Furniture and Fixtures	Leasehold Improvements	Leased Asset (Note 19)	Total
Cost							
At beginning of year	₱120,536	₱11,012,103	₱43,599,878	₱12,326,671	₱60,034,040	₱4,967,610	₱132,060,838
Additions	-	1,192,186	14,582,231	56,572	2,523,357	-	18,354,346
Retirements and disposals	-	(1,773,570)	(25,952,487)	(1,472,458)	(1,273,231)	(963,070)	(31,434,816)
Translation adjustments	-	4,808	31,105	4,119	-	-	40,032
At end of year	120,536	10,435,527	32,260,727	10,914,904	61,284,166	4,004,540	119,020,400
Accumulated Depreciation and Amortization							
At beginning of year	120,536	8,698,118	14,984,208	6,657,036	23,089,260	2,366,049	55,915,207
Depreciation and amortization (Notes 16 and 17)	-	2,113,270	14,682,113	2,836,479	11,540,941	940,823	32,113,626
Retirements and disposals	-	(1,572,343)	(23,312,761)	(1,420,971)	(1,273,231)	(963,070)	(28,542,376)
Translation adjustments	-	2,429	7,629	3,088	-	-	13,146
At end of year	120,536	9,241,474	6,361,189	8,075,632	33,336,970	2,343,802	59,499,603
Net Book Value	₱-	₱1,194,053	₱25,899,538	₱2,839,272	₱27,927,196	₱1,660,738	₱59,520,797

Depreciation and amortization for the years ended December 31, 2019, 2018 and 2017 are charged as follows:

	2019	2018	2017
Cost of services (Note 16)	₱224,972	₱2,240,598	₱863,862
General and administrative expenses (Note 17)	21,674,369	29,873,028	30,731,085
	₱21,899,341	₱32,113,626	₱31,594,947

The Group retired and disposed property and equipment with cost amounting to ₱28.86 million resulting in a loss of ₱0.24 million in 2019, ₱31.43 million resulting in a gain of ₱1.04 million in 2018 and ₱6.26 million resulting in a loss of ₱0.32 million in 2017 recognized under "Other income (charges) - net" account (see Note 18).

There are no capitalized interest as at December 31, 2019 and 2018.

There are no property and equipment pledged as collateral as at December 31, 2019 and 2018.



11. Intangible Assets

This account consists of:

December 31, 2019

	Goodwill	Customer Relationship	Developed Software	Leasehold Rights	Crypto-currencies	Total
Cost						
At beginning of period	₱2,544,617,520	₱1,077,809,700	₱208,845,306	₱17,378,812	₱5,484,591	₱3,854,135,929
Additions	—	—	2,520,997	—	1,253,879	3,774,876
Disposals	—	—	—	—	(2,652,458)	(2,652,458)
Revaluation surplus	—	—	—	—	1,995,765	1,995,765
Sale of subsidiary	(540,147,917)	(1,077,809,700)	(108,569,519)	(12,228,500)	—	(1,738,755,636)
At end of period	2,004,469,603	—	102,796,784	5,150,312	6,081,777	2,118,498,476
Accumulated amortization						
At beginning of period	—	—	87,763,575	8,593,303	—	96,356,878
Amortization (Note 16)	—	—	30,744,703	1,900,378	—	32,645,081
Sale of subsidiary	—	—	(60,893,197)	(6,987,713)	—	(67,880,910)
At end of period	—	—	57,615,081	3,505,968	—	61,121,049
Impairment (Note 17)	1,956,247,619	—	—	—	—	1,956,247,619
Net Book Value	₱48,221,984	₱—	₱45,181,703	₱1,644,344	₱6,081,777	₱101,129,808

December 31, 2018

	Goodwill	Customer Relationship	Developed Software	Leasehold Rights	Crypto-currencies	Total
Cost						
At beginning of period	₱2,544,617,520	₱1,077,809,700	₱197,646,597	₱17,378,812	₱—	₱3,837,452,629
Additions	—	—	18,609,327	—	184,527,714	203,137,041
Disposals	—	—	(7,410,618)	—	(176,529,320)	(183,939,938)
Revaluation surplus	—	—	—	—	(2,513,803)	(2,513,803)
At end of period	2,544,617,520	1,077,809,700	208,845,306	17,378,812	5,484,591	3,854,135,929
Accumulated amortization						
At beginning of period	—	—	57,461,907	6,110,616	—	63,572,523
Amortization (Note 16)	—	—	34,592,265	2,482,687	—	37,074,952
Disposals	—	—	(4,290,597)	—	—	(4,290,597)
At end of period	—	—	87,763,575	8,593,303	—	96,356,878
Impairment (Note 17)	144,855,367	—	—	—	—	144,855,367
Net Book Value	₱2,399,762,153	₱1,077,809,700	₱121,081,731	₱8,785,509	₱5,484,591	₱3,612,923,684

Rollforward of impairment as follows:

	2019	2018
At beginning of period	₱144,855,367	₱—
Impairment during the year (Note 17)		
Art of Click Pte. Ltd.	1,642,867,719	144,855,367
Storm Technologies, Inc.	88,573,284	—
Xeieb Technologies, Inc.	69,085,646	—
Seer Technologies, Inc.	10,865,603	—
	1,811,392,252	144,855,367
At end of period	₱1,956,247,619	₱144,855,367



Goodwill

Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Customer Relationship

Customer relationship pertains to Yondu's noncontractual and contractual agreements with Globe Telecom Inc. (GTI), its major customer, which are expected to generate revenues for the Group in subsequent periods.

Developed Software

Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment.

Leasehold Rights

Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination.

Cryptocurrencies

Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as at December 31, 2019 and 2018.

The fair value of cryptocurrencies was determined using quoted market prices in active markets categorized under Level 1 of fair value hierarchy. As at December 31, 2019 and 2018, the fair value of Bitcoin is USD7,194.60 per unit and USD3,742.70 per unit, respectively, while the fair value of Ether is USD129.61 and nil, respectively.

In 2019 and 2018, the Group sold cryptocurrencies with cost amounting to ₱2.65 million and ₱176.53 million, respectively. The Group recognized "Loss from sale of cryptocurrencies" under "Other income (charges)" in 2019 and 2018 amounting to ₱0.19 million and ₱4.99 million, respectively. "Foreign exchange loss" in 2019 amounting to ₱0.45 million and "Foreign exchange gain" in 2018 amounting to ₱2.47 million.

The amortization expense of intangible assets recognized in "Depreciation and amortization" under "Cost of services" in the consolidated statements of comprehensive income amounted to ₱32.65 million and ₱37.07 million in 2019 and 2018, respectively (see Note 16).

Impairment testing of goodwill and customer relationships with indefinite useful life

Goodwill and customer relationship acquired through business combinations were reviewed to look for any indication that an asset may be impaired. The Group used a discounted cash flow analysis to determine value-in-use. Value-in-use reflects an estimate of the future cash flows the Group expects to derive from the cash-generating unit, expectations about possible variations in the amount or timing of those future cash flows, the time value of money and the price for bearing the uncertainty inherent in the asset. The calculation of the value-in-use is based on reasonable and supportable assumptions, the most recent budgets and forecasts approved by management covering a five-year period. Management determined the financial budgets based on past performance and its expectations for market development.



Key Assumptions Used in Value-in-Use Calculations

Key assumptions used to determine the value-in-use are discount rates including cost of debt and cost of capital, growth rates, EBITDA margins and capital expenditure.

- *Discount rate*
The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's weighted average cost of capital (WACC). The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets where the subsidiaries are domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset betas of these subsidiaries. In 2019 and 2018, management assumed discount rates of 10.95% to 12.92% and 12.47% to 14.76%, respectively.
- *Growth rate*
Average growth rates in revenues are based on the Group's expectation of market developments and the changes in the environment in which it operates. The Group uses revenue growth rates based on past historical performance as well as expectations on the results of its strategies. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of real gross domestic product (GDP) of the economy in which the business operates. In 2019 and 2018, management assumed average growth rates in revenues of 21.38% to 75.00% and 19.00% to 94.00%, respectively, and terminal growth rates of 1.00% to 3.00% and 3.00% to 6.00%, respectively.
- *EBITDA margin*
The EBITDA margin represents the operating margin before depreciation and amortization and is estimated based on the margin achieved in the period immediately before the budget period and on estimated future development in the market. Committed operational efficiency programs are taken into consideration. In 2019 and 2018, management assumed EBITDA margin of 6% to 15.00% and 10.00% to 48.00%, respectively.
- *Capital expenditure*
In computing the value-in-use, estimates of future cash flows include future cash outflows necessary to maintain the level of economic benefits expected to arise from the asset in its current condition. Capital expenditures that improve or enhance the asset's performance therefore are not included. In 2019 and 2018, percentage of capital expenditures to revenues ranges from 0.05% to 4.30% and 0.12% to 1.91%, respectively.

Management recognizes that unfavorable conditions can materially affect the assumptions used in the determination of value-in-use. An increase of 10.5% to over 100.0% discount rates, or a reduction of growth rates of 20.0% to over 100.0% would give a value-in-use equal to the carrying amount of the cash generating units in 2019.

Impairment testing of goodwill

Goodwill acquired through business combinations pertain to the subsidiaries acquired in 2015 and 2016.



Allocation of goodwill to the CGUs is as follows:

	2019	2018
Storm Technologies, Inc.	₱45,588,402	₱134,161,688
Seer Technologies, Inc.	2,633,582	13,499,185
Art of Click Pte. Ltd.	—	1,711,953,363
Yondu, Inc. mobile consumer services (Yondu VAS)	—	334,937,958
Yondu, Inc. knowledge process outsourcing (Yondu BPO)	—	205,209,959
	₱48,221,984	₱2,399,762,153

In 2018, based on the assessment of AOC's VIU compared with its net asset's carrying amount, the Group recognized impairment loss amounting to ₱144.86 million. The calculation of AOC's VIU in 2018 was based on budgets and forecast over a 5-year period, considering its 2017 performance and its expected future recovery in revenues. AOC's forecast in 2018 includes better revenue mix focused on programmatic and branded consumer advertising, pivoting to a license model of its ad technology to other third parties in other territories, and massive cost cutting measures. Its past performance, however, carried a heavier weight in the computed VIU warranting the recognition of impairment loss. In 2019, the failure of AOC to implement most of its plan led to erosion of its revenue base. As a result, the Group recognized impairment loss amounting to ₱1,711.95 million.

The recoverable amounts have been based on value-in-use calculations using cash flow projections from forecasts provided by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a steady growth rates of 3% to 6%.

Based on the assessment of subsidiaries' value-in-use compared to their net asset's carrying amount including goodwill, the Group recognized impairment loss amounting to ₱1,956.25 million and ₱144.86 million in 2019 and 2018, respectively (see Note 17).

Goodwill allocated to Yondu's VAS and BPO were derecognized upon sale of the subsidiary on September 11, 2019 (see Note 24) and were not subjected for impairment testing for the year ended December 31, 2019.

Impairment testing of customer relationships

The recoverable amount of customer relationships was determined based on a value-in-use calculation using cash flow projections from financial budgets covering a five-year period. In 2018, the pre-tax discount rate applied to the cash-flow projections is 14.76% and the growth rate used to extrapolate the cash flows beyond the five-year period is 6%. The growth rate is based on the long-term sustainable growth rates for the industry.

In 2018, no impairment loss was recognized for the customer relationships.

In 2019, customer relationships pertain to Yondu, Inc, which were derecognized upon sale of the subsidiary on September 11, 2019 (see Note 24) and, consequently were not subjected for impairment testing for the year ended December 31, 2019.



12. Accounts and Other Payables

This account consists of:

	2019	2018
Trade payables	₱115,714,403	₱179,196,897
Payable to related parties (Note 20)	101,028,311	104,026,002
Nontrade payable	54,481,084	55,364,501
Payable to third parties	17,742,923	14,065,358
Accrued expenses		
Taxes and licenses	7,439,551	3,029,448
Seminars and training	5,847,031	5,999,824
Supplies	3,581,653	—
Salaries and wages	3,479,534	2,468,686
Interest	2,743,659	3,086,878
Professional fees	2,663,191	1,947,090
Accrued rent	—	6,258,902
Royalty expense	—	639,045
Others	251,422	19,228,673
Taxes payable	8,533,499	14,869,140
Deferred output VAT	1,708,501	42,673,696
Others	153,034,270	201,668,007
	₱478,249,032	₱654,522,147

Trade payables represent the unpaid subcontracted services and other cost of services to third parties. These are noninterest-bearing and are normally settled within one year.

Nontrade payables include proceeds received by ODX under the Share and Token Allocation Agreement which grants the investor rights to certain shares of ODX and internally generated tokens in the future depending on the happening of certain events prior to termination of the agreement.

Payable to third parties are advances made by minority shareholders and affiliates of Seer, Storm, and AOC for working capital purposes. These are noninterest-bearing and are settled within one year.

Accrued expenses mainly consist of accruals for taxes and licenses, seminars and training, supplies, interest, professional fees, salaries and wages and others. These are noninterest-bearing and are normally settled within one year.

Taxes payable include output VAT after application of available input VAT and expanded withholding tax on payment to suppliers and employees' compensation which are settled within one year.

Deferred output VAT represents deferral of output VAT related to trade receivables for the services rendered by the Group. These will be recognized as output VAT and applied against input VAT upon receipt of payment.



Others consist of statutory payables to SSS, Philhealth and HDMF. This account also includes provision relating to the Token Pre-Sale Agreements (“PSA”) entered into by the Group, through ODX, with various investors for the sale of ODX tokens (see Note 31). These are noninterest-bearing and are normally settled within one year.

The table below shows the movements in the provision relating to the PSA:

	2019	2018
Balance at beginning of year	₱184,527,714	₱—
Additions (Note 11)	1,253,879	184,527,714
Cost incurred for platform development	(38,819,089)	—
Translation adjustments	(4,699,220)	—
	₱142,263,284	₱184,527,714

13. Loans Payable

This account pertains to short-term, unsecured and interest bearing 30- to 180- day term loans entered into by the Group with different local banks and non-banks, with interest rates of 3.75% to 27% and 4.00% to 7.60% in 2019 and 2018, respectively.

The rollforward analysis of this account follow:

	2019	2018
Balance at beginning of year	₱358,741,481	₱377,419,000
Availments of loans	9,735,561	317,741,455
Payment of loans	(316,346,770)	(336,418,974)
	₱52,130,272	₱358,741,481

Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱26.64 million, ₱25.20 million and ₱4.48 million in 2019, 2018 and 2017, respectively (see Note 18).

Undrawn loan commitments amounted to ₱0.71 million and ₱0.45 million as of December 31, 2019 and 2018, respectively. There were no transaction costs and interest expenses capitalized in 2019 and 2018.

14. Other Current Liabilities

As of December 31, 2018, this account consists of:

Finance lease liabilities (Note 19)	₱589,704
Dividends payable	63,163,332
	₱63,753,036

Dividends payable pertain to dividends declared to the owners of noncontrolling interests of Seer Technologies and Yondu. In 2019, the Group paid P10.98 million and derecognized ₱52.18 million, ₱50.29 million of which resulted from deconsolidation of Yondu (see Note 24)



15. Service Income

Service income, amounting to ₱879.81 million, ₱1,153.34 million and ₱2,009.55 million in 2019, 2018 and 2017, respectively, pertain to revenues earned from mobile consumer products and services, mobile enterprise services and knowledge process outsourcing rendered by the Group to its major customer, GTI, and other telecommunication companies. Revenue from these segments are recognized at a point in time, except for revenues from Custom Development included under mobile enterprise services which are recognized over time.

In 2019, 2018 and 2017, the Group's revenue from GTI amounted to ₱328.45 million, ₱604.90 million and ₱1,170.10 million, respectively, which comprise approximately 37%, 52% and 58%, respectively, of the total service income of the Group.

Revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time, in different product types of its service income. The Group's disaggregation of revenue from contracts with customers are presented below:

	2019	2018	2017
Mobile consumer services	₱66,502,215	₱270,854,361	₱1,336,538,813
Enterprise services	808,143,187	875,614,089	667,595,702
Other services	5,167,084	6,874,038	5,416,501
	₱879,812,486	₱1,153,342,488	₱2,009,551,016

16. Cost of Services

Cost of services consists of the following:

	2019	2018	2017
Salaries, wages and employee benefits	₱539,037,013	₱724,500,182	₱639,940,780
Segment fee and network costs	88,664,108	43,255,632	71,145,105
Depreciation and amortization (Notes 10 and 11)	32,870,053	39,315,550	36,244,735
Outsourced services	27,792,212	143,928,756	463,381,883
Web hosting	15,737,294	41,078,249	50,553,473
Consultancy fees	6,511,677	14,938,560	8,605,350
Utilities	5,475,671	514,309	1,887,804
Commissions	2,607,323	3,921,691	806,937
Seminar and trainings	2,375,694	—	215,284
Rent (Note 19)	1,816,621	6,474,325	11,228,412
Royalty fees (Note 19)	1,222,981	31,033,114	81,309,693
Prizes and winnings	16,499	93,080	1,389,406
Miscellaneous	18,065,026	13,820,571	6,705,642
	₱742,192,172	₱1,062,874,019	₱1,373,414,504



17. General and Administrative Expenses

This account consists of:

	2019	2018	2017
Provision for impairment losses (Notes 5, 8, 9 and 11)	₱1,923,415,811	₱310,938,465	₱106,539,273
Salaries, wages and employee benefits	107,481,565	151,959,481	163,022,037
Depreciation and amortization (Notes 10 and 19)	43,771,991	29,873,028	30,731,085
Professional fees	42,255,889	30,418,262	48,025,457
Outsourced services	17,244,408	15,271,403	19,214,959
Taxes and licenses	11,393,352	18,910,061	43,660,122
Utilities	6,931,028	11,080,786	14,101,056
Rent (Note 19)	6,302,923	42,093,443	33,171,842
Transportation and travels	4,845,579	9,247,485	12,921,436
Dues and subscriptions	4,622,509	6,990,692	8,366,593
Supplies	2,545,853	3,210,261	5,543,696
Directors' fees	2,080,000	1,865,000	1,722,500
Seminars and trainings	1,926,166	9,791,573	10,112,674
Entertainment, amusement and recreation	1,652,236	9,318,601	10,186,164
Marketing and promotions	1,355,721	20,039,431	16,310,353
Insurance	1,248,759	1,628,628	2,006,292
Repairs and maintenance	1,246,713	1,858,369	6,891,063
Advertising	1,224,214	6,420,538	16,017,585
Miscellaneous	22,879,189	20,128,870	24,072,768
	₱2,204,423,906	₱701,044,377	₱572,616,955

18. Other Income (Charges) - net

This account consists of:

	2019	2018	2017
Other income	₱4,369,626	₱14,605,834	₱18,280,576
Unrealized gain (loss) on revaluation of cryptocurrencies (Note 11)	2,049,649	(2,551,474)	—
Interest income (Note 4)	1,643,224	444,430	1,588,435
Gain from expiration of liability for written put option (Note 23)	—	16,209,100	—
Realized gain from redemption of financial assets at FVPL	—	—	2,216,289
Loss from sale of cryptocurrencies (Note 11)	(185,884)	(4,987,325)	—
Gain (loss) on retirement and disposal of property and equipment (Note 10)	(244,602)	1,041,683	(316,001)
Foreign exchange losses	(461,908)	(12,733,298)	(9,611,563)
Bank charges	(6,518,570)	(3,607,838)	(14,936,940)
Interest expense	(39,684,855)	(31,109,017)	(5,904,716)
Loss on sale of subsidiary (Note 24)	(478,950,094)	—	—
	(517,983,414)	(22,687,905)	(8,683,920)

(Forward)



	2019	2018	2017
Other income (charges) subsequent to a business combination (Note 23)			
Waiver of deferred purchase consideration	₱—	₱—	₱364,012,055
Foreign exchange losses	—	—	(26,594,140)
Accretion of unamortized interest expense	—	—	(30,916,092)
Interest expense on payable to former shareholders of a subsidiary	—	—	(61,633,130)
Additional payments to a former shareholder of a subsidiary	—	—	(153,956,515)
	—	—	90,912,178
	(₱517,983,414)	(₱22,687,905)	₱82,228,258

Other income pertains to gain on curtailment, gain on reversal of payables and other miscellaneous income.

Interest expense consists of:

	2019	2018	2017
Interest on loans payable (Notes 13 and 20)	₱37,027,649	₱31,109,017	₱5,904,716
Amortization of discount on lease liabilities (Note 19)	2,657,206	—	—
	₱39,684,855	₱31,109,017	₱5,904,716

19. Agreements and Lease Commitments

Agreements with Licensors

The Group entered into various agreements with licensors for the use of and or distribution of the licensors' products and services as mobile content. Under these agreements, the Group pays the licensors a certain percentage of revenues earned from the use and distribution of licensors' products and services. The amounts arising from these agreements are recorded as "Royalty fees" under "Cost of services", and the related liability are recorded as "Accrued expenses" under "Accounts and other payables". In 2019, 2018 and 2017, royalty fees amounted to ₱1.22 million, ₱31.03 million and ₱81.31 million, respectively (see Note 16).

Finance Lease

The Group entered into a finance lease agreement with BPI Leasing Corporation for the use of IT and transportation equipment with a lease term of three (3) and five (5) years, respectively. Effective monthly interest rates range from 0.90% to 1.42% in 2018 and 0.83% to 1.12% in 2017, respectively.

Details of finance lease liabilities recognized as of December 31, 2018 follows:

Finance lease liabilities	₱615,092
Less: Noncurrent portion	25,388
Current portion (Note 14)	₱589,704



The present value of future minimum payments as of December 31, 2018 follows:

Not later than one year	₱622,597
Later than one year and not later than five years	16,977
Total minimum lease payments	639,574
Less: Amounts representing finance charges	24,482
	₱615,092

Carrying amount of assets under the finance lease amounted to ₱1.66 million as of December 31, 2018. These are presented as “Leased asset” under “Property and equipment” (see Note 10).

As a result of adoption of PFRS 16, the carrying amounts of finance lease liabilities and leased asset as at January 1, 2019 were reclassified to lease liabilities and right-of-use assets, respectively.

Operating Lease

The Group entered into various lease agreements with third parties for the office spaces it occupies. Leases have terms ranging from one to three years and renewable subject to new terms and conditions to be mutually agreed upon by both parties.

- a. The Parent Company has noncancellable lease contract with Gervel, Inc. for the 7th floor office space which expired on March 21, 2020. The applicable rate per month is ₱0.27 million and a corresponding annual increase of 4%.
- b. The Parent Company has noncancellable lease contract with Gervel, Inc. for the 4th floor office space which expired on March 31, 2020. The applicable rate per month is ₱0.29 million and a corresponding annual increase of 4%. The lease contract was pre-terminated through mutual agreement of the parties on March 30, 2019.
- c. In 2017, the Parent Company entered into a noncancellable lease contract with Gervel, Inc. for the 6th floor office space for a period of two (2) years and four and a half (4.5) months which commenced on November 16, 2017 and expired on March 31, 2020. The applicable rate per month is ₱0.33 million. The lease contract may be renewed in writing by mutual agreement of the parties.

In 2019, the Parent Company assigned the contract of lease to Xurpas Enterprise, Inc.

- d. Xeleb Technologies has noncancellable lease contract with TKS Holdings, Inc. for office space which expired on April 30, 2018. The applicable monthly rate is ₱0.29 million for both office and parking rentals.
- e. Storm has noncancellable lease contract with CYG Trinkets Shop for office space which expired on March 1, 2018. The applicable monthly rent amounts to ₱0.04 million.
- f. Storm has cancellable lease contract with All Estate Realty Brokerage Inc for office space which expired on April 15, 2020. Monthly rent applicable on the first year amounted to ₱0.05 million per month with 10% annual escalation rate on the second year.



- g. Storm has noncancellable lease contract with United Tristar Realty Corporation for office space which expired December 31, 2017. Monthly rent amounted to ₱0.05 million per month.

In 2018, the lease contract was renewed for a period of one (1) year which commenced on October 1, 2018 and expired on September 30, 2019. The applicable rate per month is ₱0.07 million and a corresponding annual increase of 4%.

In 2019, the lease contract was renewed for a period of (1) year which commenced on October 1, 2019 and will expire on September 30, 2020. The applicable rate per month is ₱0.07 million.

- h. In 2017, Storm entered into a cancellable lease contract with Richdale Resource Management Corporation for a period of one (1) year which commenced on February 10, 2017 and expired on February 8, 2018. Monthly rent payable amounted to ₱0.05 million.

In 2018, the lease contract was renewed for a period of one (1) year which commenced on February 15, 2018 and expired on February 14, 2019.

- i. In 2018, Storm entered into a cancellable agreement with North Lane Residences for a period of one (1) year which commenced on March 1, 2018 and expired on February 29, 2019 with an applicable rental rate per month of ₱0.04 million.

- j. Seer has noncancellable lease contract with TKS Holdings, Inc. for office space and parking slots which expired November 14, 2018. The applicable monthly rate per month amounted to ₱0.22 million.

- k. Yondu has noncancellable lease contract with Panorama Development Corporation for office space which will expire on October 31, 2021. The applicable rate per month for the first year is ₱1.02 million and a corresponding increase of 5% on the second year of lease.

- l. Yondu has noncancellable lease contract with Panorama Development Corporation which will expire on October 31, 2021. The applicable rate per month for the first year is ₱0.80 million and a corresponding increase of 5% in the succeeding years.

- m. AOC has a noncancellable lease contract with Chan Pek Har & Loh Pek Har & Loh Lik Hwa. which expired on July 19, 2017. The applicable rate per month is SG\$5,800.

In 2017, AOC renewed its lease contract for one (1) year from July 20, 2017 to July 19, 2018 at a monthly rental of SG\$5,465.

- n. In 2018, AOC entered into a noncancellable lease agreement with Ong Soh Than for a period of one (1) year which commenced on July 23, 2018 and expired on July 22, 2019 with an applicable rental rate per month of SG\$4,850.

As at December 31, 2019 and 2018, the future minimum lease payments under noncancellable operating leases follow:

	2019	2018
Within one year	₱2,683,510	₱40,023,138
After one year but not more than 5 years	1,049,745	60,706,688
	₱3,733,255	₱100,729,826



Set out below is the carrying amount of right-of-use assets recognized as of December 31, 2019 and the movement in 2019:

Cost	
Adjustment as result of PFRS 16 adoption (Note 2)	₱85,472,135
Additions	3,490,515
Sale of a subsidiary	(72,565,699)
Balance at end of year	16,396,951
Accumulated Depreciation	
Adjustment as result of PFRS 16 adoption (Note 2)	7,536,575
Depreciation	22,097,622
Adjustment	16,508
Sale of a subsidiary	(17,856,853)
Translation adjustments	(9,386)
Balance at end of year	11,784,466
Net Book Value	₱4,612,485

The rollforward analysis of lease liabilities as of December 31, 2019 follows:

Adjustment as result of PFRS 16 adoption (Note 2)	₱76,495,086
Additions	3,340,541
Accretion of interest	2,657,206
Payments	(21,833,336)
Sale of a subsidiary	(56,849,444)
Translation adjustment	(528)
Balance at end of year	₱3,809,525
Current lease liabilities	₱2,775,923
Noncurrent lease liabilities	₱1,033,602

The following are the amounts recognized in the consolidated statement of comprehensive income in 2019:

Depreciation expense of right-of-use assets	₱22,097,622
Accretion of interest expense on lease liabilities	2,657,206
Rent expense charged under:	
Cost of services (Note 16)	1,816,621
General and administrative expenses (Note 17)	6,302,923
	₱32,874,372

20. Related Party Transactions

The Group, in the normal course of business, has transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture.

Terms and conditions of transactions with related parties

There have been no guarantees provided or received for any related party receivables and payables. These accounts are noninterest-bearing and are generally unsecured. Except as otherwise indicated,



the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. Impairment assessment is undertaken through examination of the financial position of the related party and market in which this related party operates.

Material related party transactions (“RPT”)

This refers to any related party transaction, either individually, or in aggregate over a 12 month period with the same related party, amounting to 10% or higher of the Group’s total assets. All material related party transactions are subject to the review by the RPT Committee.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the related party transactions policy.

Details of transactions with related parties and their outstanding payables to a related party as at December 31, 2019 and 2018 follow:

					Outstanding Balance			
			Amount/Volume		2019		2018	
	Terms	Conditions	2019	2018	Receivable	Payable	Receivable	Payable
Associates								
Cost of services (a-c)	Noninterest-bearing	Unsecured	₱—	₱373,198	₱—	₱—	₱—	₱19,208
	Noninterest-bearing	Unsecured, no impairment						
Advances (d, e)			4,569,442	550,461	10,377,902	—	5,808,461	—
			4,569,442	923,659	10,377,902	—	5,808,461	19,208
Stockholders								
Payable to directors and officers (a, b)	Interest-bearing	Unsecured	163,393,385	5,906,056	—	153,071,966	—	102,421,544
Payable to directors and officers (c)	Noninterest-bearing	Unsecured	2,080,000	1,865,000	—	1,872,000	—	1,585,250
	One year; noninterest-bearing	Unsecured, no impairment						
Advances (d, e)			117,678	—	—	117,678	—	—
	One year; noninterest-bearing	Unsecured						
Cash held in trust (f)			10,000,000	—	—	—	—	—
			₱175,591,063	₱7,771,056	—	155,061,644	—	104,006,794
					₱10,377,902	₱155,061,644	₱5,808,461	₱104,026,002

Associates:

- The Parent Company gained exclusive rights to distribute several of Altitude Games’ applications. In return, the Parent Company shall pay Altitude Games a certain percentage of the revenues generated from such applications.

In 2019, 2018 and 2017, the Group recognized “Outsourced services” under “Cost of services” amounting to nil, nil and P7.42 million, respectively, in relation to the aforementioned transaction. As at December 31, 2019 and 2018, payable to Altitude Games amounted to nil and P0.19 million, respectively.

- In February 2016, the Group entered into a service agreement with Altitude Philippines, wherein the latter will render mobile content and application services in favor of the Group. In return, the Group shall pay Altitude Philippines a certain percentage of the revenues generated from such applications.

Total outsourced services charged under “Cost of services” account in the consolidated statements of comprehensive income amounted to nil, nil and P1.88 million in 2019, 2018 and 2017, respectively, and outstanding payables amounted to nil as of December 31, 2019 and 2018.



- c. In 2016, the Parent Company was granted exclusive right to distribute “Globe with Friends,” a game developed by MatchMe, an associate. As agreed by the parties, the Parent Company shall pay MatchMe a certain percentage of the revenues earned from the said game.

For the years ended December 31, 2019, 2018 and 2017, the Group recognized “Outsourced services” under “Cost of services” amounting to nil, ₱0.37 million and ₱13.86 million, respectively. There were no outstanding payables to MatchMe as of December 31, 2019 and 2018.

- d. In 2017, the Parent Company entered into a US\$100,000 noninterest-bearing short-term loan agreement with Altitude Games for working capital purposes. As of December 31, 2019, and 2018, receivable from Altitude Games amounted to ₱5.26 million.
- e. For the years ended December 31, 2019 and 2018, the Parent Company made payments on behalf of SDI for its outsourced services amounting to ₱4.57 million and ₱0.55 million, respectively, which remained outstanding as of December 31, 2019.

Stockholders:

- a. In 2017, the Parent Company entered into a loan agreement with its directors amounting to US\$1,945,758 or ₱97.15 million subject to 5% interest rate per annum. The loan is due and demandable. In 2019, 2018 and 2017, the Group recognized interest expense amounting to ₱5.78 million, ₱5.91 million and ₱1.42 million, respectively, under “Other income (charges)” in its consolidated statements of comprehensive income (see Note 18). As at December 31, 2019 and 2018, outstanding loans and interest payable amounted to ₱93.79 million and ₱5.25 million, respectively, and ₱100.22 million and ₱2.20 million, respectively.
- b. On April 29, 2019, the Parent Company entered into a loan agreement with its directors amounting to ₱150.00 million subject to 5.50% interest rate per annum for 3 years from date of agreement and may be renewed upon mutual agreement. The Group recognized interest expense amounting to ₱4.61 million under “Other income (charges)” in its consolidated statements of comprehensive income (see Note 18).

As at December 31, 2019, outstanding loans and interest payable pertaining to this transaction amounted to ₱54.03 million and ₱0.58 million, respectively.

- c. Payable to directors and officers also pertain to directors’ fees amounting to ₱2.08 million and ₱1.87 million and ₱1.72 in 2019, 2018 and 2017, respectively. Outstanding payable amounted to ₱1.87 million and ₱1.59 as at December 31, 2019 and 2018, respectively.
- d. In 2019, the Group entered into a loan agreement in favor of a stockholder amounting to ₱10.00 million. This is non-interest bearing and is due and demandable.
- e. Advances from stockholders pertain to cash advances for operational and corporate-related expenses paid by a stockholder in behalf of the Group. These are noninterest-bearing and are due and demandable.
- f. As at December 31, 2019, cash amounting to ₱10.00 million was held in trust by the President in his capacity as Treasurer of CTX (see Note 8). The said amount is subject to restriction awaiting commencement of CTX's operations and therefore, not available for general use by the other entities within the Group.



Key management compensation

Compensation of key management personnel amounted to ₱28.20 million, ₱97.10 million and ₱95.83 million in 2019, 2018 and 2017, respectively. In 2019, the Parent Company issued 415,000 common shares from the Parent Company's treasury shares at ₱1.23 per share to its President and Chief Finance Officer.

Compensation of key management personnel by benefit type follows:

	2019	2018	2017
Short-term employee benefits	₱31,031,220	₱91,986,269	₱90,929,092
Post-employment benefits	(2,546,793)	5,118,520	4,896,785
	₱28,484,427	₱97,104,789	₱95,825,877

**includes gain on curtailment on defined benefit plan*

21. Income Taxes

Provision for income tax for the years ended December 31, 2019, 2018 and 2017 consists of the following:

	2019	2018	2017
Current	₱33,461,365	₱52,065,923	₱81,542,409
Final	319,512	43,421	123,219
Deferred	(7,628,461)	92,397,605	(62,198,529)
	₱26,152,416	₱144,506,949	₱19,467,099

The components of the Group's net deferred taxes are as follows:

Net deferred tax assets:

	2019	2018
Deferred tax assets on:		
Lease liabilities	₱741,825	₱—
Pension liability	626,786	48,963
NOLCO	—	6,781,210
Allowance for doubtful accounts	—	6,229,376
Accruals	—	4,907,862
Past service cost	—	487,514
Unrealized foreign currency exchange loss	—	6,789
	1,368,611	18,461,714
Deferred tax liabilities on:		
Right-of-use assets	741,825	—
Remeasurement gain on retirement plan	626,786	1,087,533
Unrealized foreign currency exchange gain	—	1,757,877
Excess of percentage of completion over billed revenue	—	959,779
Pension asset	—	423,085
Discount on long-term loan	—	46,748
	1,368,611	4,275,022
Net deferred tax assets	₱—	₱14,186,692

Net deferred tax liabilities pertain to deferred tax on fair value adjustment on intangible assets amounting to ₱6.95 million and ₱352.73 million as at December 31, 2019 and 2018, respectively.



Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. Below are the Group's deductible temporary differences for which no deferred tax assets are recognized since management believes that there are no sufficient taxable profits against which the deferred tax assets can be utilized:

	2019	2018
NOLCO	₱819,656,506	₱467,613,479
Allowance for impairment losses	98,080,045	412,790,496
Accrued expenses	80,330,124	173,085,658
Unrealized loss on financial assets at FVOCI	44,279,957	44,244,957
Pension liability	26,734,449	15,129,319
MCIT	2,335,709	1,737,050
Unrealized loss on revaluation of cryptocurrencies	2,049,649	2,551,474
Excess of billed revenue over POC	539,617	5,581,302
Unrealized foreign exchange loss	479,153	1,479,265
Net lease liability	119,198	—
	₱1,074,604,407	₱1,124,213,000

The carryforward NOLCO and MCIT that can be claimed as deduction from future taxable income or used as deduction against income tax liabilities over a period of three years follow:

NOLCO:

Year Incurred	Beginning	Additions	Applied/ Expired	End	Year of Expiration
2016	₱40,686,981	₱—	₱40,686,981	₱—	2019
2017	110,083,742	—	2,690,054	107,393,688	2020
2018	361,626,200	—	733,565	360,892,635	2021
2019	—	351,370,183	—	351,370,183	2022
	₱512,396,923	₱351,370,183	₱44,110,600	₱819,656,506	

MCIT:

Year Incurred	Beginning	Additions	Applied/ Expired	End	Year of Expiration
2017	₱553,932	₱—	₱39,683	₱514,249	2020
2018	634,956	—	209	634,747	2021
2019	—	1,186,713	—	1,186,713	2022
	₱1,188,888	₱ 1,186,713	₱39,892	₱2,335,709	



The reconciliation between the statutory and effective income tax rates for the years ended December 31, 2019, 2018 and 2017 follows:

	2019	2018	2017
Statutory income tax rate	(₱782,762,629)	(₱200,140,290)	₱36,611,833
Adjustments resulting from:			
Nondeductible expenses	737,361,900	594,805	2,898,489
Changes in unrecognized deferred tax assets	70,352,480	322,771,685	16,090,335
Effect of lower income tax rate	1,741,924	4,950,591	4,504,399
Nondeductible loss from investment in associates	—	15,896,540	11,016,406
Expired MCIT	—	469,465	674,502
Effect of capital allowance utilized	—	25,246	(17,689,124)
Reversal for allowance for doubtful accounts	—	—	674,258
Interest income subjected to final tax	(157,409)	(61,093)	(62,104)
Nontaxable income	(383,850)	—	(35,251,895)
Provision for income tax	₱26,152,416	₱144,506,949	₱19,467,099

22. Retirement and Other Long-term Employee Benefits

The Group, except for Yondu, does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement benefit equal to 22.5 days' pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement.

Yondu has a noncontributory, defined benefit pension plan (the Plan) covering all of its regular full-time employees. The benefits are based on years of service and compensation on the last year of employment.

The funds of the Plan are administered by a trustee bank, BPI Asset Management and Trust Group, under the supervision of the Board of Trustee (BOT) of the Plan. The BOT is responsible for the investment strategy of the Plan.

The principal actuarial assumptions used to determine the cost of pension benefits with respect to the discount rate and salary increase rate were based on historical and projected rates. Annual cost is determined using the projected unit credit actuarial valuation method.

The components of net pension expense (gain on curtailment) in the consolidated statements of comprehensive income are as follows:

	2019	2018	2017
Current service cost	₱4,090,412	₱5,488,022	₱10,959,802
Net interest cost on benefit obligation	1,100,797	1,510,424	1,201,518
Past service cost - curtailment	(5,935,378)	(1,408,264)	(3,307,689)
	(₱744,169)	₱5,590,182	₱8,853,631



The Group undertook retrenchment in 2019 and restructuring in 2018 which caused a significant reduction in the headcount. Specifically, the decline in the number of employees covered by the Group's plan included 79 and 53 officers as at December 31, 2019 and 2018, respectively. The Group recognized pension expense amounting to ₱2.87 million, ₱5.49 million and ₱11.78 million included in "Salaries, wages and employee benefits" under "General and administrative expenses" in the consolidated statements of comprehensive income in 2019, 2018 and 2017, respectively. "Gain on curtailment" amounting to ₱3.61 million, nil, and ₱2.21 million are recognized under "Other charges (income) - net" in the consolidated statements of comprehensive income in 2019, 2018, and 2017, respectively.

The accrued pension of the Group is as follows:

	2019	2018
Present value of benefit obligation	₱24,823,772	₱36,699,615
Fair value of plan assets	—	(14,588,805)
Net pension liability position	₱24,823,772	₱22,110,810

As of December 31, 2019 and 2018, pension asset amounted to nil and ₱1.41 million, respectively, and pension liabilities amounted to ₱24.82 million and ₱23.52 million, respectively.

The following table presents the changes in the present value of defined benefit obligation and fair value of plan assets.

Present value of defined benefit obligation

	2019	2018
Balance at beginning of year	₱36,699,615	₱45,535,913
Current service cost	4,090,412	5,488,022
Interest cost on benefit obligation	2,066,242	2,579,138
Past service cost - curtailment	(5,935,378)	(1,408,264)
Net actuarial losses (gains)	4,617,208	(15,495,194)
Derecognition of defined benefit obligation	(165,855)	—
Sale of a subsidiary (Note 24)	(16,548,472)	—
	₱24,823,772	₱36,699,615

Fair value of plan assets

	2019	2018
Balance at beginning of year	₱14,588,805	₱14,544,029
Interest income	965,446	1,068,714
Actual return excluding amount included in net interest cost	(110,591)	(1,023,938)
Sale of subsidiary (Note 24)	(15,443,660)	—
Balance at end of year	₱—	₱14,588,805
Actual return on plan assets	₱854,855	₱44,776



The fair value of plan assets by each class as of December 31, 2019 and 2018 is as follows:

	2019	2018
Investment in mutual funds	₱—	₱11,431,807
Investment in unit investment trust fund	—	2,672,164
Equities	—	483,742
Cash	—	1,092
	₱—	₱14,588,805

The Group does not currently employ any asset-liability matching.

Remeasurement gain (loss) on defined benefit plan under consolidated statements of comprehensive income follow:

	2019	2018	2017
Actuarial gain (loss) on defined benefit obligation	(₱4,617,208)	₱15,495,194	₱5,037,276
Actual return excluding amount included in net interest cost	(110,591)	(1,023,938)	(655,093)
Tax effect relating to actuarial gain (loss)	(341,502)	(5,345,695)	(1,314,655)
	(₱5,069,301)	₱9,125,561	₱3,067,528

Actuarial loss on defined benefit pension plan recorded under “Remeasurement gain (loss) on defined benefit plan” in the consolidated statements of changes in equity follow:

	2019	2018	2017
Balance at beginning of year	(₱6,529,546)	₱2,596,015	₱5,663,543
Derecognition of defined benefit plan	(813,261)	—	—
Actuarial loss (gain) on defined benefit obligation	4,617,208	(15,495,194)	(5,037,276)
Actual return excluding amount included in net interest cost	110,591	1,023,938	655,093
Tax effect relating to actuarial gain	341,502	5,345,695	1,314,655
Sale of subsidiary	3,615,433	—	—
	₱1,341,927	(₱6,529,546)	₱2,596,015
Attributable to:			
Equity holders of Xurpas Inc.	₱3,376,409	(₱3,441,396)	₱3,478,395
Noncontrolling interests	(2,034,482)	(3,088,150)	(882,380)
	₱1,341,927	(₱6,529,546)	₱2,596,015

The assumptions used to determine pension benefits of the Group are as follows:

	2019	2018	2017
Discount rate	5.50 – 5.54%	7.42 - 7.80%	5.77 - 6.80%
Salary projection rate	3.00 – 5.00%	3.00 - 8.00%	5.00 - 7.00%



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption of the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

		Effect on DBO	
		2019	2018
Discount rate	(+) 1.0%	(P3,251,928)	(P4,702,690)
	(-) 1.0%	3,852,583	5,617,652
Salary increase rate	(+) 1.0%	3,871,370	6,245,288
	(-) 1.0%	(3,285,101)	(5,262,820)

The weighted average duration of defined benefit obligation at the end of the reporting period is 7.80 to 14.90 years and 13.00 to 30.20 years in 2019 and 2018, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2019 and 2018:

	2019	2018
Within 1 year	P1,968,771	P1,358,992
More than 1 year to 5 years	–	923,509
More than 5 years	89,521,144	537,322,827
	P91,489,915	P539,605,328

Other Long-Term Employee Benefits

In 2017, the Group recognized other long-term benefits expense amounting to P35.67 million for an employee of a subsidiary. This is included in “Salaries, wages and employee benefits” under “General and administrative expenses” in the consolidated statements of comprehensive income. As of December 31, 2019 and 2018, outstanding payable amounting to nil and P18.33 million, respectively, is recognized as “Others” under “Accounts and other payables” in the consolidated statements of financial position.

23. Business Combinations and Acquisition of Noncontrolling Interests

Business Combinations

Art of Click Pte. Ltd.

On October 6, 2016, the Parent Company executed a Share Purchase Agreement for the acquisition of 100% shares of Art of Click Pte. Ltd. for an aggregate consideration of P1.40 billion in cash and in Parent Company’s shares. AOC is a Singaporean start-up firm established in 2011 that specializes on mobile marketing solutions for advertisers, publishers, app developers, and other operators. Its key markets include Japan, Korea, Hong Kong, Taiwan, Southeast Asia, North America and Europe.

The Group considers the acquisition as an opportunity to grow its mobile consumer services by increasing its content offering.

The cash consideration consists of (1) an Upfront Payment to the Sellers amounting to US\$2,797,106 (P135,379,930) and (2) cancellation of employee stockholder options through Parent Company’s subscription to one ordinary share in the capital of AOC for US\$2,202,894 (P106,620,070). This was used to pay the AOC’s Employee Stock Ownership Plan (“ESOP”) shareholders.



The Xurpas shares to be issued to the Sellers consist of (1) an Upfront Payment amounting to US\$19,451,739 payable in Xurpas shares to the Sellers on the acquisition date, (2) Installment Payment payable to the Sellers in Xurpas shares one year after the closing date and every year thereafter until three years after the closing date, and (3) a Deferred Purchase Consideration which shall be subject to a net income after tax floor per year that AOC has to meet as a condition precedent to the entitlement of the Sellers to the Deferred Purchase Consideration and payable in three (3) tranches. The aggregate amount of Deferred Payment Consideration for a three-year deferred payment period shall in no case be greater than US\$13,962,725. In the finalization of the purchase price, the parties have clarified that the Deferred Purchase Consideration shall be fixed at US\$13,962,725 and shall not be subject to the performance metrics of AOC, and such is intentionally part of the original consideration. Accordingly, the Deferred Purchase Consideration was considered as part of the acquisition cost in the final purchase price.

The number of Xurpas shares to be issued at each tranche shall be determined using the average market value of Xurpas common shares fifteen (15) days before and fifteen (15) days after the closing date or each commitment date, as applicable, agreed to by the parties.

The Installment Payment payable and Deferred Purchase Consideration in the next three years amounting to ₱760.69 million was initially recognized under “Payable to former shareholders of a subsidiary” in the consolidated statements of financial position. These were measured at its fair value as at acquisition date using an assumed discount rate of 11.55%. In 2016, interest expense and foreign exchange loss amounting to ₱21.96 million and ₱22.78 million, respectively, were recognized in “Other income (charges)” in the consolidated statements of comprehensive income and is reflected in the net income attributable to the equity holders of the Parent Company.

Included in the Share Purchase Agreement is a call option granting the Sellers an option exercisable within fifty-one (51) months following the Closing Date and only upon the occurrence of a Call Option event to purchase from the Parent Company their respective proportionate share in the Sale Shares. This was subsequently waived.

In June 2017, the Parent Company entered into an agreement to reacquire the 53,298,242 common shares Upfront Payment issued at acquisition date to Emmanuel Michel Jean Allix (“Allix”), a former shareholder of AOC, for a consideration of US\$532,983 or ₱26.65 million (see Note 24). On the same date, amendments were made to the share purchase agreement with Allix which (a) resulted in the payment of US\$7.24 million or ₱358.50 million, (b) changed the manner of payment of the Installment Payment payable and Deferred Purchase Consideration from being partly in cash and Xurpas shares to solely in cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. The additional payment and the buyback of the common shares are linked transactions and in substance is accounted for as an equity transaction for accounting purposes. Based on the agreement, only the ₱26.65 million is presented as treasury shares while the remaining amount of ₱358.50 million is presented under equity reserve in the consolidated statements of financial position. The change from being payable in three years to being payable within the year resulted in the acceleration of the accretion of unamortized interest expense amounting to ₱26.00 million (see Note 18).

In October 2017, the Parent Company entered into an agreement to amend the share purchase agreement with Wavemaker Labs Pte. Ltd. (“Wavemaker”), a former shareholder of AOC, which provides for (a) the adjusted purchase price, (b) the change in manner of payment for the Installment Payment and Deferred Consideration pertaining to Wavemaker from being payable in Xurpas shares to cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. To implement these amendments, there will be a placement and subscription transaction involving 67,285,706 Xurpas listed shares of existing



shareholders by way of a block sale through the facilities of the PSE in 2018. The amendments resulted in an additional payable to Wavemaker amounting to US\$3.01 million or ₱153.96 million which was recognized as a loss under “Other income (charges)” in the consolidated statements of comprehensive income (see Note 18). The change in the timing of the payment resulted in an acceleration of the accretion of unamortized interest expense amounting to ₱4.92 million (see Note 18). The amendments were ratified by the BOD on February 22, 2018.

The 16,641,244 common shares initially issued to Wavemaker representing the Upfront Payment shall be placed by Wavemaker in an escrow agent who is authorized to sell these shares after these are listed. The allocation of the proceeds from the sale of these shares will be determined in the future subject to certain conditions. As of April 30, 2019, the conditions have not been met.

In October 2017, Allix and Wavemaker executed a waiver of the second and third tranches of the Deferred Purchase Consideration. Since the waiver is not considered as a measurement period adjustment as allowed under PFRS 3 to adjust the recorded acquisition cost of the Parent Company’s investment, the extinguishment of the liability amounting to US\$7.11 million or ₱364.01 million is recognized as a gain under “Other income (charges)” in the consolidated statements of comprehensive income (see Note 18). The Sellers also waived their call option on the shares.

In 2017, interest expense and foreign exchange losses amounting to ₱61.63 million and ₱26.59 million, respectively, were recognized in “Other income (charges)” in the consolidated statements of comprehensive income and is reflected in the net income attributable to the equity holders of the Parent Company. As of December 31, 2017, the remaining payable to former shareholders of a subsidiary amounted to ₱244.43 million.

The following are the fair values of the identifiable assets and liabilities assumed after the finalization of the purchase price allocation in 2017:

Assets	
Cash	₱205,580,070
Receivables	125,285,313
Property and equipment	634,945
Intangible asset	61,508,895
Other assets	2,197,610
	<hr/> 395,206,833
Liabilities	
Accounts and other payables	270,986,228
Income tax payable	20,099,967
Deferred tax liability	18,452,669
	<hr/> 309,538,864
Total net assets acquired	85,667,969
Goodwill	1,856,808,730
Acquisition cost	<hr/> ₱1,942,476,699

In October 2017, the valuation was completed and the acquisition date fair value of the total net assets acquired was determined to be ₱85.67 million. The 2016 comparative information was restated to reflect the adjustments to the provisional amounts. As a result, an intangible asset for AOC’s developed software amounting to ₱61.51 million was recognized. The Deferred Purchase Consideration amounting ₱544.29 million was included as acquisition cost. Total goodwill arising from the acquisition amounted to ₱1,856.81 million. The 2016 comparative income statements were also restated to reflect the increase in amortization expense, additional accretion and interest and



foreign exchange adjustments, with a net effect of ₱40.06 million decrease in the 2016 consolidated net income and net income attributable to equity holders of the Parent Company.

The fair value of the receivables approximate their carrying amounts. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected. The deferred tax liability represents the tax effect of the fair value adjustments on the intangible asset.

The fair value of the intangible asset was based on net present value of future cash flows using the “Relief from Royalty” method.

The consideration for the acquisition amounting to ₱1.94 billion partly involves cash and Xurpas shares payable to the Sellers.

From the date of acquisition on October 6, 2016, the Group’s share in the revenue and net income of AOC amounted to ₱477.95 million and ₱120.34 million, respectively. If the combination had taken place at the beginning of 2016, the Group’s total revenue and total net income would have been ₱2,120.93 million and ₱334.01 million, respectively.

Cash outflow related to the acquisition follows:

Cash acquired from AOC	₱205,580,070
Cash paid	242,000,000
Net cash outflow	₱36,419,930

Yondu, Inc. (“Yondu”)

On September 16, 2015, the Parent Company acquired 22,950 shares of common stock in Yondu, a content developer and provider of mobile value-added services and information technology services for a total consideration of ₱900.00 million. The 5,000 shares out of the 22,950 shares were from unissued shares of Yondu while 17,950 shares were purchased from GTI. Purchase price of unissued shares and shares previously held by GTI amounted to ₱230.00 million and ₱670.00 million, respectively. The purchase resulted in a 51% ownership by the Parent Company in Yondu.

Included in the Shareholders’ Agreement are a call and put option granting the Parent Company the right to require GTI to sell and granting GTI the right to require the Parent Company to purchase all, but not part only, of the 49% shareholding of GTI in Yondu at ₱39,215.69 per company share, respectively. The options have an exercise date starting September 16, 2016 and will expire after two years therefrom. The put option and call option shall be exercised by a share swap of Xurpas shares for shares held by GTI or a combination of share swap and cash, at the mutual agreement of both parties.

A financial liability amounting to ₱848.50 million was initially recognized in the consolidated statements of financial position for the redemption obligation related to the written put option over the shares held by GTI. The liability was initially recognized at the present value of the redemption price at acquisition date. For the years ended December 31, 2018, 2017 and 2016, interest expense amounting to nil, nil and ₱11.52 million, respectively, was recognized in the consolidated statements of comprehensive income in “Other income (charges)” and is reflected in the net income attributable to the equity holders of the Parent Company.

In September 2018, the call and put options remained unexercised and were terminated in line with their expiration resulting to a gain amounting to ₱16.21 million recognized under “Other charges (income)”. As at December 31, 2018 and 2017, the carrying value of the financial liability amounted to nil and ₱864.71 million.



On September 11, 2019, the BOD of the Parent Company approved the sale of the 51% ownership shares of Yondu Inc to GTI at a purchase price of ₱501.25 million (see Note 24).

Acquisition of Noncontrolling Interests

Xeleb Technologies Inc.

On September 11, 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33.00% interest in Xeleb Technologies for ₱4.00 million. This brought Parent Company's interest in Xeleb Technologies to 100%. The acquisition resulted in the decrease in equity reserve amounting to ₱36.09 million.

Increase in Noncontrolling Interests

Storm Technologies, Inc.

In 2019, Storm issued an aggregate of 3,985 shares to individual stockholders for a total consideration of ₱7.08 million.

24. Deconsolidated Subsidiary

On September 11, 2019, the Parent Company and GTI entered into a Deed of Absolute Sale for the sale of 22,950 shares equivalent to 51% interest in Yondu for a total amount of ₱501.25 million. As a result, the Group consolidated Yondu's statement of comprehensive income up to the date of sale.

Total loss on disposal of Yondu recognized on the consolidated profit or loss amounted to ₱478.95 million computed as follows:

Assets	
Cash	₱128,222,993
Receivables	523,247,314
Other current assets	21,053,392
Contract asset	15,215,727
Property and equipment (Note 10)	34,041,056
Right-of-use assets (Note 19)	54,708,846
Intangible assets (Note 11)	1,670,874,726
Deferred tax assets	17,393,201
Other noncurrent assets	17,303,818
	<hr/> 2,482,061,073
Liabilities	
Accounts and other payables	202,556,042
Pension liability - net (Note 22)	1,104,812
Income tax payable	11,216,822
Contract liability	19,102,598
Lease liabilities (Note 19)	56,849,444
Dividends payable	50,293,088
Deferred tax liability	339,145,001
	<hr/> 680,267,807
Net assets	1,801,793,266
Noncontrolling interests in Yondu	(821,591,499)
Net assets attributable to Xurpas	980,201,767
Proceeds from sale	(501,251,673)
Loss on sale	<hr/> <hr/> ₱478,950,094



Remeasurement gain on defined benefit plan of Yondu attributable to the equity holders of Xurpas Inc. amounting to ₱3.60 million recognized in OCI was closed to Deficit upon disposal of Yondu.

Cash inflow related to the disposal follows:

Proceeds from sale	₱501,251,674
Cash balance of Yondu	128,222,993
Net cash inflow	₱373,028,681

Yondu operates both under mobile consumer services and enterprise services segments of the Group.

	Period Ended September 11, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Revenues	₱793,778,134	₱862,816,632	₱885,317,137
Cost and expenses	694,720,109	772,235,401	731,420,286
Income before income tax	99,058,025	90,581,231	153,896,851
Provision for income tax	22,342,650	26,284,044	46,792,429
Net income from a deconsolidated subsidiary	₱76,715,375	₱64,297,187	₱107,104,422
Earnings per share			
Basic, for net income attributable to equity holders of the Parent Company from a deconsolidated subsidiary	₱0.04	₱0.03	₱0.06

The net cash flows from the activities of Yondu are as follows:

	Period Ended September 11, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Net cash provided by operating activities	₱91,877,092	₱82,582,705	₱81,972,635
Net cash used in investing activities	(11,437,294)	(6,957,923)	(9,277,392)
Net cash used in financing activities	(58,482,998)	(32,624,962)	(112,609,730)
Effect of exchange rate changes	141,573	187,680	71,621

25. Equity

The details of the Parent Company's capital stock follow:

	2019	2018
Authorized shares	5,000,000,000	5,000,000,000
Par value per share	₱0.10	₱0.10
Issued shares	1,934,925,852	1,934,925,852
Treasury shares	63,095,642	63,985,642
Value of shares issued	₱193,492,585	₱193,492,585
Value of treasury shares	(₱107,418,911)	(₱115,464,275)

The Parent Company is a corporation having a renewable term of 50 years. As of December 31, 2019, the Parent Company's remaining corporate life is 20 years.



In accordance with Revised Securities Regulation Code Rule 68, Annex 68-K, below is the summary of the Parent Company's track record of registration of securities as of December 31:

	Number of shares registered	Issue/offer price	Date of approval	2019	2018
				Number of holders of securities as of December 31	Number of holders of securities as of December 31
Common shares	344,000,000	₱3.97 issue price	November 13, 2014	26	26

The balance of additional paid-in capital (APIC) as of December 31, 2019 and 2018 represents the excess of the subscription price over paid-up capital.

On March 2, 2018, the Parent Company issued 67,285,706 common shares by way of block sale to implement the amendments in a share purchase agreement (see Note 23). The shares were issued at ₱3.80 per share.

In 2019, APIC reduced as a result of reissuance of treasury shares by the amount of ₱6.98 million.

Retained Earnings

Appropriations

On December 29, 2015, the Parent Company's BOD approved the appropriation of unrestricted retained earnings for cash dividend declaration amounting to ₱65.82 million. On November 10, 2017, such was released from appropriation.

On November 9, 2016, the BOD of the Parent Company approved the appropriation of unrestricted retained earnings for the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the share buyback.

On March 27, 2017, the BOD of the Parent Company approved the termination of the buyback program adopted in 2016. A total of ₱88.82 million has been used under the said program. Accordingly, the balance of ₱81.18 million previously allocated for the buyback program was released from such appropriation.

On July 18, 2017, the BOD of the Parent Company approved the appropriation of unrestricted retained earnings for the buyback of its common shares amounting to ₱26.65 million.

Appropriated retained earnings amounted to ₱115.46 million as of December 31, 2019 and 2018.

Dividends declaration

On May 8, 2017, the Parent Company's BOD approved the declaration of cash dividends in the amount of ₱92.85 million or ₱0.05 per share in favor of the Parent Company's common stockholders of record as of May 23, 2017, payable on or before June 15, 2017.

The Parent Company has no outstanding dividends payable as of December 31, 2019 and 2018.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2019 and 2018 amounted to nil. Deficit includes accumulated equity in the net losses of subsidiaries and associates amounting to ₱567.88 million and ₱309.63 million as of December 31, 2019 and 2018, respectively.



The dividend declaration of Yondu resulted in reduction in NCI amounting to ₱39.91 million and ₱59.90 million 2018 and 2017, respectively.

Equity Reserve

In 2015, a reserve amounting to ₱848.50 million was set up in relation to a recognized financial liability for the written put option over the ownership interest of GTI in Yondu. In 2018, this was subsequently reversed as a result of the expiration of the option.

In 2016, the Parent Company purchased additional shares from noncontrolling interests of Xeleb, Xeleb Technologies and Storm. The transactions were accounted as an equity transaction since there was no change in control. The movements within equity are accounted for as follows:

	Consideration paid	Carrying value of noncontrolling interests	Difference recognized within Equity
Xeleb Technologies Inc.	₱45,000,000	₱3,506,647	(₱41,493,353)
Storm Technologies Inc.	10,002,330	2,382,396	(7,619,934)
Xeleb Inc.	1,650,000	7,038,398	5,388,398
	₱56,652,330	₱12,927,441	(₱43,724,889)

In 2017, a reserve amounting to ₱358.50 million was recognized for the payment resulting from amendments in the Share Purchase Agreement with Allix and the acquisition of the Parent Company's own shares (see Note 23).

In 2019, the Parent Company purchased the remaining 33% stake from noncontrolling interests of Xeleb Technologies. The transaction was accounted as an equity transaction since there was no change in control resulting in additional equity reserve amounting to ₱36.09 million.

In 2019, equity reserve amounting to ₱2.71 million was recognized due to the increase in noncontrolling interests of Storm Technologies from 43.40% to 48.69%.

Treasury Stock

In January and February 2017, the Parent Company acquired 2,154,500 shares for ₱17.30 million.

On March 27, 2017, the BOD of the Parent Company approved the termination of the buyback program adopted in 2016. Treasury stocks acquired under this program totaled to 10,687,400 shares amounting to ₱88.82 million.

On July 18, 2017, the Parent Company reacquired 53,298,242 common shares from Allix for a total amount US\$532,983 or ₱26.65 million (see Note 23).

On April 8, 2019, the Parent Company reissued 415,000 treasury shares with a cost of ₱3.81 million for a price of ₱1.23 per share.

On July 14, 2019, the Parent Company reissued 475,000 treasury shares with a cost of ₱4.23 million for a price of ₱1.16 per share.

As of December 31, 2019 and 2018, the Parent Company has 63,095,642 and 63,985,642 treasury shares amounting to ₱107.42 million and ₱115.46 million, respectively.



Employee Stock Option Plan

The Parent Company's BOD, on January 20, 2016, and the stockholders, on May 11, 2016, approved the Employee Stock Option Plan (the Plan) of the Parent Company. Full time and regular employees of the Parent Company and those deemed qualified by the Compensation and Remuneration Committee from the names recommended by the Executive Committee are eligible to participate in the Plan. As at December 31, 2019, the Plan has been filed with and is pending approval of the SEC and PSE.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group's sources of capital follow:

	2019	2018
Capital stock	₱193,492,585	₱193,492,585
Additional paid-in capital	3,585,092,298	3,592,076,662
Deficit	(3,184,802,325)	(556,374,537)
	₱593,782,558	₱3,229,194,710

The Group is not subject to externally-imposed capital requirements. The Group regards its equity as its primary source of capital. No changes were made in the capital management policies during the years ended December 31, 2019 and 2018.

26. **Subsidiary with Material Noncontrolling Interests**

Noncontrolling interests pertain to the following percentage interests in subsidiaries that the Parent Company does not own. The summarized financial information is provided below for the subsidiary with material noncontrolling interest. This information is based on the amounts before intercompany eliminations.

The Parent Company considers a subsidiary with material noncontrolling interests if its net assets exceed 5.00% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the entity compared to other operations of the Group. There are no significant restrictions on the Parent Company's ability to use assets and settle liabilities of the Group.

As of December 31, 2019, the Group does not have a subsidiary with material noncontrolling interest.



As of December 31, 2018, financial information of identified material noncontrolling interest is as follows:

Yondu, Inc.

Proportion of equity interests held by noncontrolling interests	49.00%
Accumulated balances of noncontrolling interests	₱784,232,345
Profit allocated to noncontrolling interests	31,505,621
Other comprehensive income allocated to noncontrolling interests	1,643,456
Total comprehensive income allocated to noncontrolling interests	33,149,077

Statements of financial position

Current assets	₱548,384,746
Noncurrent assets	1,743,348,029
Current liabilities	216,478,738
Noncurrent liabilities	341,866,029
Total equity	1,733,388,008
Attributable to:	
Equity holders of Xurpas Inc.	949,155,663
Noncontrolling interests	784,232,345

Statements of comprehensive income

Revenue	₱862,816,632
Cost and expenses	772,235,401
Income before income tax	90,581,231
Provision for income tax	26,284,045
Income from operations	64,297,186
Other comprehensive income	3,353,992
Total comprehensive income	67,651,178
Attributable to:	
Equity holders of Xurpas Inc.	34,502,101
Noncontrolling interests	33,149,077

Statements of cash flows

Net cash provided by operating activities	₱82,582,705
Net cash used in investing activities	(6,957,923)
Net cash used in financing activities	(32,624,962)
Effect of exchange rate changes	187,680



27. Earnings Per Share

The Group's earnings (loss) per share for the years ended December 31, 2019, 2018 and 2017 were computed as follow:

	2018	2018	2017
Net income (loss) attributable to the equity holders of the Parent Company	(P2,630,944,855)	(P765,794,458)	P35,765,776
Weighted average number of outstanding shares	1,871,488,960	1,859,695,202	1,840,345,403
Basic earnings (loss) per share	(P1.41)	(P0.41)	P0.02
Diluted earnings (loss) per share	(P1.41)	(P0.41)	P0.02

Earnings (loss) per share is calculated using the consolidated net income (loss) attributable to the equity holders of the Parent Company divided by weighted average number of shares.

28. Financial Instruments

Fair Value Information

The methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

- Cash, accounts and other receivables (except for advances to employees which are subject to liquidation), refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding "Taxes payable", "Deferred output VAT", and provision relating to PSA and statutory payables included as "Others"), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liabilities under other current liabilities - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments, except for cash bond under other noncurrent assets. The difference between carrying amount and fair value is immaterial.
- Financial assets at FVOCI (quoted equity investments) - Fair value is based on quoted prices published in the market.
- Financial assets at FVOCI (unquoted equity investments) - Fair values are based on the latest selling price available.
- Financial assets at FVPL (unquoted debt investments) - Fair values are based on the comparable prices adjusted for specific market factors such as nature, industry, location and market recovery rates.
- Nontrade payable - Fair values are determined using prices in such transaction which still approximate the fair values at yearend.
- Advances from stockholders - Fair value is estimated using the discounted cash flow methodology using the applicable risk-free rates for similar types of loans adjusted for credit spread. The discount rate used is 5.27% in 2019.



The fair values and carrying values of financial assets at FVOCI and advances from stockholders are as follows:

	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial asset				
Financial assets at fair value through other comprehensive income	₱400,000	₱440,000	₱475,000	₱475,000
Financial liability				
Advances from stockholders*	157,940,206	151,858,113	100,216,884	100,216,884
<i>*Included under 'Accounts and other payables'</i>				

Fair Value Hierarchy

The Group uses the following three-level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Cash, accounts and other receivables (except for advances to employees which are subject to liquidation), refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding “Deferred output VAT”, “Taxes payable” and provision relating to PSA and statutory payables included as “Others”), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liabilities under other current liabilities were classified under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus certain spread.

Quoted financial assets at FVOCI amounting to ₱0.44 million and ₱0.48 million of December 31, 2019 and 2018, respectively, were classified under Level 2 (see Note 7).

Unquoted financial assets at FVOCI amounting to nil as of December 31, 2019 and 2018 were classified under Level 3 (see Note 7).

As at December 31, 2019 and 2018, there have been no reclassifications from Level 1 to Level 2 or 3 categories.

Financial Risk Management and Objectives and Policies

The Group’s financial instruments comprise cash, financial assets at FVPL, accounts and other receivables, financial assets at FVOCI, refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding taxes payable, deferred output VAT, and statutory payables), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liabilities under other current liabilities, which arise directly from operations. The main purpose of these financial instruments is to finance the Group’s operations and to earn additional income on excess funds.

Exposure to credit risk, liquidity risk and foreign currency risk arise in the normal course of the Group’s business activities. The main objectives of the Group’s financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.



There were no changes in the Group's risk management objectives and policies in 2019 and 2018.

The Group's risk management policies are summarized below:

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

The Group's credit risk is primarily attributable to cash in bank, accounts and other receivables and financial assets at FVOCI. Credit risk management involves monitoring its exposure to credit risk on a continuous basis.

The Group entered into an agreement with GTI, wherein the Group will provide mobile content services and mobile application development services to GTI in accordance with the service order and description specified in the service level agreement among the parties involved. The mobile content services include creation and development of mobile electronic content for delivery to GTI and distribution to GTI's mobile phone subscribers. Mobile application development, on the other hand, includes development and maintenance of its own platforms which host and enable mobile subscribers to access or use GTI's mobile content products.

In 2018, the Group has concentration of credit risk with receivable from GTI, its largest customer, representing 36% of its total trade receivables as at December 31, 2018. There is no concentration of credit risk in 2019.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate is based on days past due of all customers as they have similar loss patterns. The expected credit loss rate ranges from 0.40% to 68.12% that resulted in the ECL of P263.09 million and P265.02 million as of December 31, 2019 and 2018, respectively.

The Group's credit risk exposure on its trade receivables using provision matrix are as follows:

December 31, 2019

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	P-	P-	P12,081,225	P261,306,320	P273,387,545
Loss allowance	-	-	(12,081,225)	(251,004,297)	(263,085,522)
Carrying amount	P-	P	P-	P10,302,023	P10,302,023

December 31, 2018

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	P-	P-	P12,606,435	P758,789,089	P771,395,524
Loss allowance	-	-	(12,606,435)	(252,417,937)	(265,024,372)
Carrying amount	P-	P	P-	P506,371,152	P506,371,152

The credit quality of the financial assets was determined as follows:

Cash in banks, quoted financial assets at FVOCI, refundable deposits under other current assets and cash bond under other noncurrent assets - based on the nature of the counterparty and the Group's rating procedure. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.



Accounts and other receivables (except for advances to employees which are subject to liquidation), - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three defaults in payment; and low grade pertains to receivables with more than three defaults in payment.

Unquoted financial assets at FVOCI are unrated.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirement, finance capital expenditures and service maturing debts. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables to manage liquidity.

The table summarizes the maturity profile of the Group's financial assets and liabilities and contract assets as at December 31, 2019 and 2018 based on contractual undiscounted payments:

December 31, 2019

	<1 year	>1 to <5 years	>5 years	Total
Financial Assets				
Cash and cash equivalents	₱153,929,046	₱–	₱–	₱153,929,046
Accounts and other receivables				
Trade receivables – net	10,302,023	–	–	10,302,023
Receivable from related parties	10,377,902	–	–	10,377,902
Others	14,113,381	–	–	14,113,381
Financial asset at FVOCI	440,000	–	–	440,000
Other current assets				
Cash held in trust	10,000,000	–	–	10,000,000
Restricted cash equivalent	5,060,129	–	–	5,060,129
Rental deposit	689,200	–	–	689,200
Refundable deposits	1,230,667	–	–	1,230,667
Long-term interest	–	22,084,586	–	22,084,586
Total undiscounted financial assets	206,142,348	22,084,586	–	228,226,934
Contract assets	8,290,141	–	–	8,290,141
Total undiscounted financial assets and contract assets	214,432,489	22,084,586	–	236,517,075
Financial Liabilities				
Trade and other payables				
Trade payables	115,714,403	–	–	115,714,403
Payable to related parties	101,028,311	60,945,899	–	161,974,210
Nontrade payable	54,481,084	–	–	54,481,084
Accrued expenses	26,006,041	–	–	26,006,041
Loans payable	52,130,272	–	–	52,130,272
Lease liabilities	2,683,510	1,049,745	–	3,733,255
Total undiscounted financial liabilities	352,043,621	61,995,644	–	414,039,265
Liquidity gap	(₱137,611,132)	(₱39,911,058)	₱–	(₱177,522,190)



December 31, 2018

	<1 year	>1 to <5 years	>5 years	Total
Financial Assets				
Cash	₱177,396,187	₱—	₱—	₱177,396,187
Accounts and other receivables				
Trade receivables - net	506,371,152	—	—	506,371,152
Receivable from related parties	5,808,461	—	—	5,808,461
Others	13,693,032	—	—	13,693,032
Financial asset at FVOCI	475,000	—	—	475,000
Other current assets				
Refundable deposits	11,437,282	—	—	11,437,282
Other noncurrent assets				
Cash bond	—	1,065,485	—	1,065,485
Total undiscounted financial assets	715,181,114	1,065,485	—	716,246,599
Contract assets	9,748,084	—	—	9,748,084
Total undiscounted financial assets and contract assets	724,929,198	1,065,485	—	725,994,683
Financial Liabilities				
Trade and other payables				
Trade payables	179,196,897	—	—	179,196,897
Payable to related parties	104,026,002	—	—	104,026,002
Nontrade payable	55,364,501	—	—	55,364,501
Accrued expenses	42,658,546	—	—	42,658,546
Loans payable	358,741,481	—	—	358,741,481
Finance lease liabilities	589,704	25,388	—	615,092
Total undiscounted financial liabilities	740,577,131	25,388	—	740,602,519
Liquidity gap	(₱15,647,933)	₱1,040,097	₱—	(₱14,607,836)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with the corresponding nominal amounts and carrying values are shown in the following table:

December 31, 2019

	Interest Terms (p.a.)	Rate Fixing Period	Nominal Amount	<1 year	1 to 6 years	>6 years	Carrying Value
Cash and cash equivalents (excluding cash on hand)	Fixed at the date of investment	Various	₱153,824,521	₱153,824,521	₱—	₱—	₱153,824,521
	Variable at 4.00% to 5.8125%	Monthly	52,130,272	52,130,272	—	—	52,130,272
Loans payable	Variable at 0.9% to 1.4%	Monthly	3,809,525	2775,923	1,033,602	—	3,809,525
Lease liabilities	Fixed at 5%	n/a	147,940,211	93,906,878	54,033,333	—	147,940,211
Payable to shareholders			₱357,704,529	₱302,637,594	₱55,066,935	₱—	₱357,704,529



December 31, 2018

	Interest Terms (p.a.)	Rate Fixing Period	Nominal Amount	<1 year	1 to 6 years	>6 years	Carrying Value
	Fixed at the date of						
Cash in banks	investment Variable at 4.00% to 5.8125%	Various	₱177,615,174	₱177,615,174	₱—	₱—	₱177,615,174
Loans payable	Finance lease liability	Monthly	358,741,480	358,741,480	—	—	358,741,480
Payable to shareholders	Variable at 0.9% to 1.4%	Monthly	615,092	589,704	25,388	—	615,092
	Fixed at 5%	n/a	100,216,884	100,216,884	—	—	100,216,884
			₱637,188,630	₱637,163,242	₱25,388	₱—	₱637,188,630

Foreign Currency Risk

The Group's exposure to foreign exchange rate is minimal as concentration of business is denominated in Philippine peso.

The following table shows the outstanding foreign currency-denominated monetary assets and their respective Philippine peso equivalent as of December 31, 2019 and 2018.

	2019		2018	
	Original currency	Peso equivalent	Original currency	Peso equivalent
Cash in bank				
US Dollar (USD)	65,567	₱3,326,887	97,672	₱5,149,284
Singapore Dollar (SGD)	14,616	547,953	1,476,604	56,804,937
Indonesian Rupiah (IDR)	37,089,249	148,357	—	—
Trade receivables				
US Dollar (USD)	4,956,546	251,495,144	1,108,773	58,454,513
Indonesian Rupiah (IDR)	45,408,750	181,635		
Thai Baht (THB)	169,333	284,479		
Singapore Dollar (SGD)	—	—	8,015,590	308,359,732
Saudi Arabia Rial (SAR)	—	—	2,798	39,312
Euro (EUR)	—	—	32,654	1,969,363
U.A.E. Dirham (AED)	—	—	25,320	363,595
Hong Kong Dollar (HKD)	—	—	3,188	21,455
Taiwan Dollar (TWD)	—	—	351	600
Total foreign currency denominated assets		255,984,455		431,162,791
Trade Payables				
US Dollar (USD)	1,808,652	91,770,992	6,090,123	321,071,285
Singapore Dollar (SGD)	5,243	196,568	2,941,641	113,164,936
Total foreign currency denominated liabilities		91,967,560		434,236,221
Net foreign currency denominated financial instruments		₱164,016,895		(₱3,073,430)



In translating the foreign currency-denominated monetary assets into Peso amounts, the exchange rates used were as follows:

	2019	2018
USD to ₱	₱50.74	₱52.72
SGD to ₱	37.49	38.47
THB to ₱	1.68	1.70
IDR to ₱	0.004	0.004
SAR to ₱	13.52	14.05
EUR to ₱	56.35	60.31
AED to ₱	13.82	14.36
HKD to ₱	6.52	6.73
TWD to ₱	1.69	1.71

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-foreign currency exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	2019		2018	
	+₱1	-₱1	+₱1	-₱1
USD	₱3,214,287	(₱3,212,635)	(₱4,884,502)	₱4,882,854
SGD	9,381	(9,365)	6,550,510	(6,550,596)
IDR	45,409	(45,409)	—	—
THB	169,333	(169,333)	—	—
SAR	—	—	2,798	(2,798)
EUR	—	—	32,654	(32,654)
AED	—	—	25,320	(25,320)
HKD	—	—	3,188	(3,188)
TWD	—	—	351	(174)

There is no other impact on the Group's equity other than those already affecting the net income.

Equity Price Risk

Equity price risk is the risk that the financial assets whose values will fluctuate as a result of changes in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in market. As of December 31, 2019 and 2018, the Group has minimal exposure in equity price risk since the Group's quoted equity investment amounted to nil. Moreover, the Group's equity investment are generally perceived as not highly susceptible to the equity price risk since the shares are issued by stable company and are not subjected to other than temporary decline. There is no impact on the Group's equity other than those already affecting net income.



29. Segment Reporting

The industry segments where the Group operates follow:

- Mobile consumer services - includes airtime management, content development and management and marketing and advertising solutions
- Enterprise services - includes platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This also includes IT staff augmentation, other various enterprise solutions-based services to telecommunication companies and other companies for network and applications development
- Other services - includes consultancy services in the field of human resource management, trading in general, sourcing for and supplying of goods to import and export goods

The following tables regarding business segment revenue and profit information for the years ended December 31, 2019, 2018 and 2017:

2019

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
INCOME					
Service income	₱68,328,261	₱861,815,858	₱5,167,085	(₱55,498,718)	₱879,812,486
Sale of goods	—	—	92,146,792	—	92,146,792
	68,328,261	861,815,858	97,313,877	(55,498,718)	971,959,278
COST AND EXPENSES	(2,638,038,464)	(782,298,521)	(162,033,368)	552,472,380	(3,029,897,973)
Equity in net losses of associates	—	—	—	(33,286,655)	(33,286,655)
Other income (charges) - net	(225,469,560)	(301,506)	(8,320,836)	(283,891,512)	(517,983,414)
	(2,795,179,763)	79,215,831	(73,040,327)	179,795,495	(2,609,208,764)
Provision for income tax	4,251,154	21,750,856	6,782,696	(6,632,290)	26,152,416
Net income (loss)	(₱2,799,430,917)	₱57,464,975	(₱79,823,023)	₱186,427,785	(₱2,635,361,180)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱2,630,944,855)
Noncontrolling interests					(4,416,325)
					(₱2,635,361,180)

2018

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
INCOME					
Service income	₱314,237,156	₱909,854,454	₱7,142,270	(₱77,891,392)	₱1,153,342,488
Sale of goods	—	—	88,845,797	—	88,845,797
	314,237,156	909,854,454	95,988,067	(77,891,392)	1,242,188,285
COST AND EXPENSES	(1,126,781,765)	(940,466,356)	(167,130,298)	400,732,206	(1,833,646,213)
Equity in net losses of associates	—	—	—	(52,988,467)	(52,988,467)
Other income (charges) - net	16,585,190	(3,266,699)	(8,374,556)	(27,631,840)	(22,687,905)
	(795,959,419)	(33,878,601)	(79,516,787)	242,220,507	(667,134,300)
Provision for income tax	5,321,396	20,774,335	25,135,981	93,275,237	144,506,949
Net income (loss)	(₱801,280,815)	(₱54,652,936)	(₱104,652,768)	₱148,945,270	(₱811,641,249)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱765,794,458)
Noncontrolling interests					(45,846,791)
					(₱811,641,249)



2017

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
INCOME					
Service income	₱1,599,595,564	₱721,362,136	₱5,674,500	(₱317,081,184)	₱2,009,551,016
Sale of goods	—	—	94,018,662	—	94,018,662
	1,599,595,564	721,362,136	99,693,162	(317,081,184)	2,103,569,678
COST AND EXPENSES	(1,424,342,213)	(721,942,502)	(169,432,118)	288,679,607	(2,027,037,226)
Equity in net losses of associates	—	—	—	(36,721,355)	(36,721,355)
Other income (charges) - net	(207,175,098)	(5,088,295)	1,306,424	128,728,618	(82,228,351)
	382,428,449	4,507,929	(71,045,380)	(193,851,550)	122,039,448
Provision for (benefit from) income tax	64,630,265	27,491,072	(7,224,690)	(65,429,549)	19,467,098
Net income (loss)	₱317,798,184	(₱22,983,143)	(₱63,820,690)	(₱128,422,001)	₱102,572,350
Net income attributable to:					
Equity holders of Xurpas Inc.					₱36,349,951
Noncontrolling interests					66,222,399
					₱102,572,350

The following tables present business segment assets and liabilities as at December 31, 2019, 2018 and 2017:

2019

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
Other information					
Segment assets	₱845,921,672	₱1,008,614,774	₱68,342,525	(₱1,208,936,126)	₱713,942,845
Deferred tax assets	—	17,393,201	—	(17,393,201)	—
Total assets	845,921,672	1,026,007,975	68,342,525	(1,226,329,327)	713,942,845
Segment liabilities	616,475,165	697,641,903	256,635,229	(889,654,522)	681,097,775
Deferred tax liabilities	—	—	—	6,951,740	6,951,740
Segment liabilities	₱616,475,165	₱697,641,903	₱256,635,229	(₱882,702,782)	₱688,049,515

2018

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
Other information					
Segment assets	₱4,327,932,152	₱625,205,086	₱96,494,474	(₱97,253,309)	₱4,952,378,403
Deferred tax assets	1,825,761	28,494,512	6,592,302	(22,725,883)	14,186,692
Total assets	4,329,757,913	653,699,598	103,086,776	(119,979,192)	4,966,565,095
Segment liabilities	1,214,435,143	452,518,107	218,843,982	(738,545,398)	1,147,251,834
Deferred tax liabilities	—	1,004,640	—	351,724,388	352,729,028
Segment liabilities	₱1,214,435,143	₱453,522,747	₱218,843,982	(₱386,821,010)	₱1,499,980,862

2017

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
Other information					
Segment assets	₱5,338,888,976	₱451,357,473	₱70,325,713	(₱165,918,968)	₱5,694,653,194
Deferred tax assets	50,768,130	15,617,556	29,959,092	19,182,307	115,527,085
Total assets	5,389,657,106	466,975,029	100,284,805	(146,736,661)	5,810,180,279
Segment liabilities	1,562,816,025	263,449,084	123,857,976	148,698,843	2,098,821,928
Deferred tax liabilities	—	—	—	355,859,101	355,859,101
Total liabilities	₱1,562,816,025	₱263,449,084	₱123,857,976	₱504,557,944	₱2,454,681,029



30. Notes to Consolidated Statement of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2019	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2019
Loans payable	₱358,741,481	(₱306,611,209)	₱-	₱-	₱52,130,272
Dividends payable	63,163,332	(10,983,978)	(52,179,354)	-	-
Lease liabilities	76,495,086	(21,833,336)	(50,852,225)	-	3,809,525
Advances from stockholders	-	54,033,333	-	-	54,033,333
Total liabilities from financing activities	₱498,399,899	(₱285,395,190)	(₱103,031,579)	₱-	₱109,973,130

	January 1, 2018	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2018
Loans payable	₱377,419,000	(₱18,677,519)	₱-	₱-	₱358,741,481
Dividends payable	38,152,639	(13,819,758)	38,830,452	-	63,163,333
Finance lease liabilities	1,794,643	-	(1,179,551)	-	615,092
Total liabilities from financing activities	₱417,366,282	(₱32,497,277)	₱37,650,901	₱-	₱422,519,906

The noncash investing and financing activities of the Group are as follows:

- Unrealized gain on financial assets at FVOCI amounted to ₱35,000 in 2019.
- Unrealized loss on financial assets at FVOCI amounted to ₱95,000 in 2018.
- Unrealized gain on available-for-sale financial assets amounted to nil and ₱60,000 in 2017.
- Cumulative translation adjustments recognized under “Investment in associates” amounted to ₱4.38 million, ₱8.66 million and ₱2.53 million for 2019, 2018 and 2017, respectively.
- As of December 31, 2019, 2018 and 2017, outstanding dividends payable pertaining to dividends declared to noncontrolling interests amounted to nil, ₱63.16 million and ₱38.15 million, respectively, under “Other current liabilities”.
- As of December 31, 2019, 2018 and 2017, additions to property and equipment has outstanding payable amounting to ₱0.88 million, ₱0.76 million and ₱1.11 million, respectively.
- As of December 31, 2019, 2018 and 2017, additions to intangible asset has outstanding payable amounting to ₱0.74 million, ₱203.14 million and ₱10.57 million, respectively.
- In 2018, Storm issued 3,601 common shares to various individuals resulting in the Parent Company’s dilution of ownership from 56.60% to 53.96% in Storm. The transfer of the Parent Company’s share in the accumulated net losses of Storm to the noncontrolling interest amounted to ₱3.19 million.
- In 2019, Storm issued 3,985 common shares to various individuals resulting in the Parent Company’s ownership from 53.96% to 51.31% in Storm. Net increase in NCI amounted to ₱4.38 million.
- In 2019, the Parent Company issued 415,000 and 475,000 shares taken from its treasury shares for a price of ₱1.23 and ₱1.16 per share, respectively.



31. Provisions, Contingencies and Commitments

The Group is currently involved in assessments for national taxes and the outcome of these assessments is not presently determinable.

In the opinion of management and its legal counsel, the eventual liability under these assessments, if any, will not have a material effect on the Group's financial position and results of operations. The information usually required under PAS 37 is not disclosed on the ground that it may prejudice the outcome of the assessments.

The Group, through ODX, entered into Token Pre-Sale Agreements ("PSA") with various investors for the sale of ODX tokens. Investment received from the PSA amounted to USD2.85 million and USD3.54 million (equivalent to ₱142.26 million and ₱184.53 million) as of December 31, 2019 and 2018, respectively (see Note 12).

The Group, through ODX, also entered into advisory agreements with various advisors for which the services to be received are to be paid through internally generated tokens and for which the obligation cannot be measured with sufficient reliability.

32. Events After Reporting Date

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine until May 31, 2020, general community quarantine until July 30, 2020, and modified enhanced community quarantine until August 18, 2020, unless earlier lifted or extended throughout the island of Luzon. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In the interim, in line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Group.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. The Company will continue to monitor the situation and assess its impact on its 2020 financial results and periods thereafter.

On March 30, 2020, the BOD approved to suspend the business operations of AOC in light of the AOC's continuing business challenges.

On the same date, the BOD approved the sale of 80% ownership in CTX to Mr. Fernando Jude Garcia, a founder of the Parent Company, for a total amount of ₱4.00 million.



On May 7, 2020, the Parent Company conducted its Special Stockholders' Meeting on the approval of the issuance of up to 1,706,072,261 new common shares from the unissued authorized capital stock of the Parent Company. Pending subscription agreement and such other definitive agreements and considering that less than 67% of the outstanding shares of Parent Company was present or represented in the meeting, there was no stockholders' approval on the purchase of 100% interest in Wavemaker US Fund Management Holdings, LLC.

On July 23, 2020, the board of directors approved the issuance of 966,667 Xurpas shares to certain Xurpas employees. Transfer price will be set at current trading price. The shares will be taken from Xurpas Inc.'s treasury shares.

In December 2019, the Group started negotiations for the extension of the loans payable amounting to ₱16.00 million. These were finalized in February 2020.

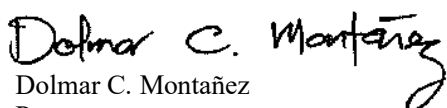


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and Board of Directors
Xurpas Inc.
7th Floor Cambridge Centre
108 Tordesillas St.
Salcedo Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Xurpas Inc. and its subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated August 14, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules A to I listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez

Partner

CPA Certificate No. 112004

SEC Accreditation No. 1561-AR-1 (Group A),

January 31, 2019 valid until January 30, 2022

Tax Identification No. 925-713-249

BIR Accreditation No. 08-001998-119-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 8125272, January 7, 2020, Makati City

August 14, 2020

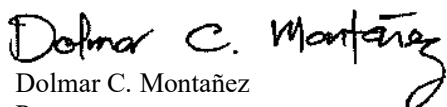


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and Board of Directors
Xurpas Inc.
7th Floor Cambridge Centre
108 Tordesillas St.
Salcedo Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Xurpas Inc. and its subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated August 14, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the years ended December 31, 2019 and 2018 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez

Partner

CPA Certificate No. 112004

SEC Accreditation No. 1561-AR-1 (Group A),

January 31, 2019 valid until January 30, 2022

Tax Identification No. 925-713-249

BIR Accreditation No. 08-001998-119-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 8125272, January 7, 2020, Makati City

August 14, 2020



XURPAS INC. AND SUBSIDIARIES

**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES**

Schedule	Contents
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Long-Term Debt
E	Indebtedness to Related Parties
F	Guarantees of Securities of Other Issuers
G	Capital Stock
H	Reconciliation of Retained Earnings Available for Dividend Declaration
I	Conglomerate Map

SCHEDULE A

XURPAS INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Loans and receivables			
Cash and cash equivalent			
Cash on hand	₱—	₱104,525	₱—
Cash in banks			
Bank of the Philippine Islands			
Current Account	—	21,496,864	192,165
Savings Account	—	7,451,272	12,557
US Dollar Account	—	159,400	159
Robinsons Bank			
Savings Account	—	24,191	—
Security Bank			
Current Account	—	350,435	10,183
Savings Account	—	437,294	139
US Dollar Account	—	28,548	508
Unionbank			
Current Account	—	11,583,526	8,305
Savings Account	—	158,745	519
US Dollar Account	—	—	—
China Bank			
Current Account	—	543,796	1,900
Savings Account	—	—	—
US Dollar Account	—	—	—
Metrobank			
Savings Account	—	182,273	685
Asia United Bank			
Current Account	—	179,231	—
Banco De Oro			
Current Account	—	6,284,892	17,095
Savings Account	—	—	—
US Dollar Account	—	—	—
CIMB Niaga Bank	—	148,357	—
CIMB Bank			
US Dollar Account	—	2,774,108	33,945
SG Dollar Account	—	243,075	1,553
OCBC Bank			
US Dollar Account	—	339,435	—
SG Dollar Account	—	304,877	—
Paypal	—	61,264	—
Cash equivalent			
Time deposit	—	101,072,938	1,341,172
Accounts and other receivables			
Trade	—	273,387,545	—
Receivable from related parties	—	10,377,902	—
Others	—	14,113,380	—
Other current assets			
Restricted cash equivalent	—	5,060,129	22,338
	—	456,868,002	1,643,223
Financial assets at fair value through other comprehensive income			
Quoted equity investment	—	440,000	—
	—	440,000	—
	₱—	₱457,308,002	₱1,643,223

SCHEDULE B**XURPAS INC. AND SUBSIDIARIES****SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM
DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND
PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Write off	Sale of subsidiary	Current	Noncurrent	Balance at the end of the year
Advances to employees	P4,764,040	P134,974	(P352,204)	(P8,082)	(P2,149,203)	P2,389,525	P-	P2,389,525

SCHEDULE C

XURPAS INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

	Amount owed by Xurpas Parent to Xurpas Subsidiaries			
	Receivable balance per Xurpas Parent	Payable balance per Xurpas Subsidiaries	Current	Noncurrent
Storm Technologies Inc.	₱118,172,153	₱118,172,153	₱118,172,153	₱—
Xurpas Enterprise Inc.	87,644,395	87,644,395	87,644,395	—
Art of Click Pte. Ltd.	35,463,306	35,463,306	35,463,306	—
Seer Technologies Inc.	25,708,736	25,708,736	25,708,736	—
ODX Pte. Ltd	3,106,582	3,106,582	3,106,582	—
<i>Subtotal</i>	₱270,095,172	₱270,095,172	₱270,095,172	₱—

	Amount owed by Xurpas Subsidiaries to Xurpas Parent			
	Receivable balance per Xurpas Subsidiaries	Payable balance per Xurpas Parent	Current	Noncurrent
ODX Pte. Ltd.	₱153,451,207	₱153,451,207	₱153,451,207	₱—
Xeleb Technologies Inc. and subsidiary	79,230,649	79,230,649	79,230,649	—
Xurpas Enterprise Inc.	17,546,293	17,546,293	17,546,293	—
Art of Click Pte. Ltd.	15,272,810	15,272,810	15,272,810	—
<i>Subtotal</i>	₱265,500,959	₱265,500,959	₱265,500,959	₱—

Receivable to	Amount owed to Xurpas Subsidiary to Xurpas Subsidiary		
	Payable from	Current	Noncurrent
Seer Technologies Inc.	Xurpas Enterprise Inc.	₱2,757,089	₱—
Xurpas Enterprise Inc.	Storm Technologies Inc.	858,056	—
Xeleb Technologies Inc.	Xurpas Enterprise Inc.	168,000	—
<i>Subtotal</i>		₱3,783,145	₱—
Total eliminated receivables		₱539,379,276	₱—

SCHEDULE D**XURPAS INC. AND SUBSIDIARIES****SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT**

			Long-term Debt
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “current portion of long-term” in related balance sheet	Amount shown under caption “long-term debt” in related balance sheet
<i>The Group does not have long-term loans.</i>			

SCHEDULE E

XURPAS INC. AND SUBSIDIARIES

**SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)**

Indebtedness to Related Parties (Long-term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
-----------------------	--------------------------------	--------------------------

The Group does not have long-term loans from related companies in its consolidated statements of financial position.

XURPAS INC. AND SUBSIDIARIES**SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS****Guarantees of Securities of Other Issuers**

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
--	---	---	--	---------------------

Not Applicable

The Group does not have any guarantees of securities of other issuing entities by the issuer for which the consolidated financial statements is filed.

SCHEDULE G

XURPAS INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK

Capital Stock						
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	5,000,000,000	1,871,830,210*	—	—	660,680,616	1,211,149,594

*Net of treasury shares.

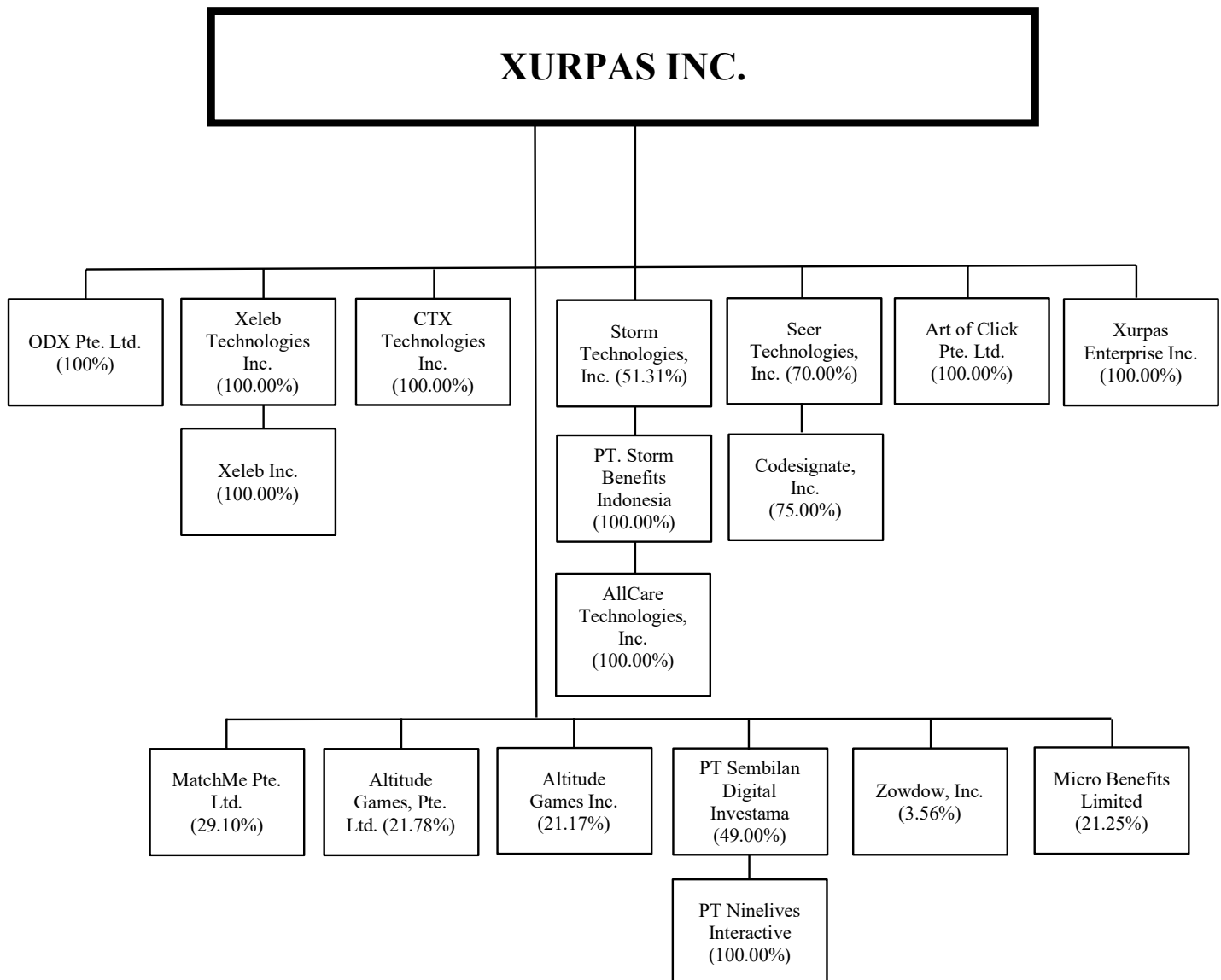
SCHEDULE H**XURPAS INC. AND SUBSIDIARIES****SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

Unappropriated Retained Earnings, beginning, as restated	(P367,843,568)
Less adjustments:	
Adjustment due to adoption of PFRS 16	271,300
Impairment loss	177,547,344
Unappropriated Retained Earnings, as adjusted, beginning	(190,024,924)
Net Income (Loss) based on the face of Audited Financial Statements	(2,677,536,700)
Less: Non-actual/unrealized income net of tax	
Amount of provision for deferred tax during the year	—
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	(3,858,245)
Fair value adjustment (M2M gains)	—
Impairment loss	2,346,993,961
Net Income Actual/Realized	(334,400,984)
Less: Other adjustments	
Dividend declarations during the period	—
Reversal of appropriation for share buy-back transactions	—
Reversal of appropriation for dividend declaration	—
Appropriations during the year	—
	—
Unappropriated retained earnings, end available for dividend distribution	P—

SCHEDULE I

XURPAS INC. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES



Note: Xeleb Technologies Inc. and Xeleb Inc. are in the process of liquidation

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE ON FINANCIAL SOUNDNESS INDICATORS

Ratio	Formula	2019	2018
Current Ratio	Total Current Assets divided by Total Current Liabilities <div> Total Current Assets ₱243,603,134 Divide by: Total Current Liabilities 601,207,068 <hr/> Current Ratio 0.41 </div>	0.41	0.69
Acid Test Ratio/Quick Ratio	Quick Assets (<i>Total Current Assets less Inventories and Other Current Assets</i>) divided by Total Current Liabilities <div> Total Current Assets ₱243,603,134 Less: Other Current Assets 44,201,116 <hr/> Quick Assets 199,402,017 Divide by: Total Current Liabilities 601,207,068 <hr/> Acid Test Ratio 0.33 </div>	0.33	0.64
Solvency Ratio	Total Assets divided by Total Liabilities <div> Total Assets ₱713,942,845 Divide by: Total Liabilities 688,049,515 <hr/> Solvency Ratio 1.04 </div>	1.04	3.31
Debt-to-Equity Ratio	Total Liabilities divided by Total Equity Attributable to Parent <div> Total Liabilities ₱688,049,515 Divide by: Equity Attributable to Parent 124,062,554 <hr/> Debt-to-Equity Ratio 5.55 </div>	5.55	0.55
Asset-to-Equity Ratio	Total Assets divided by Equity Attributable to Parent <div> Total Assets ₱713,942,845 Divide by: Equity Attributable to equity holders of Xurpas Inc. 124,062,554 <hr/> Asset-to-Equity Ratio 5.75 </div>	5.75	1.83
Interest Rate Coverage Ratio	Earnings before Interest and Taxes (EBIT)/Interest Charges <div> Income (Loss) before Income Tax (₱2,609,208,764) Add: Interest Expense 39,684,855 <hr/> EBIT (2,569,523,908) Divided by: Interest Expense 39,684,855 <hr/> Interest Expense Coverage Ratio (64.75) </div>	(64.75)	(20.45)
Return on Equity	Net Income attributable to equity holders of Xurpas Inc. divided by Average Total Equity (<i>Total Equity PY + Total Equity CY divided by 2</i>)	(1.86)	(0.22)

Ratio	Formula	2019	2018
	Net Income (loss) attributable to equity holders of Xurpas Inc. (P2,630,944,855) <hr/> Total Equity attributable to equity holders of Xurpas Inc. (CY) 124,062,554 Total Equity attributable to equity holders of Xurpas Inc. (PY) 2,707,215,457 <hr/> Average Total Equity 1,415,639,005 Return on Equity (1.86)		
Return on Assets	Net Income attributable to equity holders of Xurpas Inc. divided by Average Total Assets (<i>Total Assets PY + Total Assets CY divided by 2</i>) Net Income attributable to equity holders of Xurpas Inc. (P2,630,944,855) <hr/> Total Assets (CY) 713,942,845 Total Assets (PY) 4,966,565,095 <hr/> Average Total Assets 2,840,253,970 Return on Assets (0.93)	(0.93)	(0.14)
Net Income Margin	Net Income attributable to equity holders of Xurpas Inc. divided by Revenue Net Income attributable to equity holders of Xurpas Inc. (P2,630,944,855) Divided by: Revenue 971,959,278 <hr/> Net Income Margin Ratio (2.71)	(2.71)	(0.62)
Gross margin ratio	Gross margin divided by Revenue Revenue P971,959,278 Less: Cost and expenses 825,474,067 <hr/> Gross margin 146,485,211 Divided by: Revenue 971,959,278 <hr/> Gross Margin Ratio 0.15	0.15	0.09
Operating margin ratio	Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) divided by Revenue Income (Loss) before Income Tax (P2,609,208,764) Add: Interest Expense 39,684,855 Depreciation and Amortization 76,642,043 <hr/> EBITDA (2,492,881,866) Divided by: Revenue 971,959,278 <hr/> Operating Margin Ratio (2.56)	(2.56)	(0.46)

COVER SHEET

SEC Registration Number

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Company Name

X	U	R	P	A	S		I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S		

Principal Office (No./Street/Barangay/City/Town/Province)

7	t	h		F	l	o	o	r	,		C	a	m	b	r	i	d	g	e		C	e	n	t	r	e		1	0
8		T	o	r	d	e	s	i	l	l	A	s		S	t	.		S	a	l	c	e	d	o		V	i	l	l
a	g	e	,		M	a	k	a	t	i		C	i	t	y														

Form Type

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Department requiring the report

S	E	C
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Secondary License Type, If
Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

<u>info@xurpas.com</u>

Company's Telephone Number/s

889-6467

Mobile Number

N/A

No. of Stockholders

26

Annual Meeting
Month/Day

2nd Monday of May

Fiscal Year
Month/Day

March 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Alexander D. Corpuz

Email Address

mar@xurpas.com

Telephone Number/s

889-6467

Mobile Number

N/A

Contact Person's Address

7 th Floor Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City
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Note: 1. In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2020

2. Commission identification number A200117708

3. BIR Tax Identification No 219-934-330

4. Xurpas Inc.

Exact name of issuer as specified in its charter

Philippines

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

6. Industry Classification Code: (For SEC Use Only)

7F Cambridge Centre, 108 Tordesillas St., Salcedo Village, Makati City

7. Address of issuer's principal office

1227

Postal Code

(632) 889-6467

8. Issuer's telephone number, including area code

Not Applicable

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

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class

Number of Shares of Common Stock Outstanding

Common Shares

1,871,830,210

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

Yes [☒] No [☐]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange Common Shares 1,797,700,660

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (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 ninety (90) days.

Yes [☒] No [☐]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Unaudited Interim Condensed Consolidated Statements of Financial Position
As at March 31, 2020 (with Comparative Audited Consolidated Statements of Financial Position as at December 31, 2019)

Unaudited Interim Condensed Consolidated Statements of Income and Comprehensive Income
For the Three-Month Periods Ended March 31, 2020 and 2019

Unaudited Interim Condensed Consolidated Statements of Changes in Equity
For the Three-Month Periods Ended March 31, 2020 and 2019

Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the Three-Month Periods Ended March 31, 2020 and 2019

Notes to Unaudited Interim Condensed Consolidated Financial Statements

Attachments:

Schedule I: Map Showing the Relationships Between and Among the Companies in the Group, Its Subsidiaries and Associate

Schedule II: Schedule of All Effective Standards and Interpretations under Philippine Financial Reporting Standards

Schedule III: Reconciliation of Retained Earnings Available for Dividend Declaration

Schedule IV: Financial Ratios

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

The MD&A is a discussion and analysis of the Company's financial position as at March 31, 2020 and December 31, 2019 and performance for the three-month periods ended March 31, 2020 and 2019. The primary objective of this MD&A is to help the readers understand the dynamics of the Company's business and the key factors underlying the Company's financial results.

The MD&A as of and for the three-month period ended March 31, 2020 and 2019 should be read in conjunction with the unaudited interim condensed consolidated financial statements and the accompanying notes.

PART I--FINANCIAL INFORMATION

Item 1. – FINANCIAL STATEMENTS

XURPAS INC. AND SUBSIDIARIES**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalent (Notes 5 and 25)	₱128,697,867	₱153,929,046
Accounts and other receivables (Notes 6 and 25)	51,863,682	37,182,831
Contract assets (Note 7)	9,494,141	8,290,141
Other current assets (Note 9)	39,321,604	44,201,116
Total Current Assets	229,377,294	243,603,134
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Notes 8 and 25)	440,000	440,000
Investments in associates (Note 10)	317,468,202	319,936,508
Property and equipment (Note 11)	7,747,935	8,763,883
Right-of-use asset (Note 19)	3,811,938	4,612,485
Intangible assets (Note 12)	94,992,693	101,129,808
Other noncurrent assets	36,973,043	35,457,027
Total Noncurrent Assets	461,433,811	470,339,711
	₱690,811,105	₱713,942,845
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 13 and 25)	₱442,066,108	₱478,249,032
Loans payable (Notes 14 and 25)	51,019,597	52,130,272
Contract liabilities (Note 7)	94,042,911	68,048,657
Current portion of lease liabilities	2,714,007	2,775,923
Income tax payable	3,184	3,184
Total Current Liabilities	589,845,807	601,207,068
Noncurrent Liabilities		
Advances from stockholders - net of current	50,470,853	54,033,333
Finance lease - net of current	427,998	1,033,602
Deferred tax liabilities – net	5,964,728	6,951,740
Pension liabilities	24,823,772	24,823,772
Total Noncurrent Liabilities	81,687,351	86,842,447
Total Liabilities	671,533,158	688,049,515
Equity		
Equity attributable to equity holders of Xurpas Inc.		
Capital stock (Note 23)	193,492,585	193,492,585
Additional paid-in capital (Note 23)	3,585,092,298	3,585,092,298
Retained earnings (deficit) (Note 23)	(3,204,848,267)	(3,184,802,325)
Net unrealized loss on financial assets at FVOCI (Note 8)	(44,254,956)	(44,254,956)
Cumulative translation adjustment	62,048,856	47,950,210
Retirement benefit reserve	(2,571,739)	(2,571,739)
Equity reserve (Notes 22 and 23)	(363,424,608)	(363,424,608)
Treasury stock (Note 23)	(107,418,911)	(107,418,911)
	118,115,258	124,062,554
	(98,837,311)	(98,169,224)
Total Equity	19,277,947	25,893,330
	₱690,811,105	₱713,942,845

See accompanying Notes to Interim Condensed Consolidated Financial Statements

XURPAS INC. AND SUBSIDIARIES**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME**

	March 31	
	2020	2019
	(Unaudited)	(Unaudited)
INCOME		
Service income (Note 15)	₱28,279,605	₱268,990,807
Sale of goods	18,723,245	30,523,291
	47,002,850	299,514,098
COST AND EXPENSES		
Cost of services (Note 16)	29,629,626	221,554,900
Cost of goods sold	16,781,169	29,187,300
	46,410,795	250,742,200
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	20,730,289	107,686,633
EQUITY IN NET LOSSES OF ASSOCIATES (Note 10)	2,670,706	5,398,034
OTHER CHARGES (INCOME) – NET (Note 18)	(1,148,676)	9,440,637
	22,252,319	122,525,304
LOSS BEFORE INCOME TAX	(21,660,264)	(73,753,406)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 21)	(882,416)	2,822,869
NET LOSS	(20,777,848)	(76,576,275)
OTHER COMPREHENSIVE INCOME		
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>		
Cumulative translation adjustment	14,162,465	2,327,413
TOTAL COMPREHENSIVE INCOME LOSS	(₱6,615,383)	(₱74,248,862)
Net loss attributable to:		
Equity holders of Xurpas Inc.	(₱20,045,942)	(₱70,607,577)
Noncontrolling interests	(731,906)	(5,968,698)
	(₱20,777,848)	(₱76,576,275)
Total comprehensive loss attributable to:		
Equity holders of Xurpas Inc.	(₱5,947,296)	(₱68,280,183)
Noncontrolling interests	(668,087)	(5,968,679)
	(₱6,615,383)	(₱74,248,862)
Loss Per Share (Note 24)		
Basic	(₱0.01)	(₱0.04)
Diluted	(₱0.01)	(₱0.04)

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	March 31	
	2020	2019
	(Unaudited)	(Unaudited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF XURPAS INC.		
CAPITAL STOCK - ₱0.10 par value (Note 23)		
Authorized – 5,000,000,000 shares		
Issued and outstanding		
Balance at beginning and end of period	₱193,492,585	₱193,492,585
ADDITIONAL PAID-IN CAPITAL (Note 23)		
Balance at beginning and end of period	3,585,092,298	3,592,076,662
RETAINED EARNINGS (DEFICIT) (Note 23)		
Appropriated		
Balance at beginning and end of period	115,464,275	115,464,275
Unappropriated		
Balance at beginning of period	(3,300,266,600)	(671,838,812)
Net loss	(20,045,942)	(70,607,577)
Balance at end of period	(3,320,312,542)	(742,446,389)
	(3,204,848,267)	(626,982,114)
NET UNREALIZED LOSS ON FINANCIAL ASSETS AT FVOCI		
(Note 9)		
Balance at beginning and end of period	(44,254,956)	(44,219,956)
CUMULATIVE TRANSLATION ADJUSTMENT		
Balance at beginning of period	47,950,210	34,451,988
Movement during the period	14,098,646	2,327,394
Balance at end of period	62,048,856	36,779,382
RETIREMENT BENEFIT RESERVE		
Balance at beginning and end of period	(2,571,739)	5,475,312
EQUITY RESERVE (Notes 22 and 23)		
Balance at beginning and end of period	(363,424,608)	(402,222,322)
TREASURY STOCK (Note 23)		
Balance at beginning and end of period	(107,418,911)	(115,464,275)
	118,115,258	2,638,935,274
NONCONTROLLING INTERESTS		
Balance at beginning of period	(98,169,224)	759,368,776
Increase in NCI	–	1,999,082
Cumulative translation adjustment	63,819	19
Net loss	(731,906)	(5,968,698)
Balance at end of period	(98,837,311)	755,399,179
	₱19,277,947	₱3,394,334,453

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
CASH FLOWS

	March 31	
	2020	2019
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	(P21,660,264)	(P73,753,406)
Adjustments for:		
Depreciation and amortization (Notes 16 and 17)	8,598,964	23,016,340
Equity in net losses of associates (Note 10)	2,670,706	5,398,034
Interest expense (Note 18)	2,600,151	11,004,151
Unrealized foreign currency exchange loss (gain)	1,753	(155,096)
Realized foreign exchange gain on sale of cryptocurrencies	—	450,710
Loss on sale of cryptocurrencies	—	189,520
Interest income (Note 5)	(524,771)	(55,380)
Operating loss before changes in working capital	(8,313,461)	(33,905,127)
Changes in working capital		
Decrease (increase) in:		
Accounts and other receivables and contract assets – net	(15,884,851)	35,486,103
Other current assets	4,879,512	(17,366,572)
Increase (decrease) in:		
Accounts and other payables	(37,200,191)	42,465,469
Contract liabilities	25,994,254	8,976,296
Net cash generated from (used in) operations	(30,524,737)	35,656,169
Interest received	524,771	55,380
Income taxes paid	(104,596)	(5,957,858)
Interest paid	(1,113,869)	(9,499,833)
Net cash provided by (used in) operating activities	(31,218,431)	20,253,858
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from sale of PPE	—	387,335
Additions to property and equipment (Note 11)	(495,536)	(2,991,810)
Decrease (increase) in noncurrent assets	(1,516,016)	(4,304,479)
Net cash used in investing activities	(2,011,552)	(6,908,954)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from stockholders	—	100,000,000
Increase in NCI	—	1,999,082
Dividends paid (Note 27)	—	(9,605,958)
Payment of principal portion of lease liability	(699,016)	—
Payment of loans payable	(1,110,675)	(24,929,705)
Net cash provided by (used in) financing activities	(1,809,691)	67,463,419
EFFECT OF FOREIGN CURRENCY EXCHANGE		
RATE CHANGES ON CASH	9,808,494	3,860,016
NET INCREASE(DECREASE) IN CASH	(925,231,179)	84,668,339
CASH AT BEGINNING OF PERIOD	153,929,046	177,396,187
CASH AT END OF PERIOD (Note 5)	128,697,867	P262,064,526

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Xurpas Inc. (the Parent Company or Xurpas) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 26, 2001. The principal activities of the Parent Company and its subsidiaries (collectively referred to as the Group) are to develop, produce, sell, buy or otherwise deal in products, goods or services in connection with the transmission, receiving, or exchange of voice, data, video or any form or kind of communication whatsoever.

The Parent Company's registered office address and principal place of business is at 7th Floor, Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City.

On December 2, 2014, the Parent Company's shares of stock were listed in the Philippine Stock Exchange (PSE).

The accompanying interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on August 14, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation

The interim condensed consolidated financial statements of the Group as at March 31, 2020 and for the three-month periods ended March 31, 2020 and 2019, have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

Accordingly, the interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended December 31, 2019.

The interim condensed consolidated financial statements are presented in Philippine Peso (₱), the Group's presentation currency. All amounts were rounded-off to the nearest Peso, except when otherwise indicated. The interim condensed consolidated financial statements have been prepared under the historical cost basis, except for except for financial assets at fair value through other comprehensive income (FVOCI), available-for-sale (AFS) financial assets which have been measured at fair value and financial liabilities at fair value through profit or loss (FVPL).

Statement of Compliance

The accompanying interim condensed consolidated financial statements of the Group as at March 31, 2020 and December 31, 2019 and for the three-month periods ended March 31, 2020 and 2019 have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Xurpas Inc. and its subsidiaries as at March 31, 2020 and December 31, 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voter holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls and investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests ("NCI") represent the portion of profit or loss and net assets in a subsidiary not wholly owned and are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.

Total comprehensive income within a subsidiary is attributed to the noncontrolling interest even if that results in a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any noncontrolling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

As at March 31, 2020 and December 31, 2019, the consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage Ownership		Principal Activities
	March 31, 2020	December 31, 2019	
Xeleb Technologies Inc. (formerly Fluxion, Inc.) (Xeleb Tech)	100.00%	67.00%	Enterprise services and mobile consumer services
Xeleb Inc. (Xeleb)	100.00	67.00	Mobile consumer services
Seer Technologies, Inc. (Seer)	70.00	70.00	Enterprise services
Codesignate Inc. (Codesignate)*	52.50	52.50	Enterprise services
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.) (Storm)	51.31	51.31	Human resource management
Pt. Storm Benefits Indonesia (Storm Indonesia)**	51.31	51.31	Human resource management
Allcare Technologies, Inc.**	51.31	51.31	Human resource management
Xurpas Enterprise Inc. (Xurpas Enterprise)	100.00	100.00	Enterprise services
Art of Click Pte. Ltd. (AOC)	100.00	100.00	Mobile consumer services
ODX Pte. Ltd. (ODX)	100.00	100.00	Enterprise services
CTX Technologies Inc.	—	100.00	

*Codesignate is a 75%-owned subsidiary of Seer. The Group's effective ownership over Codesignate is 52.50%. The Group has determined that it has control over the entity and consolidates the entity on this basis.

** Storm Indonesia and Allcare are 100%-owned of Storm Technologies, Inc.

All subsidiaries are domiciled in the Philippines except for Storm Indonesia, which is domiciled in Indonesia, and AOC and ODX, which are domiciled in Singapore.

Xeleb Technologies, Inc.

Xeleb Technologies, Inc. was organized to primarily engage in the business of mobile content development.

In 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33% stake in Xeleb Technologies from its minority stakeholders for a total consideration of ₱4.00 million. This brought Parent Company's interest in Xeleb Technologies to 100%.

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb Technologies.

Xurpas Enterprise Inc.

On March 23, 2016, the Parent Company incorporated Xurpas Enterprise. Xurpas Enterprise shall primarily engage in the business of software development including designing, upgrading and marketing all kinds of information technology systems or parts thereof and other related services.

Xeleb Inc.

On July 14, 2015, the Parent Company incorporated Xeleb Inc., a mobile games company domiciled in the Philippines. Xeleb was organized primarily to design, develop, test, build, market, distribute, maintain, support, customize, sell and/or sell applications, games, software, digital solutions, whether internet, mobile or other handheld applications, portals, hardware and other related projects and services, except internet provider services, both for proprietary and custom development purposes.

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb.

Storm Technologies, Inc.

The Parent Company's ownership is 56.60% of the outstanding capital stock of Storm as of December 31, 2017. In 2018, Storm issued 3,601 common shares to various individuals for a total of ₱11.97 million. This brought down the Parent Company's ownership from 56.60% to 53.96% of the outstanding capital stock of Storm, which resulted in a transfer of the Parent Company's share in the accumulated net losses of Storm to the noncontrolling

interest amounting to ₱3.19 million. Net increase in NCI amounted to ₱8.78 million. No change in control resulted from the said transaction.

In 2019, Storm issued 3,985 common shares to various individuals for a total consideration of ₱4.38 million. This brought down the Parent Company's ownership from 53.96% to 51.31% of the outstanding capital stock of Storm. Net increase in NCI amounted to ₱4.38 million. No change in control resulted from the said transaction.

Storm's primary purpose is to create, develop and maintain an online platform that allows companies to exchange their current human resources benefits given to employees and transform them into a wide range of products and services, provide client management services, data management and information processing services, software network management services, software development services, consultancy, project and program management, marketing solutions, information technology services and business process outsourcing services to various companies.

Art of Click Pte. Ltd.

On October 6, 2016, the Parent Company signed a Share Purchase Agreement with Emmanuel Michael Jean Allix and Wavemaker Labs Pte. Ltd. (the "Sellers") for the acquisition of 100% stake in Art of Click for an aggregate consideration of ₱1.94 billion in cash and in Parent Company's shares (see Note 22).

AOC is engaged in the business of mobile media agency that offers a marketing platform for advertisers.

ODX Pte. Ltd.

On April 27, 2018, the Parent Company incorporated a wholly-owned subsidiary in Singapore, ODX, with the following principal activities: 1) other information technology and computer service activities (e.g., disaster recovery services) and 2) development of software for interactive digital media (except games).

CTX Technologies Inc. ("CTX")

On October 16, 2018, the Parent Company incorporated a wholly-owned subsidiary, CTX, an entity engaged as a remittance and transfer company, to operate as a virtual currency exchange.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2020. Adoption of these new standards and amendments did not have any significant impact on the consolidated financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

Standards and Interpretation Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group does not expect that the future adoption of the said pronouncements to have a significant impact on the consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Deferred Effectivity

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed

its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Current and Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current / noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair value measurement

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy (see Note 25).

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments - initial recognition and subsequent measurement

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets

Initial recognition of financial instrument

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and

FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes "Cash" and "Accounts and other receivables" (except for "Advances to employees" which are subject to liquidation), "Refundable deposits" under other current assets, and "Cash bond" under other noncurrent assets.

Financial assets at FVOCI (debt instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group has not designated any financial assets under this category.

Financial assets at FVOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from

such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its quoted and unquoted equity investments under this category.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in profit or loss when the right of payment has been established.

The Group has designated its unquoted debt investments under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets and Contract Assets

The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL and contract assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for trade receivables and contract assets that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as receivable from related parties, other receivables, refundable deposits under other current assets, cash bond under other noncurrent assets and financial assets at FVOCI (debt instruments), ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, where there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

b. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to PSA and statutory payables included as "Others"), "Loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial

liabilities are only designated as at FVPL when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in equity reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument.

Financial liabilities arising from amounts received under the Share and Token Allocation Agreement classified as "Nontrade payables" under "Accounts and other payables" were designated at FVTPL as it contains embedded derivatives.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to short-term debts.

Other Financial Liabilities

Issued financial instruments or their components, which are not designated at FVPL, are classified as accounts payable and accrued expenses where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effect of restatement of foreign currency-denominated liabilities is recognized in profit or loss.

This accounting policy applies to the Group's "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to PSA and statutory payables included as "Others") and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

c. Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Investments in Associates

The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

An investment is accounted for using the equity method from the day it becomes an associate. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the associate.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in values. The consolidated statement of comprehensive income reflects the share of the results of the operations of the associate company. The Group's share of post-acquisition movements in the associate's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the associate company are eliminated to the extent of the interest in the associate company and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investment in associate company is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associate company. When the associate company subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. When necessary, adjustments are made to bring the reporting dates and accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. It excludes the cost of day-to-day servicing.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the property and equipment which are as follows:

	Years
Transportation equipment	3 to 5
Office equipment	2 to 4
Information Technology (IT) equipment	2 to 4
Furniture and fixtures	3 to 5
Leased asset	3 to 5
Leasehold improvements	Useful life or lease term, whichever is shorter

The estimated residual values, useful life and depreciation and amortization method are reviewed at least annually to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

If there is an indication that there has been a significant change in depreciation and amortization rate or the useful lives, the depreciation of that property and equipment is revised prospectively to reflect the new expectations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Cryptocurrencies which are not held in the ordinary course of business are recognized as intangible assets as these are identifiable non-monetary asset without physical substance.

Following initial recognition, intangible assets (other than cryptocurrencies) are carried at cost less any accumulated amortization and accumulated impairment losses. Cryptocurrencies are subsequently carried at revalued amount, being its fair value at the date of the revaluation less any accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The estimated useful lives of intangible assets follow:

	Years
Customer relationships	Indefinite
Cryptocurrencies	Indefinite
Leasehold rights	7
Developed software	5 – 8

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

If an intangible asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the cryptocurrencies' carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of goods sold.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms' economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Noncontrolling interests

In a business combination, as of the acquisition date, the Group recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. There is a choice of two measurement methods for those components of noncontrolling interests that are both present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of a liquidation. They can be measured at:

- a. acquisition-date fair value (consistent with the measurement principle for other components of the business combination); or
- b. at their proportionate share of the value of net identifiable assets acquired.

Written put option over NCI

Any put options granted to noncontrolling interests give rise to a financial liability measured at fair value, which will be the present value of the redemption amount. The Group's accounting policy on financial instruments applies for the subsequent measurement of the financial liability.

The Group assesses whether the terms and conditions of the option give the acquirer present access to the ownership interest in the share subject to the put option. Factors that indicate that the NCI put provides a present ownership interest include:

- a. pricing - to the extent that the price is fixed or determinable, rather than being at fair value;
- b. voting rights and decision-making - to the extent that the voting rights or decision-making connected to the shares concerned are restricted;
- c. dividend rights - to the extent that the dividend rights attached to the shares concerned are restricted; and
- d. issue of call options - a combination of put and call options, with the same period of exercise and same/similar pricing indicates that the arrangement is in the nature of a forward contract.

If it is concluded that the acquirer has a present ownership interest in the shares concerned, the put option is accounted for as an acquisition of the underlying shares, and no noncontrolling interest is recognized.

When the terms of the transaction do not provide a present ownership interest, the noncontrolling interests continues to be recognized within equity until the NCI put is exercised. The carrying amount of noncontrolling interest changes due to allocations of profit or loss, changes in other comprehensive income and dividends declared for the reporting period. The financial liability for the put option is recognized through a debit made to another component of equity attributable to the parent.

If the put option is exercised, the entity accounts for an increase in its ownership interest. At the same time, the entity derecognizes the financial liability and recognizes an offsetting credit in the same component of equity reduced on initial recognition.

If the put option expires unexercised, the financial liability is reclassified to the same component of equity that was reduced on initial recognition.

Combinations of Entities under Common Control

Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interest method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity under the “Equity reserve” account.

The financial information in the consolidated financial statements are not restated for periods prior to the combination of the entities under common control.

Impairment of Nonfinancial Assets

The Group assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments in associates

The Group also determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the associate company and recognizes the difference in profit or loss.

In assessing impairment indicators, the Group considers, as a minimum, the following indicators: (a) dividends exceeding the total comprehensive income of the associate in the period the dividend is declared; or (b) the

carrying amount of the investment in the separate financial statements exceeding the carrying amount of the associate's net assets, including goodwill.

Intangible assets with indefinite useful life

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.

Impairment of goodwill

For assessing impairment of goodwill, a test of impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGUs is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Equity

Capital stock and additional paid-in capital

Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital". When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. The costs of an equity transaction that is abandoned are recognized as an expense.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings (deficit)

Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policy and other capital adjustments.

Unappropriated retained earnings

Unappropriated retained earnings represent the portion of retained earnings that is free and can be declared as dividends to stockholders.

Appropriated retained earnings

Appropriated retained earnings represent the portion of retained earnings which has been restricted and therefore is not available for dividend declaration.

Equity reserve

Equity reserve represents:

- (a) a portion of equity against which the recognized liability for a written put option was charged;
- (b) gains or losses resulting from increase or decrease in ownership without loss of control; and
- (c) difference between the consideration transferred and the net assets acquired in common control business combination.

Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or

service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

Service income

Service income consists of revenue from Value Added Services (VAS) and Business Process Outsourcing (BPO). BPO is further subdivided into IT Staffing, Custom Development and Managed Services, and Products.

VAS are mobile and content application services provided to mobile subscribers. Revenue is recognized at a point in time, that is when services are delivered to the customers during the period.

IT staffing is a business segment where the Group deploys resources to clients to fulfill their IT requirements. Revenue is recognized at a point in time, that is when services are rendered to the customers during the period.

Custom Development and Managed Services are services offered to customers that are produced in the Company's premises. Revenue is recognized over time and at a point in time. In measuring the progress of its performance obligation over time for Custom Development, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the IT specialists.

Products are readily available solutions that will cater to customers' requirements. Revenue is recognized at a point in time, that is when goods are delivered to the customers during the period.

Sale of goods

Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of the consideration received or receivable, net of discounts and applicable taxes. Revenue is recognized at a point in time, which is normally upon delivery.

For the year ended December 31, 2019, the Group has no variable consideration but the timing of revenue recognition resulted in contract assets and liabilities.

Contract Balances

Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional (e.g., warranty fees).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer (e.g., upfront fees, implementation fees, subscription fees, etc.). If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Interest income

Interest income is recognized as it accrues using the effective interest method.

Other income

Other income is recognized as they accrue.

Cost and Expenses

"Cost of services", "Cost of goods sold", and "General and administrative expenses" are expenditures recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measure reliably. The following specific recognition criteria must also be met before costs and expenses are recognized:

Cost of services

Cost that includes all expenses associated with the specific sale of services. Cost of services include salaries,

wages and employee benefits, utilities and communication, supplies and other expenses related to services. Such costs are recognized when the related sales have been recognized.

Cost of goods sold

Cost of goods sold consists of inventory costs related to goods which the Group has sold. Inventory costs include all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

General and administrative expenses

General and administrative expenses constitute expenses of administering the business and are recognized in profit or loss as incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Office space	1.5 to 3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of nonfinancial assets section.

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Income tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will not reverse in the foreseeable future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial reporting date. Movements in deferred tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

Deferred tax relating to items outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- Where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- Receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the consolidated statement of financial position.

Pensions and other long-term employee benefits

The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The Group also provided other long-term employee benefit obligations to an employee of a subsidiary as remuneration for the services provided by the employee to the subsidiary, which are to be settled in cash. A liability and expense for the long-term employee benefit is recognized when the services have been rendered and is amortized during the period of entitlement.

Foreign Currency Transactions

The Group's consolidated financial statements are presented in Philippine Peso, which is also the Parent Company and the subsidiaries' functional currency, except for AOC and ODX, which is US dollar, and Storm Indonesia, which is Indonesian Rupiah. The Philippine peso is the currency of the primary economic environment in which the Parent Company operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions denominated in foreign currencies are initially recorded in Philippine Peso at the exchange rate at the date of transaction. Foreign currency-denominated monetary assets and liabilities are retranslated at the closing rate at reporting date. Exchange gains or losses arising from foreign currency transactions are recognized in profit or loss.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation are taken directly to a separate component of equity under “Cumulative translation adjustment” account. Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Investments in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group’s share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares, if any.

Segment Reporting

The Group’s operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 26 of the consolidated financial statements.

Provisions

Provisions are recognized when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

This policy also applies to proceeds received from the Token Pre-Sale Agreement for which management has assessed that it has a present constructive obligation to the token investors.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

This policy also applies to agreements which the Group entered into with certain advisors for which the services received are to be paid through internally generated tokens in the future and for which the obligation cannot be measured with sufficient reliability.

Events after the Reporting Period

Post year-end events up to date when the consolidated financial statements are authorized for issue that provide additional information about the Group’s position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in compliance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments and estimates used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statement. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

a. Going concern assessment

The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that it can continue in business for the foreseeable future (see Note 1). The Group incurred net loss of ₱20.78 million, and net operating cash outflows of ₱32.04 million for the three-month period ended March 31, 2020. As of March 31, 2020 the Group's current liabilities exceeded its current assets by ₱359.42 million. Management has considered this in their assessment and has concluded that the ability to continue as a going concern is mainly dependent on future actions such as continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.

Management does not have plans to liquidate and continues to believe that the Group is in a unique position being one of the few technology companies that can assist companies in their digital transformation initiatives and develop marketing promotions for consumer and enterprise businesses.

b. Determination of control over investment in subsidiaries

The Group determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Group's voting rights and potential voting rights

c. Existence of significant influence over associates

The Group determined that it exercises significant influence over its associates (see Note 9) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee) and board representation.

d. Capitalization of development costs

The Group determined that intangible assets arising from development qualify for recognition by determining that all of the following are present:

- i. The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- ii. Intention to complete and its ability and intention to use or sell the asset;
- iii. How the asset will generate future economic benefits;
- iv. The availability of resources to complete the asset; and
- v. The ability to measure reliably the expenditure during development.

e. Determination of constructive obligation arising from cryptocurrency transactions

The Group determined that a constructive obligation exists based on the terms of the agreements and the general expectations of the counterparties.

Management's Use of Estimates

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- a. *Evaluating impairment of goodwill, intangible assets with indefinite useful lives and investments in associates*
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow (DCF) model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the growth rates, earnings before interest, taxes, depreciation and amortization (EBITDA) margins, working capital and capital expenditures used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.

The carrying value of goodwill as of March 31, 2020 and December 31, 2019 amounted to ₱48.22 million.

Investment in associate is tested for impairment when circumstances indicate that the carrying value may be impaired.

The carrying values of investments in associates amounted to ₱317.47 million and ₱319.94 million as of March 31, 2020 and December 31, 2019, respectively (see Note 10).

- b. *Revenue recognition*

The Group's revenue recognition require management to make use of estimates that may affect the reported amount of revenue. The Group's revenue from sale of services for development projects recognized based on the percentage of completion are measured principally on the basis of the estimated completion of the development services. In measuring the progress of its performance obligation over time, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the Group's specialists.

- c. *Provisions and contingencies*

The Group is currently involved in assessments for national taxes. The estimate of the probable costs for the resolution of these assessments has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these assessments will have a material effect on the Group's consolidated financial position and results of operation.

- d. *Provision for expected credit losses of trade receivables and contract assets*

The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of March 31, 2020 and December 31, 2019, allowance for impairment losses on accounts and other receivables amounted to ₱250.48 million and ₱263.09 million, respectively (see Note 6).

e. Realizability of deferred tax assets

The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the subsidiaries of the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized. The Group looks at its projected performance in the sufficiency of future taxable income.

4. Seasonality of Interim Operations

The Group is subject to the seasonality of revenue realization due to Storm's Flexible Benefits Program. Historically, Storm's sales tend to increase in the second half of the year as observed from its customer behavior to likely avail their converted benefits towards the end of the year.

5. Cash and cash equivalent

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash on hand	₱295,097	₱104,525
Cash in banks	128,402,770	52,751,583
Cash equivalent	—	101,072,938
	₱128,697,867	₱153,929,046

Cash in banks earn interest at the prevailing bank deposit rates.

Interest income earned from cash in banks amounted to ₱0.52 million and ₱0.06 million for the three-month periods ended March 31, 2020 and 2019, respectively.

6. Accounts and Other Receivables

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade receivables	₱274,682,589	₱273,387,545
Receivable from related parties (Note 21)	10,587,709	10,377,902
Advances to employees	2,346,734	2,389,525
Others	14,724,904	14,113,381
	302,341,936	300,268,353
Less: Allowance for impairment loss	250,478,254	263,085,522
	₱51,863,682	₱37,182,831

Trade receivables arise from the mobile content development, mobile solution and key platform development services rendered by the Group to its customers. These are noninterest-bearing and are generally settled on a 30- to 60-day term.

Advances to employees mainly pertain to advances which are subject to liquidation.

Others are noninterest-bearing and are generally collectible within one year.

The table below shows the movements in the provision for impairment losses of trade receivables:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
At beginning of year	₱263,085,522	₱265,024,372
Provisions (Note 18)	—	3,299,669
Write-off	—	(7,305,401)
Sale of subsidiary	—	(6,153,477)
Translation adjustments	(12,607,268)	8,220,359
	₱250,478,254	₱263,085,522

7. Contract Balances

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Contract assets	₱9,494,141	₱8,290,141
Contract liabilities	94,042,911	68,048,657

Contract assets are initially recognized for revenues earned from custom development as receipt of consideration is conditional on successful completion of proportion of work. Upon completion of performance obligation and acceptance by the customer, the amount recognized as contract assets are reclassified to trade receivables.

Contract liabilities consist of collections from customers under custom development services which have not qualified for revenue recognition.

8. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	₱440,000	₱475,000
Unrealized gain on financial assets at FVOCI	—	(35,000)
	₱440,000	₱440,000

The roll forward analysis of net unrealized loss on financial assets at FVOCI follows:

	March 31 2020 (Unaudited)	2019 (Unaudited)
Balance at beginning of period	(₱44,254,956)	(₱44,219,956)
Unrealized gain on financial assets at FVOCI	—	(35,000)
Balance at end of period	(₱44,254,956)	(₱44,254,956)

Unrealized loss on financial assets at FVOCI is recognized under “Other comprehensive income” in the consolidated statements of comprehensive income.

Carrying amount of the investments in financial assets at FVPL and financial assets at FVOCI as at March 31, 2020 and December 31, 2019 are as follow:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Quoted shares		
Club Punta Fuego	₱440,000	₱440,000
Unquoted equity investment		
Zowdow Inc.	44,244,956	44,244,956
Less: Unrealized loss on financial assets at FVOCI	(44,244,956)	(44,244,956)
	—	—
	₱440,000	₱440,000

The quoted shares are categorized under the Level 2 of the fair value hierarchy. The unquoted equity and debt investments are categorized under Level 3 (Note 26).

Quoted equity investments

Quoted equity instruments consist of investment in golf club shares.

Unquoted equity investments

In April 2015, the Group acquired 666,666 million shares of Series A Preferred Stock of Zowdow Inc. (“Zowdow”), formerly Quick.ly, Inc. (“Quick.ly”), at a purchase price of \$1.50 per share for a total investment of US\$999,999 or ₱44.24 million. As at March 31, 2020 and December 31, 2019, the Group holds a 3.56% ownership of Zowdow on a fully-diluted basis.

Fair value of unquoted equity investments was determined using prices from recent sales at arm’s length transaction. No unrealized gain or loss was recognized during the year for these investments (Note 26).

Unquoted debt investments

MatchMe Pte. Ltd.

On November 2, 2015, the Group acquired a convertible promissory note for US\$300,000 (₱14.06 million) issued by MatchMe Pte. Ltd. (“MatchMe”), an associate of the Group based in Singapore (Note 10). On February 11, 2016, the Group acquired additional convertible promissory note issued by MatchMe for US\$500,000 (₱23.89 million). On October 7, 2016, the Group acquired additional convertible promissory note issued by MatchMe for US\$300,000 (₱14.55 million).

Altitude Games Pte. Ltd.

On January 19, 2016, the Group purchased a convertible promissory note for US\$400,000 (₱19.26 million) issued by Altitude Games Pte. Ltd. (“Altitude Games”), an associate of the Group. On September 21, 2016, the Group acquired additional convertible promissory note for US\$200,000 (₱9.60 million) issued by Altitude Games.

Einsights Pte. Ltd.

On September 30, 2015, the Group purchased a convertible promissory note for US\$500,000 (₱23.48 million) issued by Einsights Pte. Ltd. (“Einsights”), a Singapore-based technology solutions provider with operations in Singapore, Vietnam, Hong Kong, India, Australia, Canada and Switzerland.

Pico Candy Pte. Ltd.

In August 2013, the Group invested in Pico Candy Pte. Ltd.’s convertible bonds amounting to SG \$0.10 million, which is equivalent to ₱3.60 million. Pico Candy Pte. Ltd. operates a digital sticker distribution platform. It was founded in 2013 and is based in Singapore.

9. Other Current Assets

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Input VAT	₱15,351,438	₱15,427,616
Creditable withholding tax	7,975,672	6,911,430
Prepaid expenses	7,648,759	3,925,070
Restricted cash equivalent	5,060,129	5,060,129
Inventories	2,951,380	245,717
Deferred input VAT	1,910,628	2,287,689
Cash held in trust	—	10,000,000
Rental deposit	—	689,200
Refundable deposits	—	1,230,667
	40,898,006	45,777,518
Less: Allowance for impairment	1,576,402	1,576,402
	₱39,321,604	₱44,201,116

Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services.

Creditable withholding taxes pertain to prepaid taxes recognized at the amount withheld at source upon payment and overpayment of income tax in previous years. This can be carried forward and claimed as tax credit against income tax due. In 2019, the Group recognized an impairment loss amounting to ₱1.58 million.

Prepaid expenses mainly pertain to advances to contractors, deposits and advances to rentals and prepaid professional fees.

Restricted cash equivalent earns interest at the prevailing bank deposit rates. This is reserved to accommodate Seer, a subsidiary, for credit line and such other facilities for subsequent borrowings.

Inventories include purchases of goods to be sold. These are carried at cost.

Deferred input VAT represents input VAT related to unpaid balances for the services availed by the Group. These will be recognized as input VAT and applied against output VAT upon payment. Any remaining balance is recoverable in future periods.

10. Investments in Associates

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cost		
Balance at beginning of period	₱577,561,081	₱577,561,081
Addition	202,401	—
Balance at end of period	577,763,482	577,561,081
Equity in net loss during the period		
Balance at beginning of period	(166,378,090)	(133,091,435)
Share in net loss during the period	(2,670,707)	(33,286,655)
Balance at end of period	(169,048,797)	(166,378,090)
Cumulative translation adjustment		
Balance at beginning of period	15,901,005	11,525,824
Movement during the period	—	4,375,181
Balance at end of period	15,901,005	15,901,005
Impairment	(107,147,488)	(107,147,488)
	₱317,468,202	₱319,936,508

The equity in cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

The Group's equity in the net assets of associates and the related percentages of ownership are shown below:

	Percentages of Ownership		Carrying Amounts	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Micro Benefits Limited	23.53%	23.53%	₱278,023,143	₱281,545,160
MatchMe Ltd.	29.10	29.10	—	—
Altitude Games Pte. Ltd	21.78	21.78	25,167,863	24,601,980
PT Sembilan Digital Investama	49.00	49.00	14,074,795	13,789,368
Altitude Games Inc.	21.17	21.17	—	—
CTX Technologies Inc.	20.00	—	202,401	—
			₱317,468,202	₱319,936,508

Micro Benefits Limited

On March 9, 2016, the Parent Company acquired 718,333 new Series C Preferred Shares equivalent to a 23.53% stake in Micro Benefits Limited ("Micro Benefits") for US\$10.00 million. Micro Benefits, a company registered in Hong Kong, is engaged in the business of providing employee benefits to Chinese workers through its operating company, Micro Benefits Financial Consulting (Suzhou) Co. Ltd., located in China.

MatchMe Pte. Ltd.

On March 30, 2015, the Parent Company acquired 1,000,000 ordinary shares of MatchMe Pte. Ltd. ("MatchMe"), an international game development company based in Singapore, for a total consideration amounting to ₱60.47 million.

In 2016, MatchMe issued 325,385 common shares to various individuals which resulted in the decrease in the Parent Company ownership interest from 31.52% to 28.59%.

In 2018, MatchMe issued 1,547,729 ordinary shares worth US\$0.079 per share or a total of US\$122,944. The Group subscribed to 467,820 ordinary shares for a total of US\$37,161 or ₱1,977,018 resulting in an increase in percentage ownership from 28.59% to 29.10%.

Altitude Games Pte. Ltd.

On December 11, 2014, the Parent Company acquired 11.76% stake for 13.33 million ordinary shares in Altitude Games, a Singaporean IT company engaged in computer game development and publishing. The Parent Company paid ₱17.98 million as consideration for the said investment.

On the same date, Mr. Nico Jose S. Nollado, a stockholder, assigned its 11.36 million ordinary shares representing 10.02% ownership in Altitude Games pursuant to the Deed of Assignment with the Parent Company. Accordingly, the Parent Company recognized a payable to a stockholder amounting to ₱15.24 million from the said assignment which was subsequently paid in 2015.

PT Sembilan Digital Investama

On March 26, 2015, the Parent Company acquired 147 shares representing 49% shareholdings in PT Sembilan Digital Investama (SDI) amounting to ₱10.83 million. The acquisition gave the Parent Company access to PT Ninelives Interactive (“Ninelives”), a mobile content and distribution company in Indonesia, which SDI owns.

Altitude Games Inc.

On July 22, 2015, the Parent Company subscribed to 211,656 shares of stock or 21.17% shareholdings in Altitude Games Inc. (“Altitude Philippines”), an affiliate of Altitude Games. Altitude Philippines engages in the business of development, design, sale and distribution of games and applications.

CTX Technologies Inc.

On March 30, 2020, the board of directors approved the sale of 80% ownership in CTX to Mr. Fernando Jude Garcia, a founder of the Parent Company, for a total amount of ₱4.00 million. As at the date of disposal, carrying value of CTX’s net assets amounted to ₱1.01 million. Accordingly, as a result of the deconsolidation of CTX, the Group recorded “Gain on sale of subsidiary” amounting to ₱3.19 million and “Investment in associate” amounting to ₱0.20 million.

As at March 31, 2020 and December 31, 2019, there are no capital commitments relating to the Group’s interests in its associates.

The Group considers an associate with material interest if its net assets exceed 5% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the entity compared to other operations of the Group. There are no significant restrictions on the Parent Company’s ability to use assets and settle liabilities of the Group.

11. Property and Equipment

The Group acquired property and equipment amounting to ₱0.50 million and ₱75.39 million during the three-month period ended March 31, 2020 and March 31, 2019, respectively. Depreciation expense amounted to ₱1.50 million and ₱13.94 million for the three-month periods ended March 31, 2020 and 2019, respectively.

12. Intangible Assets

This account consists of:

March 31, 2020

	Goodwill	Developed Software	Leasehold Rights	Crypto-Currencies	Total
Cost					
At beginning of period	₱48,221,984	₱103,416,043	₱5,150,312	₱6,081,778	₱162,870,117
Additions	—	60,425	—	—	60,425
Translation adjustment	—	—	—	(264,875)	(264,875)
At end of period	48,221,984	103,476,468	5,150,312	5,816,903	162,665,667
Accumulated amortization					
At beginning of period	—	58,234,341	3,505,967	—	61,740,308
Amortization (Note 18)	—	5,718,070	214,596	—	5,932,666
At end of period	—	63,952,411	3,720,563	—	67,672,974
Allowance for impairment	—	—	—	—	—
Net Book Value	₱48,221,984	₱39,524,057	₱1,429,749	₱5,816,903	₱94,992,693

December 31, 2019

	Goodwill	Customer Relationship	Developed Software	Leasehold Rights	Crypto-currencies	Total
Cost						
At beginning of period	₱2,544,617,520	₱1,077,809,700	₱208,845,306	₱17,378,812	₱5,484,591	₱3,854,135,929
Additions	—	—	2,520,997	—	1,253,879	3,774,876
Disposals	—	—	—	—	(2,652,458)	(2,652,458)
Revaluation surplus	—	—	—	—	1,995,765	1,995,765
Sale of subsidiary	(540,147,917)	(1,077,809,700)	(108,569,519)	(12,228,500)	—	(1,738,755,636)
At end of period	2,004,469,603	—	102,796,784	5,150,312	6,081,777	2,118,498,476
Accumulated amortization						
At beginning of period	—	—	87,763,575	8,593,303	—	96,356,878
Amortization (Note 16)	—	—	30,744,703	1,900,378	—	32,645,081
Sale of subsidiary	—	—	(60,893,197)	(6,987,713)	—	(67,880,910)
At end of period	—	—	57,615,081	3,505,968	—	61,121,049
Impairment (Note 17)	1,956,247,619	—	—	—	—	1,956,247,619
Net Book Value	₱48,221,984	₱—	₱45,181,703	₱1,644,344	₱6,081,777	₱101,129,808

Goodwill

Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Developed software

Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment.

Leasehold rights

Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination.

Cryptocurrencies

Cryptocurrencies pertain to units of Bitcoin held by the Group as at March 31, 2020.

The fair value of cryptocurrencies was determined using quoted market prices in active markets categorized under Level 1 of fair value hierarchy. As at March 31, 2020 and December 31, 2019, the fair value of Bitcoin is valued at USD3,742.70 per unit. For the three-month period ended March 31, 2020 and for the year ended December

31, 2019, unrealized loss amounting to nil and Php2.55 million, respectively, was recognized as a result of revaluation of cryptocurrencies.

During the three-month periods ended March 31, 2020 and 2019, the Group sold cryptocurrencies with cost amounting to nil and ₱2.75 million, respectively. The Group recognized “Loss from sale of cryptocurrencies” and “Foreign exchange gain” under “Other income (charges)” amounting to nil and ₱0.26 million, respectively (see Note 18).

The amortization expense of intangible assets recognized in “Depreciation and amortization” under “Cost of services” in the consolidated statements of comprehensive income amounted to ₱9.08 million and ₱8.15 million for the three-month periods ended March 31, 2020 and 2019, respectively (see Note 16).

13. Accounts and Other Payables

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade payables	₱115,732,393	₱115,714,403
Payable to related parties (Note 21)	102,677,876	101,028,311
Nontrade payable	52,108,329	54,481,084
Accrued expenses	19,137,367	26,006,041
Taxes payable	6,661,340	8,533,499
Deferred output VAT	3,538,728	1,708,501
Others	142,210,075	170,777,193
	₱442,066,108	₱478,249,032

Trade payable represents the unpaid subcontracted services and other cost of services to third parties. These are noninterest-bearing and are normally settled within one year.

Nontrade payables include proceeds received by ODX under the Share and Token Allocation Agreement which grants the investor rights to certain shares of ODX and internally generated tokens in the future depending on the happening of certain events prior to termination of the agreement.

Accrued expenses mainly consist of accruals for salaries, professional fees, utilities, transportation and travel, rent, outsourced services and royalty. These are noninterest-bearing and are normally settled within one year.

Taxes payable include output VAT after application of available input VAT and expanded withholding tax on payment of suppliers and employees’ compensation which are settled within one year.

Deferred output VAT represents deferral of output VAT related to trade receivables for the services rendered by the Group. These will be recognized as output VAT and applied against input VAT upon receipt of payment.

Others consist of statutory payables to SSS, Philhealth and HDMF. This account also includes provision relating to the Token Pre-Sale Agreements (“PSA”) entered into by the Group, through ODX, with various investors for the sale of ODX tokens. These are noninterest-bearing and are normally settled within one year.

The table below shows the movements in the provision relating to the PSA:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of year	₱134,499,466	₱184,527,714
Additions	—	1,253,879
Cost incurred for platform development	—	(46,582,907)
Translation adjustments	(5,857,707)	(4,699,220)
	₱128,641,759	₱134,499,466

14. Loans Payable

This account pertains to short-term, unsecured and interest bearing 30- to 180- day term loans entered into by the Group with different local banks and non-banks, with interest rates of 4.00% to 7.60% and 4.00% to 5.8125% in 2020 and 2019, respectively.

The rollforward analysis of this account follow:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of the period	₱52,130,272	₱358,741,481
Availment of loans	—	9,735,561
Payment of loans	(1,110,675)	(316,346,770)
	₱51,019,597	₱52,130,272

Interest expense recognized in the consolidated statements of comprehensive income during the three-month periods ended March 31, 2020 and 2019 amounted to ₱2.57 million and ₱11.00 million, respectively (see Note 18).

There were no undrawn loan commitments, transaction costs and interest expenses capitalized as at March 31, 2020 and December 31, 2019.

15. Service Income

Service income, amounting to ₱28.28 million and ₱268.99 million for the three-month periods ended March 31, 2020 and 2019, respectively, pertain to revenues earned from mobile consumer products and services, enterprise services and knowledge process outsourcing rendered by the Group to its major customer, GTI, and other telecommunication companies. Revenue from these segments are recognized at a point in time, except for revenues from Custom Development included under mobile enterprise services which are recognized over time.

For the three-month periods ended March 31, 2020 and 2019, the Group's revenue from GTI amounted to nil and ₱196.12 million, respectively, which comprise approximately 0% and 65%, respectively, of the total service income of the Group.

16. Cost of Services

Cost of services for the three-month periods ended March 31, 2020 and 2019 consists of:

	March 31 2020 (Unaudited)	2019 (Unaudited)
Salaries, wages and employee benefits	₱19,021,742	₱170,910,547
Depreciation and amortization	5,972,346	9,300,830
Outsourced services	1,982,973	3,816,730
Web hosting	604,544	13,477,442
Consultancy fees	600,761	1,712,647
Segment fee and network costs	225,714	16,143,937
Utilities	130,782	928,983
Rent (Note 20)	54,000	2,812,575
Royalty fees	—	270,144
Commission	33,000	—
Others	1,003,764	2,181,065
	₱29,629,626	₱221,554,900

17. General and Administrative Expenses

General and administrative expenses for the three-month periods ended March 31, 2020 and 2019 consists of:

	March 31	
	2020	2019
	(Unaudited)	(Unaudited)
Salaries, wages and employee benefits	₱8,652,950	₱57,507,606
Professional fees	3,855,549	3,273,898
Depreciation and amortization	2,626,618	13,715,511
Taxes and licenses	1,197,922	3,333,700
Rent (Note 20)	931,185	1,892,491
Utilities	764,652	2,843,773
Marketing and promotions	725,378	94,744
Insurance	379,143	394,080
Outsourced services	250,880	11,850,969
Repairs and maintenance	233,471	5,664,615
Dues and subscription	217,877	1,646,754
Seminars and trainings	206,856	51,156
Transportation and travel	159,571	2,192,644
Entertainment, amusement and recreation	128,409	1,106,293
Supplies	94,477	907,279
Advertising	10,000	268,593
Miscellaneous	295,351	942,527
	₱20,730,289	₱107,686,633

18. Other Charges - Net

This account consists of:

	March 31	
	2020	2019
	(Unaudited)	(Unaudited)
Interest expense	₱2,600,151	₱11,004,151
Bank charges	104,589	327,477
Foreign exchange losses	1,753	1,191,243
Loss on sale of cryptocurrencies	—	189,520
Other income	(140,023)	(3,216,374)
Interest income	(524,771)	(55,380)
Gain on sale of shares of stock	(3,190,375)	—
	(₱1,148,676)	₱9,440,637

Other income pertains to gain on curtailment, gain on reversal of payables and other miscellaneous income.

Interest expense consists of:

	March 31	
	2020	2019
	(Unaudited)	(Unaudited)
Interest on loans payable	₱2,568,655	₱11,004,151
Amortization of discount on lease liability	31,496	—
	₱2,600,151	₱11,004,151

19. Operating Lease Commitments

The Group entered into various lease agreements with third parties for the office spaces it occupies. Leases have terms ranging from one to three years and renewable subject to new terms and conditions to be mutually agreed upon by both parties.

Set out below are the movements and carrying amounts of right-of-use asset recognized as of March 31, 2020 and December 31, 2019:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cost		
Balance at beginning of period	P16,396,951	P85,472,135
Additions	–	3,490,515
Sale of a subsidiary	–	(72,565,699)
Balance at end of period	16,396,951	16,396,951
Accumulated Depreciation		
Balance at beginning of period	11,784,466	7,536,575
Depreciation	1,164,214	22,097,622
Adjustment		16,508
Sale of a subsidiary		(17,856,853)
Translation adjustments	(363,667)	(9,386)
	12,585,013	11,784,466
	P3,811,938	P4,612,485

The rollforward analysis of lease liability as of December 31, 2019 follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	P3,809,525	P–
Adjustment as result of PFRS 16 adoption	–	76,495,086
Additions	–	3,340,541
Accretion of interest	31,496	2,657,206
Payments	(1,160,828)	(21,833,336)
Sale of a subsidiary		(56,849,444)
Translation adjustment	461,812	(528)
Balance at end of period	P3,142,005	P3,809,525
Current lease liability	P2,714,007	P2,775,923
Noncurrent lease liability	P427,998	P1,033,602

Total rent expense charged under “Cost of services” and “General and administrative expenses” in the consolidated statements of comprehensive income amounted to P2.25 million and P4.71 million for the three-month periods ended March 31, 2020 and 2019, respectively (see Notes 17 and 18).

As at March 31, 2020 and December 31, 2019, the future minimum lease payments within one year under noncancellable operating leases amounted to P6.03 million.

20. Related Party Transactions

The Group, in the normal course of business, has transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture.

Terms and conditions of transactions with related parties

There have been no guarantees provided or received for any related party receivables and payables. These accounts are noninterest-bearing and are generally unsecured. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. Impairment assessment is undertaken through examination of the financial position of the related party and market in which this related party operates.

Details of transactions with related parties and their outstanding payables to a related party as at March 31, 2020 and December 31, 2019 follow:

					Outstanding Balance					
					Amount/ Volume		March 31, 2020		December 31, 2019	
					March 31, 2020	March 31, 2019	Receivable	Payable	Receivable	Payable
Terms	Conditions									
Associate										
Advances	Noninterest-bearing	Unsecured, no impairment	₱209,807	4,049,516	₱10,587,709	₱—	₱10,377,902	₱—		
			209,807	4,049,516	10,587,709		10,377,902	—		
Stockholders										
Payable to directors and officers (a-b)	Interest-bearing	Unsecured	2,075,217	—	—	151,159,051	—	153,071,966		
Payable to directors and officers (c)	Noninterest-bearing	Unsecured	—	—	—	1,872,000	—	1,872,000		
Advances (d)	One year, noninterest-bearing	Unsecured, no impairment	—	—	—	117,678	—	117,678		
			₱2,075,216	₱—	—	153,148,729	—	155,061,644		
					₱10,587,709	₱153,148,729	₱10,377,902	₱155,061,644		

Associates:

- In 2017, the Parent Company entered into a US\$100,000 noninterest-bearing short-term loan agreement with Altitude Games for working capital purposes. As at March 31, 2020 and December 31, 2019, receivable from Altitude Games amounted to ₱5.26 million.
- The Parent Company made payments on behalf of its associates. As at March 31, 2020 and December 31, 2019, outstanding balance amounted to ₱5.33 million and ₱5.12 million.

Stockholders:

- In 2017, the Parent Company entered into a loan agreement with its directors amounting to US\$1,945,758 or ₱97.15 million subject to 5% interest rate per annum. The Group recognized interest expense amounting to ₱1.33 million under “Other income (charges)” in its consolidated statements of comprehensive income. As at March 31, 2019, outstanding loans and interest payable amounted to ₱93.79 million and ₱6.01 million, respectively.
- On April 29, 2019 the BOD approved the availment of loan from the Parent Company’s founders with an aggregate amount of ₱150.00 million subject to 5.50% interest rate per annum. . The Group recognized interest expense amounting to ₱0.75 million under “Other income (charges)” in its consolidated statements of comprehensive income.

As at March 31, 2020, outstanding loans and interest payable pertaining to this transaction amounted to ₱ 50.47 million and ₱0.89 million, respectively.

- Payable to directors and officers also pertain to directors’ fees still outstanding as of March 31, 2020 and

December 31, 2019 amounting to ₱1.87 million.

- d. Advances from stockholders pertain to cash advances for operational and corporate-related expenses paid by a stockholder in behalf of the Group. These are noninterest-bearing and are due and demandable.

Compensation of key management personnel pertaining to short-term employee benefits amounted to ₱3.19 million and ₱21.39 million for the three-month periods ended March 31, 2020 and 2019, respectively.

21. Income Taxes

Provision for (benefit from) income tax for the three-month periods ended March 31, 2020 and 2019 consists of:

	March 31	
	2020 (Unaudited)	2019 (Unaudited)
Deferred	(₱987,012)	(₱1,998,201)
Current	—	4,814,643
Final	104,596	6,427
	(882,416)	₱2,822,869

22. Business Combinations and Acquisition of Noncontrolling Interests

Business Combinations

Art of Click Pte. Ltd.

On October 6, 2016, the Parent Company executed a Share Purchase Agreement for the acquisition of 100% shares of Art of Click Pte. Ltd. (“Art of Click”) for an aggregate consideration of ₱1.40 billion in cash and in Parent Company’s shares. Art of Click is a Singaporean start-up firm established in 2011 that specializes on mobile marketing solutions for advertisers, publishers, app developers, and other operators. Its key markets include Japan, Korea, Hong Kong, Taiwan, Southeast Asia, North America and Europe.

The Group considers the acquisition an opportunity to grow its mobile consumer services by increasing its content offering.

The cash consideration consists of (1) an Upfront Payment to the Sellers amounting to US\$2,797,106 (₱135,379,930) and (2) cancellation of employee stockholder options through Parent Company’s subscription to one ordinary share in the capital of AOC for US\$2,202,894 (₱106,620,070). This was used to pay the AOC’s Employee Stock Ownership Plan (“ESOP”) shareholders.

The Xurpas shares to be issued to the Sellers consist of (1) an Upfront Payment amounting to US\$19,451,739 payable in Xurpas shares to the Sellers on the acquisition date, (2) Installment Payment payable to the Sellers in Xurpas shares one year after the closing date and every year thereafter until three years after the closing date, and (3) a Deferred Purchase Consideration which shall be subject to a net income after tax floor per year that AOC has to meet as a condition precedent to the entitlement of the Sellers to the Deferred Purchase Consideration and payable in three (3) tranches. The aggregate amount of Deferred Payment Consideration for a three year deferred payment period shall in no case be greater than US\$13,962,725. In the finalization of the purchase price, the parties have clarified that the Deferred Purchase Consideration shall be fixed at US\$13,962,725 and shall not be subject to the performance metrics of AOC, and such is intentionally part of the original consideration. Accordingly, the Deferred Purchase Consideration was considered as part of the acquisition cost in the final purchase price.

The number of Xurpas shares to be issued at each tranche shall be determined using the average market value of Xurpas common shares fifteen (15) days before and fifteen (15) days after the closing date or each commitment date, as applicable, agreed to by the parties.

The Installment Payment payable and Deferred Purchase Consideration in the next three years amounting to ₱760.69 million was initially recognized under “Payable to former shareholders of a subsidiary” in the consolidated statements of financial position. These were measured at its fair value as at acquisition date using an

assumed discount rate of 11.55%. In 2016, interest expense and foreign exchange loss amounting to ₱21.96 million and ₱22.78 million, respectively, were recognized in “Other income (charges)” in the consolidated statements of comprehensive income and is reflected in the net income attributable to the equity holders of the Parent Company. As of December 31, 2016, the outstanding payable to former shareholders of a subsidiary amounted to ₱805.43 million.

Included in the Share Purchase Agreement is a call option granting the Sellers an option exercisable within fifty one (51) months following the Closing Date and only upon the occurrence of a Call Option event to purchase from the Parent Company their respective proportionate share in the Sale Shares. This was subsequently waived.

In June 2017, the Parent Company entered into an agreement to reacquire the 53,298,242 common shares Upfront Payment issued at acquisition date to Emmanuel Michel Jean Allix (“Allix”), a former shareholder of AOC, for a consideration of US\$532,983 or ₱26.65 million (see Note 24). On the same date, amendments were made to the share purchase agreement with Allix which (a) resulted in the payment of US\$7.24 million or ₱358.50 million, (b) changed the manner of payment of the Installment Payment payable and Deferred Purchase Consideration from being partly in cash and Xurpas shares to solely in cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. The additional payment and the buyback of the common shares are linked transactions and in substance is accounted for as an equity transaction for accounting purposes. Based on the agreement, only the ₱26.65 million is presented as treasury shares while the remaining amount of ₱358.50 million is presented under equity reserve in the consolidated statements of financial position. The change from being payable in three years to being payable within the year resulted in the acceleration of the accretion of unamortized interest expense amounting to ₱26.00 million.

In October 2017, the Parent Company entered into an agreement to amend the share purchase agreement with Wavemaker Labs Pte. Ltd. (“Wavemaker”), a former shareholder of AOC, which provides for (a) the adjusted purchase price, (b) the change in manner of payment for the Installment Payment and Deferred Consideration pertaining to Wavemaker from being payable in Xurpas shares to cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. To implement these amendments, the Parent Company made a placement and subscription transaction involving 67,285,706 Xurpas listed shares of existing shareholders by way of a block sale through the facilities of the PSE in 2019. The amendments resulted in an additional payable to Wavemaker amounting to US\$3.01 million or ₱153.96 million which was recognized as a loss under “Other income (charges)” in the consolidated statements of comprehensive income. The change in the timing of the payment resulted in an acceleration of the accretion of unamortized interest expense amounting to ₱4.92 million. The amendments were ratified by the BOD on February 22, 2018.

The 16,641,244 common shares initially issued to Wavemaker representing the Upfront Payment shall be placed by Wavemaker in an escrow agent who is authorized to sell these shares after these are listed. The allocation of the proceeds from the sale of these shares will be determined in the future subject to certain conditions.

In October 2017, Allix and Wavemaker executed a waiver of the second and third tranches of the Deferred Purchase Consideration. Since the waiver is not considered as a measurement period adjustment as allowed under PFRS 3 to adjust the recorded acquisition cost of the Parent Company’s investment, the extinguishment of the liability amounting to US\$7.11 million or ₱364.01 million is recognized as a gain under “Other Charges - Net” in the consolidated statements of comprehensive income. The Sellers also waived their call option on the shares.

In 2017, interest expense and foreign exchange losses amounting to ₱61.63 million and ₱26.59 million, respectively, were recognized in “Other income (charges)” in the consolidated statements of comprehensive income and is reflected in the net income attributable to the equity holders of the Parent Company. As of December 31, 2017, the remaining payable to former shareholders of a subsidiary amounted to ₱244.43 million.

The net assets recognized in the December 31, 2016 financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation for the intangible assets owned by AOC which was done by an appraiser accredited by the SEC.

The purchase price allocation has been prepared on a preliminary basis as the fair value of intangible asset (i.e., technology) is being finalized. The following are the preliminary fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱205,580,070
Receivables	125,285,313
Property and equipment	634,945
Intangible asset	61,508,895
Other assets	2,197,610
	<u>395,206,833</u>
Liabilities	
Accounts and other payables	₱270,986,228
Income tax payable	20,099,967
Deferred tax liability	18,452,669
	<u>309,538,864</u>
Total net assets acquired	85,667,969
Goodwill	1,856,808,730
Acquisition cost	<u>₱1,942,476,699</u>

In October 2017, the valuation was completed and the acquisition date fair value of the total net assets acquired was determined to be ₱85.67 million, an increase of ₱43.06 million over the provisional value of ₱42.61 million. The 2016 comparative information was restated to reflect the adjustments to the provisional amounts. As a result, an intangible asset for AOC's developed software amounting to ₱61.51 million was recognized. The Deferred Purchase Consideration amounting ₱544.29 million was included as acquisition cost. Total goodwill arising from the acquisition amounted to ₱1,856.81 million. The 2016 comparative income statements were also restated to reflect the increase in amortization expense, additional accretion and interest and foreign exchange adjustments, with a net effect of ₱40.06 million decrease in the 2016 consolidated net income and net income attributable to equity holders of the Parent Company.

The fair value of the receivables approximate their carrying amounts. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected. The deferred tax liability represents the tax effect of the fair value adjustments on the intangible asset.

The fair value of the intangible asset was based on net present value of future cash flows using the "Relief from Royalty" method. The valuation has not been completed by the date the 2016 consolidated financial statements were approved for issue by the BOD.

The consideration for the acquisition amounting to ₱1.94 billion partly involves cash and Xurpas shares payable to the Sellers.

From the date of acquisition on October 6, 2016, the Group's share in the revenue and net income of AOC amounted to ₱477.95 million and ₱120.34 million, respectively. If the combination had taken place at the beginning of 2016, the Group's total revenue and total net income would have been ₱2,120.93 million and ₱334.01 million, respectively.

Cash outflow related to the acquisition follows:

Cash acquired from AOC	₱205,580,070
Cash paid	242,000,000
Net cash outflow	<u>₱36,419,930</u>

Storm Technologies, Inc. ("Storm")

On February 26, 2015, the Parent Company and Storm signed a deal that will give the Parent Company 37,565 common shares or a 51% stake in Storm and other rights through primary and secondary issuances, for a total consideration of US\$4.30 million or ₱190.89 million.

Storm is a human resource consultancy firm which has developed a proprietary platform called the “flex benefits system” that allows employees to convert their employee benefits to other benefits such as gadgets, dining and other merchandise or service.

The acquisition of Storm will enable the Group to expand its distribution network to beyond telecommunication networks. The Group will be able to reach more customers and provide them with physical products and services through Storm's "flex benefits system".

In 2016, the Parent Company finalized its purchase price allocation. The following are fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱110,123,616
Receivables	14,389,114
Inventories	978,648
Other current assets	5,788,668
Property and equipment	1,435,871
Intangible assets	4,096,106
Deferred tax asset	2,731,642
Other noncurrent asset	382,769
	<u>139,926,434</u>
Liabilities	
Accounts and other payables	20,965,139
Deferred tax liability	1,228,832
Loans payable	6,628,000
	<u>28,821,971</u>
Net assets	111,104,463
Non-controlling interests in Storm	54,376,599
Total net assets acquired	56,727,864
Goodwill	134,161,689
Acquisition cost	<u>₱190,889,553</u>

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The non-controlling interests have been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

Cash outflow related to the acquisition follows:

Cash acquired from Storm	₱110,123,616
Cash paid	135,366,761
Net cash outflow	<u>₱25,243,145</u>

From February 26 to December 31, 2015, the Group's share in revenue and net loss of Storm amounted to ₱80.27 million and ₱28.81 million, respectively. If the combination had taken place at the beginning of 2015, the Group's total revenue would have been ₱927.83 million, while the Group's net income would have been ₱226.47 million.

Seer Technologies Inc. ("Seer") and subsidiary

On June 25, 2015, the Parent Company acquired 70,000 shares representing 70% stake holdings in Seer at a price of ₱18.00 million. Codesignate is a 75% owned subsidiary of Seer.

The Parent Company is also due to pay an earn-out amount corresponding to a fixed percentage of Seer's net income after tax for the years 2015 to 2017 based on its Audited Financial Statements, as an incentive for Seer's management to continue to improve Seer's financial performance in the immediately succeeding years after the acquisition.

Seer is a company in the mobile platform development space, with a human resource base composed primarily of software engineers. Its acquisition will enhance the ability of the Group to provide mobile solutions such as applications and mobile marketing solutions to its enterprise clients.

In 2016, the Parent Company finalized its purchase price allocation.

The following are fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱3,706,340
Receivables	29,735,813
Other current assets	7,297,243
Property and equipment	3,381,984
Intangible assets	1,054,205
Deferred tax asset	5,562,638
Other noncurrent asset	2,886,447
	<u>53,624,670</u>
Liabilities	
Accounts and other payables	22,014,409
Loans payable	13,998,370
Pension liability	6,959,000
Finance lease liability	3,906,890
Deferred tax liability	316,262
	<u>47,194,931</u>
Net assets	6,429,739
Non-controlling interests in Seer	1,928,922
Total net assets acquired	4,500,817
Goodwill	13,499,183
Acquisition cost	<u>₱18,000,000</u>

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The non-controlling interests have been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

Cash outflow related to the acquisition follows:

Cash acquired from Seer	₱3,706,340
Cash paid	18,000,000
Net cash outflow	<u>₱14,293,660</u>

From June 26 to December 31, 2015, the Group's share in revenue and net income of Seer amounted to ₱41.02 million and ₱5.27 million, respectively. If the combination had taken place at the beginning of 2015, the Group's total revenue would have been ₱954.25 million, while the Group's net income would have been ₱223.72 million.

Yondu Inc. ("Yondu")

On September 16, 2015, the Parent Company acquired 22,950 shares of common stock in Yondu, a content developer and provider of mobile value-added services and information technology services for a total consideration of ₱900.00 million. 5,000 shares out of the 22,950 shares were from unissued shares of Yondu while 17,950 shares were purchased from GTI. Purchase price of unissued shares and shares previously held by GTI amounted to ₱230.00 million and ₱670.00 million, respectively. The purchase resulted to a 51% ownership by the Parent Company in Yondu.

Included in the Shareholders' Agreement are a call and put option granting the Parent Company the right to require GTI to sell and granting GTI the right to require the Parent Company to purchase all, but not part only, of the 49% shareholding of GTI in Yondu at ₱39,215.69 per company share, respectively. The options will be effective starting September 16, 2016 and will expire after two years, therefrom. The put option and call option shall be exercised by a share swap of Xurpas shares for shares held by GTI or a combination of share swap and cash, at the mutual agreement of both parties.

A financial liability amounting to ₱853.18 million was recognized in the consolidated financial statements of financial position for the redemption obligation related to the written put option over the shares held by GTI. The liability was recognized initially at the present value of the redemption price at acquisition date.

In 2016, the Parent Company finalized its purchase price allocation.

The following are fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱175,110,666
Receivables	598,921,607
Other current assets	38,071,606
Property and equipment	39,638,479
Intangible assets	1,187,626,747
Deferred tax asset	6,652,819
Other noncurrent asset	10,431,165
	<u>2,056,453,089</u>
Liabilities	
Accounts and other payables	582,669,211
Income tax payable	41,541,943
Pension liability	6,514,740
Deferred tax liability	355,471,170
Other long-term liabilities	3,900,000
	<u>990,097,064</u>
Net assets	1,066,356,025
Non-controlling interests in Yondu	706,503,943
Total net assets acquired	359,852,082
Goodwill	540,147,918
Acquisition cost	<u>₱900,000,000</u>

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The Group elected to measure the noncontrolling interests in the acquiree at fair value.

The fair value of the noncontrolling interest has been estimated by determining the present value of discounted cash flow. The fair value measurements are based on significant inputs that are not observable in the market. The fair value estimate is based on:

- An assumed discount rate of 13.46%
- A terminal value, calculated based on long-term sustainable growth rates for the industry ranging from 2% to 4% which has been used to determine income from future years.

Cash outflow related to the acquisition follows:

Cash acquired from Yondu	₱175,110,666
Cash paid	900,000,000
Net cash outflow	<u>₱724,889,334</u>

From September 15 to December 31, 2015, the Group's share in revenue and net income of Yondu amounted to ₱235.89 million and ₱35.87 million, respectively. If the combination had taken place at the beginning of 2015, the Group's total revenue would have been ₱1,498.37 million, while the Group's net income would have been ₱312.98 million.

Acquisition of Noncontrolling Interests

Xeleb Technologies Inc. (Xeleb Tech)

On August 22, 2016, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 35.00% interest in Xeleb Tech. The acquisition of the 35.00% interest in Xeleb Tech made it a wholly-owned subsidiary of the Parent Company. The acquisition resulted to recognition of equity reserves amounting to ₱41.49 million (see Note 24).

Xeleb Inc. (Xeleb)

On August 22, 2016, Xeleb Tech acquired 3,349,996 shares or 67.00% majority stake in Xeleb from the Parent Company at ₱1.00 per share or ₱3.35 million. On the same date, Xeleb acquired the remaining 33.00% stake in Xeleb from various individuals for a total consideration of ₱1.65 million. This resulted in 100.00% ownership interest of Xeleb Tech in Xeleb.

Xeleb Tech and Xeleb are entities under common control of the Parent Company before and after the restructuring. As a result, the acquisition was accounted for using the pooling of interests method. This transaction has no effect on the carrying amounts of the Group's assets and liabilities, but has resulted to consolidation of Xeleb's assets and liabilities into Xeleb Tech. This resulted to recognition of equity reserves amounting to ₱5.39 million (see Note 24).

Storm Technologies, Inc. (Storm)

On October 27, 2016, the Parent Company acquired additional 3,735 common shares of Storm for ₱10.00 million. This brought the Parent Company's ownership from 51.52% to 56.60% of the outstanding capital stock of Storm and there was no change in control.

23. Equity

The details of the number of shares as at March 31, 2020 and December 31, 2019 follow:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Authorized shares	5,000,000,000	5,000,000,000
Par value per share	₱0.10	₱0.10
Issued shares	1,934,925,852	1,934,925,852
Treasury shares	63,095,642	63,095,642
Value of shares issued	₱193,492,585	₱193,492,585
Value of treasury shares	(₱107,418,911)	(₱107,418,911)

Capital Stock and Additional Paid-in Capital (APIC)

On May 2, 2014, the Parent Company's BOD approved the subscription and issuance of 6.75 million shares with par value of ₱1.00 per share from the unissued portion of its ₱10.00 million authorized capital stock.

On May 5, 2014, the Parent Company's BOD approved the following transactions which were subsequently approved by the SEC on June 25, 2014:

- Increase in authorized capital stock from ₱10.00 million divided into 10.00 million common shares with par value of ₱1.00 per share to ₱255.00 million divided into 255.00 million common shares with par value of ₱1.00 per share.
- Amendments of the Parent Company's Articles of Incorporation to increase the authorized capital stock from ₱10.00 million to ₱255.00 million.
- Subscription of 61.25 million shares with par value of ₱1.00 per share, which is paid in the form of stock dividends. These represent twenty five percent of the additional increase in authorized capital stock.

On July 10, 2014, the Parent Company's BOD approved the following transactions which were subsequently approved by the SEC on September 2, 2014:

- Increase in authorized capital stock from ₱255.00 million divided into 255.00 million common shares at the par value of ₱1.00 each to ₱500.00 million divided into 500.00 million common shares at the par value of ₱1.00 each.
- Amendments of the Parent Company's Articles of Incorporation to increase the authorized capital stock from ₱255.00 million to ₱500.00 million.
- Subscription of 61.25 million shares with par values of ₱1.00 per share, to be paid in the form of stock dividends. These represent twenty five percent of the additional increase in authorized capital stock.

In addition, the Parent Company issued the subscribed 61.25 million shares with par value of ₱1.00 per share and another 5.10 million shares with par value of ₱1.00 per share to certain executives and employees through cash payments.

On September 3, 2014, the Parent Company's BOD approved the decrease in the par value of the capital stock from ₱1.00 per share to ₱0.10 per share. Accordingly, the Parent Company applied for an Amended Articles of Incorporation to decrease the par value of the capital stock. Thus, the Parent Company cancelled all the previously issued stock certificates and reissued new stock certificates to all stockholders effecting the 10-to-1 stock split.

Initial Public Offering (IPO)

On November 12, 2014, PSE approved the 344.00 million common shares at an offer price of ₱3.97 per share (₱1,365.68 million) for the IPO of the Parent Company.

On November 13, 2014, the SEC granted the Parent Company permit to sell or offer its securities which consists of 1,720.00 million common shares.

The Parent Company was publicly listed on December 2, 2014.

As at December 31, 2014, ₱172.00 million of the ₱500.00 million authorized capital stock has been subscribed and issued, ₱122.55 million of which was issued through stock dividend declaration and the rest was paid in cash. The excess of subscription price over paid-up capital was recognized as APIC. The Parent Company incurred transaction costs incidental to the IPO amounting to ₱111.56 million and ₱7.35 million which were charged to "Additional paid-in capital" in the consolidated statements of financial position and "General and administrative expense" in the consolidated statements of comprehensive income, respectively.

Overnight Top-Up Placement

On April 9, 2016, the Parent Company issued and subscribed 77.70 million shares with par value of ₱0.10 for a total consideration of ₱1,243.20 million or ₱16.00 per share. The excess of subscription price over paid-up capital was recognized in APIC. The Parent Company incurred transaction costs incidental to the share issuance amounting to ₱44.82 million which were charged to "Additional paid-in capital" in the consolidated statements of financial position.

Installment Payment in Shares

On November 11, 2016, the Parent Company issued 69,939,486 common shares to the Sellers of AOC as payment of the upfront consideration in relation to the acquisition of 100% stakeholding in AOC (see Note 22). The excess of subscription price over paid-up capital amounting to ₱932.79 million was recognized as APIC.

On March 2, 2018, the Parent Company issued 67,285,706 common shares by way of block sale to implement the amendments in the share purchase agreement (see Note 23). The shares were issued at ₱3.80 per share.

Retained Earnings

Appropriations

On November 9, 2016, the BOD of the Parent Company approved the appropriation of unrestricted retained earnings for the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the share buyback.

On March 27, 2017, the BOD of the Parent Company approved the termination of the Buy-back Program adopted last November 9, 2016 appropriating an aggregate of ₱170.00 million. A total of ₱88.82 million has been used

as of March 31, 2017. Accordingly, the balance of ₱81.18 million previously allocated for the Buy-back Program shall be released from such appropriations.

Dividends declaration

On May 10, 2016, the Parent Company's BOD approved the declaration of cash dividends of approximately ₱0.048 per share, or the aggregate amount of ₱86.27 million out of the Parent Company's unrestricted retained earnings for distribution to its stockholders of record as at May 31, 2016 and payable to stockholders on June 23, 2016.

Equity Reserve

In 2016, the Parent Company purchased additional shares from noncontrolling interests of Xeleb, Xeleb Tech and Storm. The transactions were accounted as an equity transaction since there was no change in control. The movements within equity are accounted for as follows:

	Consideration paid	Carrying value of noncontrolling interests	Difference recognized within Equity
Xeleb Technologies Inc.	₱45,000,000	₱3,506,647	(₱41,493,353)
Storm Technologies Inc.	10,002,330	2,382,396	(7,619,934)
Xeleb Inc.	1,650,000	7,038,398	5,388,398
	<u>₱56,652,330</u>	<u>₱12,927,441</u>	<u>(₱43,724,889)</u>

In 2017, a reserve amounting to ₱358.50 million was recognized for the payment resulting from amendments in the Share Purchase Agreement with Allix and the acquisition of the Parent Company's own shares (see Note 22).

Treasury Stock

On November 9, 2016, the BOD of the Parent Company approved the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the buyback. The Parent Company commenced the program on November 14, 2016 and will end upon full usage of the approved allotment, or as otherwise may be directed by the BOD, subject to an appropriate disclosure to the SEC and PSE. As at December 31, 2016, treasury stocks acquired totaled to 10,687,400 shares and 8,532,900 shares, respectively, which amounted to ₱71.51 million.

In January and February 2017, the Parent Company acquired 2,154,500 shares for ₱17.30 million.

On March 27, 2017, the BOD of the Parent Company approved the termination of the buyback program adopted in 2016. Treasury stocks acquired under this program totaled to 10,687,400 shares amounting to ₱88.82 million.

On July 18, 2017, the Parent Company reacquired 53,298,242 common shares from Allix for a total amount US\$532,983 or ₱26.65 million (see Note 22).

Employee Stock Option Plan

The Parent Company's BOD, on January 20, 2016, and the stockholders, on May 11, 2016, approved the Employee Stock Option Plan (the Plan) of the Parent Company. Full time and regular employees of the Parent Company and those deemed qualified by the Compensation and Remuneration Committee from the names recommended by the Executive Committee are eligible to participate in the Plan. As at March 31, 2019, the Plan has been filed with and is pending approval of the SEC and PSE.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group's sources of capital follow:

	March 31 2020 (Unaudited)	December 31, 2019 (Audited)
Capital stock	₱193,492,585	₱193,492,585
Additional paid-in capital	3,585,092,298	3,585,092,298
Deficit	(3,204,848,267)	(3,184,802,325)
	₱3,778,584,883	₱593,782,558

The Group is not subject to externally-imposed capital requirements. The Group regards its equity as its primary source of capital. No changes were made in the capital management policies as at March 31, 2020 and December 31, 2019.

24. Loss Per Share

Basic loss per share for the three-month periods ended March 31, 2020 and 2019 were computed as follows:

	March 31 2020 (Unaudited)	2019 (Unaudited)
Net loss attributable to the equity holders of the Parent Company	(₱20,045,942)	(₱70,607,577)
Weighted average number of outstanding shares	1,870,940,210	1,870,940,210
Dilutive shares arising from contingent liability	—	—
Adjusted weighted average number of common shares for diluted earnings per share	1,870,940,210	1,870,940,210
Basic loss per share	(₱0.01)	(₱0.04)
Diluted loss per share	(₱0.01)	(₱0.04)

Loss per share is calculated using the consolidated net loss attributable to the equity holders of the Parent Company divided by weighted average number of shares

25. Financial Instruments

Fair Value Information

The methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

- Cash, accounts and other receivables (except for advances to employees which are subject to liquidation), refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding "Taxes payable", "Deferred output VAT", and provision relating to PSA and statutory payables included as "Others"), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liability under other current liabilities - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments, except for cash bond under other noncurrent assets. The difference between carrying amount and fair value is immaterial.
- Financial assets at FVOCI - Fair value is based on quoted prices published in the market.
- Financial assets at FVOCI (unquoted equity investments) - Fair values are based on the latest selling price available.
- Financial assets at FVPL (unquoted debt investments) - Fair values are based on the comparable prices adjusted for specific market factors such as nature, industry, location and market recovery rates.
- Nontrade payable - Fair values are determined using prices in such transaction which still approximate the fair values at yearend.

The fair value of financial assets at FVOCI amounting to ₱0.48 million approximate their carrying value.

Fair Value Hierarchy

The Group uses the following three-level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Cash, accounts and other receivables, refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding “Taxes payable”, “Deferred output VAT”, and statutory payables included as “Others”), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liability under other current liabilities were classified under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus certain spread.

Quoted financial assets at FVOCI amounting to ₱0.44 million as at March 31, 2020 and December 31, 2019 were classified under Level 2 (see Note 8).

Unquoted financial assets at FVOCI amounting to nil as at March 31, 2020 and December 31, 2019 were classified under Level 3 (see Note 8).

As at March 31, 2020 and December 31, 2019, there have been no reclassifications from Level 1 to Level 2 or 3 categories.

Financial Risk Management and Objectives and Policies

The Group’s financial instruments comprise cash, financial assets at FVPL, accounts and other receivables, financial assets at FVOCI, refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding taxes payable, deferred output VAT, customer’s deposit and statutory payables), loans payable, liability on written put option, contingent liability and finance lease liability under other current liabilities, which arise directly from operations. The main purpose of these financial instruments is to finance the Group’s operations and to earn additional income on excess funds.

Exposure to credit risk, liquidity risk and foreign currency risk arise in the normal course of the Group’s business activities. The main objectives of the Group’s financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

There were no changes in the Group’s risk management objectives and policies in 2020 and 2019.

The Group’s risk management policies are summarized below:

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

The Group’s credit risk is primarily attributable to cash (excluding “cash on hand”) and receivables. To manage credit risk, the Group monitors its exposure to credit risk on a continuous basis.

The Group’s maximum exposure to credit risk is equal to the carrying values of its financial assets as at March 31, 2020 and December 31, 2019.

The credit quality of the financial assets was determined as follows:

Cash in banks, financial assets at FVPL, financial assets at FVOCI and other assets - based on the nature of the counterparty and the Group's rating procedure. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.

Accounts and other receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three defaults in payment; and low grade pertains to receivables with more than three defaults in payment.

Unquoted AFS financial assets are unrated.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirement, finance capital expenditures and service maturing debts. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD.

The maturity profile of the Group's financial assets and financial liabilities at March 31, 2020 and December 31, 2019 are based on contractual undiscounted payments.

As at March 31, 2020 and December 31, 2019, the Group's financial assets and financial liabilities have a maturity of less than one year.

26. Segment Reporting

The industry segments where the Group operates follow:

- Mobile consumer services - includes airtime management, content development and management and marketing and advertising solutions
- Enterprise services - includes platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This also includes IT staff augmentation and various enterprise solutions-based services to telecommunication companies and other companies for network and applications development
- Other services – includes consultancy services in the field of human resource management, trading in general, sourcing for and supplying of goods to import and export goods

The following tables regarding business segment revenue and profit information for the three-month periods ended March 31, 2020 and 2019:

2020 (Unaudited)

	Mobile consumer services	Enterprise service	Other services	Intersegment Adjustments	Consolidated
INCOME					
Service income	₱9,944,647	₱25,148,068	₱2,174,859	₱(8,987,969)	₱28,279,605
Sale of goods	—	—	18,723,245	—	18,723,245
	9,944,647	25,148,068	20,898,104	(8,987,969)	47,002,850
COST AND EXPENSES	(23,142,802)	(14,082,698)	(26,625,243)	(3,290,341)	(67,141,084)
Equity in net losses of associates	—	—	—	(2,670,706)	(2,670,706)
Other expenses	(5,655,696)	(92,758)	(293,245)	7,190,375	1,148,676
	(18,853,851)	10,972,612	(6,020,384)	(7,758,641)	(21,660,264)
Provision for (benefit from) income tax	(103,507)	(101)	(988)	987,012	882,416
Net income (loss)	(₱18,957,358)	₱10,972,511	(₱6,021,372)	(₱6,771,629)	(₱20,777,848)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱20,045,942)
Noncontrolling interests					(731,906)
					(₱20,777,848)

2019 (Unaudited)

	Mobile consumer services	Enterprise service	Other services	Intersegment Adjustments	Consolidated
INCOME					
Service income	₱10,433,612	₱264,189,614	₱1,869,095	(₱7,501,514)	₱268,990,807
Sale of goods	—	—	30,523,291	—	30,523,291
	10,433,612	264,189,614	32,392,386	(7,501,514)	299,514,098
COST AND EXPENSES	(56,312,823)	(254,132,679)	(45,760,942)	(2,222,389)	(358,428,833)
Equity in net losses of associates	—	—	—	(5,398,034)	(5,398,034)
Other expenses	(2,896,239)	(1,975,813)	(5,727,544)	1,158,959	(9,440,637)
	(48,775,450)	8,081,122	(19,096,100)	(13,962,978)	(73,753,406)
Provision for (benefit from) income tax	(8,841)	(4,811,058)	(1,171)	1,998,201	(2,822,869)
Net loss	(₱48,784,291)	₱3,270,064	(₱19,097,271)	(₱11,964,777)	(₱76,576,275)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱70,607,577)
Noncontrolling interests					(5,968,698)
					(₱76,576,275)

27. Notes to Consolidated Statement of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2020	Cash flows	Non-cash changes	Foreign exchange movement	March 31, 2020
Loans payable	₱52,130,272	(₱1,110,675)	₱–	₱–	₱51,019,597
Dividends payable	–	–	–	–	–
Total liabilities from financing activities	₱52,130,272	(₱1,110,675)	₱–	₱–	₱51,019,597

	January 1, 2019	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2019
Loans payable	₱358,741,481	(₱306,611,209)	₱–	₱–	₱52,130,272
Dividends payable	63,163,333	(299,788)	(62,863,545)	–	–
Total liabilities from financing activities	₱421,904,814	(₱306,910,997)	(₱62,863,545)	₱–	₱52,130,272

28. Events After Reporting Date

On May 7, 2020, the Parent Company conducted its Special Stockholders' Meeting on the approval of the issuance of up to 1,706,072,261 new common shares from the unissued authorized capital stock of the Parent Company. Pending subscription agreement and such other definitive agreements and considering that less than 67% of the outstanding shares of Parent Company was present or represented in the meeting, there was no stockholders' approval on the purchase of 100% interest in Wavemaker US Fund Management Holdings, LLC.

On July 23, 2020, the board of directors approved the issuance of 966,667 Xurpas shares to certain Xurpas employees. Transfer price will be set at current trading price. The shares will be taken from Xurpas Inc.'s treasury shares.

29. Approval of Financial Statements

The unaudited interim condensed consolidated financial statements of the Group as at March 31, 2020 and December 31, 2019 and for the three-month periods ended March 31, 2020 and 2019 were approved and authorized for issue by the BOD on August 14, 2020.

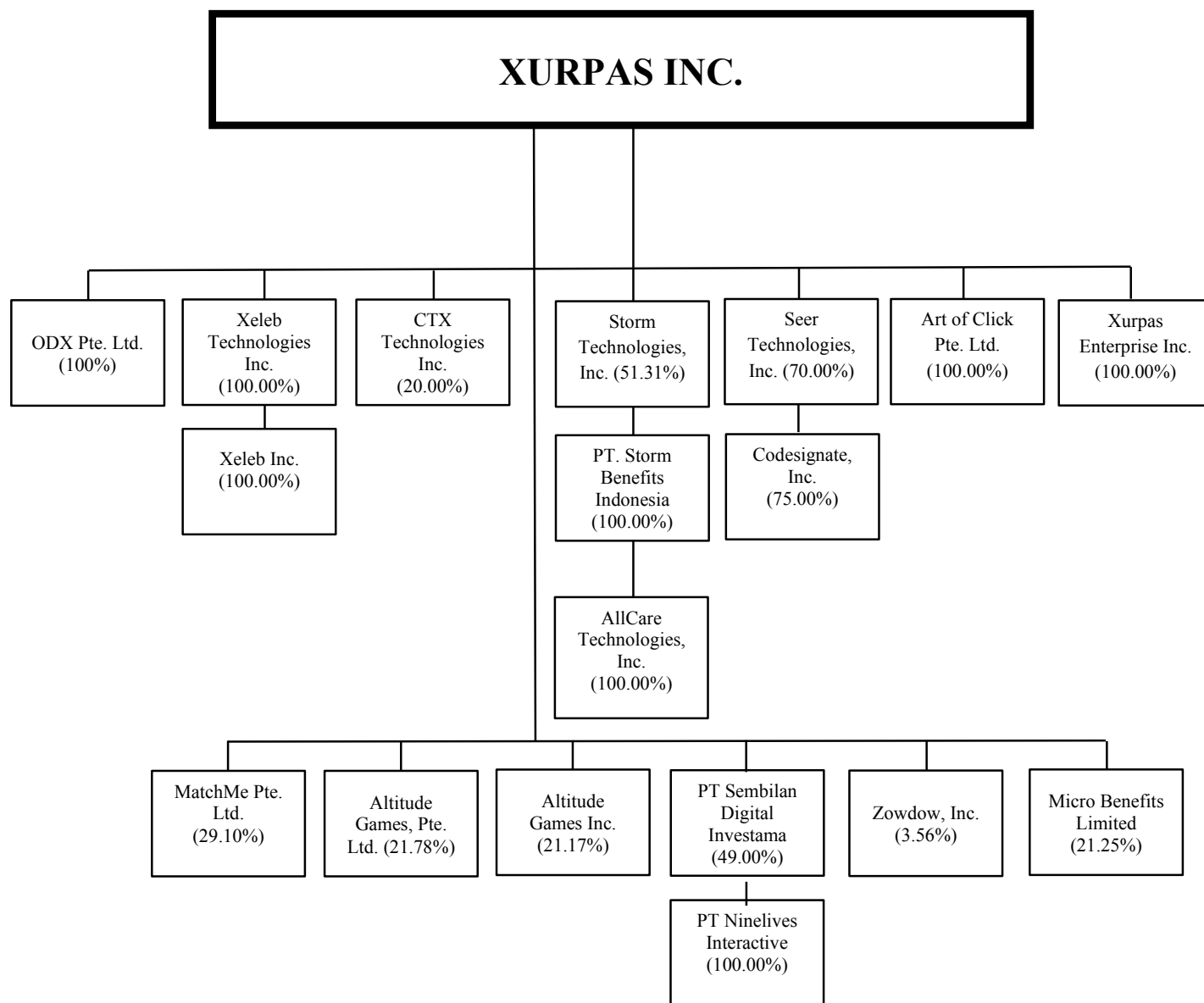
AGING OF RECEIVABLES

The aging analysis of accounts receivable as of March 31, 2020 presented per class follows:

	Current	Days past due				Total
		1 to 30 days	31 to 60 days	61 to 90 days	>90 days	
Trade receivable	₱22,811,200	₱1,685,711	₱379,640	₱4,772,286	₱245,033,752	₱274,682,589
Receivable from related parties	10,587,709	—	—	—	—	10,587,709
Advances to employees	2,346,734	—	—	—	—	2,346,734
Others	14,724,904	—	—	—	—	14,724,904
	₱50,470,547	₱1,685,711	₱379,640	₱4,772,286	₱245,033,752	₱302,341,936

XURPAS INC. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES



Note: Xeleb Technologies Inc. and Xeleb Inc. are in the process of liquidation

XURPAS INC. AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS MARCH 31, 2020

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as of March 31, 2020:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs			✓
	Amendments to PFRS 1: Meaning of 'Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4, Insurance			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments: Classification and Movement (2010 version)	Not early adopted		
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)	Not early adopted		
	Financial Instruments (2014 or final version)	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
	Amendments to PFRS 9: Prepayment Features with	Not early adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
	Negative Compensation			
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendment to PFRS 12: Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014-2016 Cycle)			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	Not early adopted		
PFRS 16	Leases	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
	Estimates and Errors			
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12-Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
	Financial Statements			
PAS 28	Investment in Associate and Joint Venture	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✓
	Amendment to PAS 28: Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014-2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	✓		
	Amendments to PAS 34: - Disclosure of information 'elsewhere in the interim financial report	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
	Liabilities			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40			✓
	Transfer of Investment Property			✓
PAS 40 (Amended)	Investment Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
	and PAS 39: Embedded Derivatives			
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty over Income Tax Treatments			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

XURPAS INC. AND SUBSIDIARIES**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION**

Unappropriated Retained Earnings, beginning, as restated	(₱3,048,024,408)
Less adjustments:	
Impairment loss	2,526,245,730
Fair value adjustments	—
Unappropriated Retained Earnings, as adjusted, beginning	(521,778,678)
Net Income based on the face of financial statement	(12,356,519)
Less: Non-actual/unrealized income net of tax	
Amount of provision for deferred tax during the year	—
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	—
Fair value adjustment (M2M gains)	—
Impairment loss	—
Net Income Actual/Realized	(12,356,519)
Less: Other adjustments	
Dividend declarations during the period	—
Reversal of appropriation for share buy-back transactions	—
Reversal of appropriation for dividend declaration	—
Appropriations during the year	—
Unappropriated retained earnings, end available for dividend distribution	₱—

XURPAS INC. AND SUBSIDIARIES

FINANCIAL RATIOS

Financial Ratios	March 31, 2020	December 31, 2019
A. Current ratios		
Current ratios	39%	41%
Quick ratios	32%	33%
B. Debt-to-equity ratios	569%	555%
C. Asset-to-equity ratios	585%	575%
D. Interest rate coverage ratios	(733%)	(6475%)
E. Profitability ratios		
Net income margin	(43%)	(271%)
Gross margin	1%	15%
Operating margin	(22%)	(256%)
Return on total assets	(3%)	(93%)
Return on equity	(17%)	(186%)

PART II--OTHER INFORMATION

There are no other information for this period not previously reported in SEC Form 17-C that needs to be reported in this section.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Summary

Key Financial Data In PHP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	0.96	2%	7.74	3%	(6.78)	-88%
Enterprise services	25.15	54%	259.38	86%	(234.24)	-90%
Other services	20.90	44%	32.39	11%	(11.49)	-35%
Total Revenues	47.00	100%	299.51	100%	(252.51)	-84%
Cost of Services	29.63	63%	221.55	74%	(191.93)	-87%
Cost of Goods Sold	16.78	36%	29.19	10%	(12.41)	-43%
Gross Profit	0.59	1%	48.77	16%	(48.18)	-99%
General and Administrative Expenses	20.73	44%	107.69	36%	(86.96)	-81%
Equity in Net Loss of Associates	2.67	6%	5.40	2%	(2.73)	-51%
Other charges - net	(1.15)	-2%	9.44	3%	(10.59)	-112%
Loss Before Income Tax	(21.66)	-46%	(73.75)	-25%	52.09	-71%
Provision for (Benefit from) Income Tax	(0.88)	-2%	2.82	1%	(3.71)	-131%
Net Loss	(20.78)	-44%	(76.58)	-26%	55.80	-73%
Other Comprehensive Income	14.16	0%	2.33	1%	11.84	509%
Total Comprehensive Loss	(6.62)	-14%	(74.25)	-25%	67.63	-91%

	March 31, 2020 Amount	December 31, 2019 Amount	Amount Change	% Increase (Decrease)
Total Assets	690.81	713.94	(23.13)	-3%
Total Liabilities	671.53	688.05	(16.52)	-2%
Total Equity	19.28	25.89	(6.62)	-26%

For the first quarter of 2020, the Group's total revenue was ₱47.0 million, a decrease of 84% compared to the first quarter of 2019 which was ₱299.51 million. In terms of bottom line, as compared to 2019 first quarter, the net loss of the Group decreased by 73% for the first 3 months of 2020 (from ₱76.58 million to ₱20.78 million). The drop in the topline and net loss was mainly due to the sale of Yondu back to Globe Telecoms Inc. In 2019, 80% of the Group's revenue came from Yondu, hence the decline in total revenue. Though Yondu generated profit, it is also the major company that incurred majority of the expenses.

The blended cost of services as of March 31, 2020 went down by 87% from ₱221.55 million to ₱29.63 million as compared to the three-month period ended March 31, 2019. Cost of goods sold attributable to other services was ₱16.78 million for Q1 of 2020 compared to ₱29.19 million figure for the first quarter of 2019.

Gross profit margins on total revenues, for the period ended March 31, 2020 was at 1%, a decrease from the same period last year of 16%. Gross profit decreased by 99% from ₱48.77 million for the first quarter of 2019 to ₱0.59 million for the same period in 2020.

General and administrative expenses decreased by 81%, from ₱107.69 million for the first quarter of 2019 to ₱20.73 million for the same period in 2020. Overall, the decrease in cost of services and GAEX was the result of the separation of Yondu's expenses from the Group. Aside from that, the Group has undertaken several cost reduction initiatives to lower expenses.

The Company also shares in the recorded net loss of the associate companies it has invested in, which amounted to ₱2.67 million for the three-month period ended March 31, 2020 (a 51% decrease from first quarter of 2019). Lower net loss of associate companies accompanied by reported tax benefit resulted to a decline in net loss for first quarter of 2020 compared to that same period in 2019 (from ₱5.40 million to ₱2.67 million).

Consolidated total assets slightly dropped by 3% from ₱713.94 million for the period ended December 31, 2019 to ₱690.81 million of the first 3 months of 2020. 67% of total assets in the first quarter of 2020 were composed of noncurrent assets particularly, investment in associates. The remaining 33% came from current assets namely, cash, accounts receivable, contract assets and other current assets.

Consolidated total liabilities also went down by 2% from ₱688.05 million as of December 31, 2019 to ₱671.53 million in March 31, 2020 due to lower trade payables. Lastly, consolidated total equity reduced to ₱19.28 million for March 31, 2020 from December 31, 2019 equity of ₱25.89 million as a result of the net loss incurred during the period.

Segment Financial Performance

For the 3-month period ended March 31, 2020 In PHP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	9.94	25.15	2.17	(8.99)	28.28
Revenue from sale of goods	-	-	18.72	-	18.72
Total Service Revenues	9.94	25.15	20.90	(8.99)	47.00
Operating expenses	23.14	14.08	26.63	3.29	67.14
Equity in net loss of associates	-	-	-	2.67	2.67
Other charges (income) - net	5.66	0.09	0.29	(7.19)	(1.15)
Total Expenses	28.80	14.18	26.92	(1.23)	68.66
Operating Loss	(18.85)	10.97	(6.02)	(7.76)	(21.66)
Provision from income tax	(0.10)	(0.00)	(0.00)	0.99	0.88
Net Loss	(18.96)	10.97	(6.02)	(6.77)	(20.78)

Xurpas Group operates under Mobile Consumer Services, Enterprise Services and Other Services segments. Prior to eliminations, for the three-month period ended March 31, 2020, the Group's enterprise business generated the highest revenue which is ₱25.15 million followed by other services which posted a revenue of ₱20.90 million and mobile consumer business with ₱9.94 million. (Note that after intersegment adjustments, revenue for Mobile Consumer services is ₱0.96 million and net loss is ₱25.73.) Out of the three business sources, only the enterprise business posted a net income of ₱10.97 million.

Profitability

For the three-month period ended March 31, 2020 compared with the three-month period ended March 31, 2019.

Revenues

The consolidated revenues of the Group for the three-month period ended March 31, 2020 amounted to ₱47.00 million, a decrease of 84% from ₱299.51 million the same period of the previous year.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	<ul style="list-style-type: none"> • Xurpas Parent Company • Art of Click

Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	<ul style="list-style-type: none"> Seer Xurpas Enterprise Xurpas Parent Company
Other services	Revenues derived from services related to the proprietary platform called “Flex Benefits System” and “Ace” (formerly “Kudos”) which allows employees to convert their employee benefits to other benefits which includes sale of goods	<ul style="list-style-type: none"> Storm Technologies

In PpP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	25.15	54%	259.38	86%	(234.23)	-90%
Mobile consumer services	0.96	2%	7.74	3%	(6.79)	-88%
Other services	20.90	44%	32.39	11%	(11.49)	-35%
<i>Total Revenues</i>	47.00	100%	299.51	100%	(252.51)	-84%

Similar to the first quarter of 2019, the enterprise services contributed the most to the Group’s revenue for the first 3 months of 2020 with 54% revenue contribution. Other services and mobile consumer services likewise posted revenue contribution of 44% and 2% respectively.

Revenue from enterprise services went down by 90% from ₱259.38 million in March 2019 to ₱25.15 million on March 31, 2020 with the absence of Yondu revenue as a result of its sale back to Globe Telecoms Inc. Lower revenue of ₱20.90 million for other services was posted for the first quarter of 2020 vis-à-vis ₱32.39 million for the same period in 2019. Lastly, the mobile consumer services further declined from ₱7.74 million of the first three-months of 2019 to ₱0.96 million as of March 31, 2020 as there has been no recovery on the value-added services (VAS) business with Globe and the digital advertising business.

Expenses

In PpP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	29.63	44%	221.55	62%	(191.93)	-87%
Cost of Goods Sold	16.78	25%	29.19	8%	(12.42)	-43%
General and Administrative Expenses	20.73	31%	107.69	30%	(86.96)	-81%
<i>Total Expenses</i>	67.14	100%	358.43	100%	(291.29)	-81%

The Group’s consolidated expenses during the three-month period ended March 31, 2020 amounted to ₱67.14 million, an 81% decrease from the same period of the previous year at ₱358.43 million. For the first three months of 2020, cost of services accounted for the bulk of expenses, totaling ₱29.63 million or 44% of the Group’s consolidated expenses. For the same period in 2019, cost of services amounted to ₱221.55 million, which comprised 62% of overall expenses. Decline in overall expenses was due to the elimination of Yondu’s expenses as a result of its sale to GTI.

Cost of Services

In PhP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	19.02	64%	170.91	77%	(151.89)	-89%
Depreciation	5.97	20%	9.30	4%	(3.33)	-36%
Outsourced services	1.98	7%	3.82	2%	(1.83)	-48%
Webhosting	0.60	2%	13.48	6%	(12.87)	-96%
Others	2.05	7%	24.05	11%	(22.00)	-91%
Total Expenses	29.63	100%	221.55	100%	(191.93)	-87%

Due to the deconsolidation of Yondu in 2019, the Group saw a drastic decline in cost of services amounting to ₱191.93 million or 87%. In particular, salaries, wages and employee benefits decreased significantly, from ₱170.91 million in 2019 to ₱19.02 million in 2020.

Cost of Goods Sold

For three-month period ended March 31, 2020, cost of goods sold took up 25% of the Group's consolidated expenses, amounting to ₱16.78 million. This figure was a decrease of 43% from its level at ₱29.19 million in March 31, 2019. The decline in cost of goods sold was directly attributable to the decrease in revenues of Storm Technologies.

General and Administrative Expenses

In PhP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	8.65	42%	57.51	53%	(48.85)	-85%
Professional fees	3.86	19%	3.27	3%	0.58	18%
Depreciation	2.63	13%	13.72	13%	(11.09)	-81%
Others	5.60	26%	33.19	31%	(27.59)	-83%
Total Expenses	20.73	100%	107.69	100%	(86.96)	-81%

General and administrative expenses relating to the Group's operations, for the first three months of 2020 amounted to ₱20.73 million, lower by 81% compared to previous year's same period level of ₱107.69 million.

In comparison to the first quarter of 2019, salaries, wages and employee benefits contributed ₱57.51 million or 53% of total expenses. This was an 85% decline or ₱48.85 million. Professional fees registered a slight increase of ₱0.58 million.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the three-month period ended March 31, 2020, amounted to ₱2.67 million, 51% lower than the ₱5.40 million net loss for the comparable period. The decrease in equity in net loss of associates was partially due to the net loss from Altitude SG and 9Lives.

Other Charges – net

For the first three months of 2020, the Group recognized other income amounting to ₱1.15 million. This account mainly consists of gain on sale of subsidiary (CTX), interest income and other income totaling to ₱3.86 million, partially offset by interest expense, bank charges and foreign exchange losses with aggregate amount of ₱2.71 million.

Loss before Income Tax

The Group's net loss before taxes for the three-month period ended March 31, 2020 was ₱21.66 million. The net loss before taxes for the Group declined by 71% or ₱52.09 million from the same period ended March 31, 2019, which posted a figure of ₱73.75 million.

Provision for (Benefit from) Income Tax

Due to incurring losses, the Group recognized a provision for income tax benefit for the three-month period ended March 31, 2020 amounting to ₱0.88 million.

Net Loss

The Group posted a consolidated net loss of ₱20.78 million for the three-month period ended March 31, 2020, a decrease of 73% from the previous year's same period at ₱76.58 million.

Total Comprehensive Income (Loss)

As of March 31, 2020, the Group's total comprehensive loss amounted to ₱6.62 million, a 91% decline compared to total comprehensive income of ₱74.25 million as of March 31, 2019.

Financial Position

As of March 31, 2020 compared to December 31, 2019.

Assets

Cash and Cash Equivalents

The Group's consolidated cash and cash equivalents amounted to ₱128.69 million for the three-month period ended March 31, 2020, a net decrease of 16% or ₱25.23 million from consolidated cash of ₱153.93 million as of December 31, 2019.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱51.86 million and ₱37.18 million as of March 31, 2020 and December 31, 2019, respectively, representing an increase of ₱14.68 million. Most of it came from trade receivables, other receivables and receivables from associates.

Contract Asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

The Group's consolidated contract asset totaled ₱9.49 million of March 31, 2020, an increase of ₱1.20 million from its previous level on December 31, 2019 at ₱8.29 million.

Other Current Assets

As of March 31, 2020, the Group's consolidated other current assets totaled ₱39.32 million, a decrease of ₱4.88 million or 10% from its previous level on December 31, 2019 of ₱44.20 million. Prepaid expenses, Creditable withholding taxes and Input VAT comprised majority of other current assets.

Financial assets at FVOCI

This account pertains to quoted and unquoted equity investments in Club Punta Fuego and Zowdow Inc. As of March 31, 2020, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position remained unchanged from its previous level on December 31, 2019 which both amounted to ₱0.44 million.

Investment in Associates

As of March 31, 2020, the Group's consolidated investment in associates had a slight decrease from ₱319.94 million during December 31, 2019 to ₱317.47 million. The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱278.02 million), Altitude Games Pte Ltd. (₱25.17 million), SDI (₱14.07 million), and CTX (₱0.20 million).

Property and Equipment

The Group's consolidated property and equipment was ₱7.75 million on March 31, 2020 vis-à-vis ₱8.76 million as of December 31, 2019. Additions and depreciation during the first three months of 2020 amounted to ₱0.50 million and ₱1.50 million, respectively. Property and equipment consisted of leasehold improvements, office equipment, information technology equipment and furniture and fixtures.

Right-of-use Assets

This account represents the right to use office spaces and computer equipment covered by non-cancellable lease agreements with terms ranging from 1.5 to 3 years. As of March 31, 2020, the Group recorded right-of-use assets with carrying amount of ₱3.81 million. Depreciation expense from right-of-use assets amounted to ₱1.16 million.

Intangible Assets

As of March 31, 2020, intangible assets amounted to ₱94.99 million, a 7% decrease from December 31, 2019 balance of ₱101.13 million. The components are goodwill, customer relationship, developed software, - and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As of March 31, 2020, goodwill is at ₱48.22 million.
- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or

equipment. As of March 31, 2020, net book value of developed software was ₱39.52 million. Amortization of developed software for the three-month period ended March 31, 2020 amounted to ₱5.72 million.

- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of March 31, 2020, leasehold rights net book value is at ₱1.43 million. Amortization of leasehold rights for the three-month period ended March 31, 2020 amounted to ₱0.21 million.

- Cryptocurrencies pertain to units of Bitcoin held by the Group as of March 31, 2020 valued at ₱5.82 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱36.97 million as of March 31, 2020. This figure is 4% lower than the ₱35.46 million figure posted as of December 31, 2019.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables was at ₱442.07 million as of March 31, 2020. It decreased by 8% or ₱36.18 million from the December 31, 2019 figure of ₱478.25 million. The payables consisted of other payables, trade payables, payables to related parties, nontrade payables, accrued expenses, deferred output VAT and taxes payables.

Loans Payable

The Group recorded ₱51.02 million in current loans on March 31, 2020 and ₱52.13 million as of December 31, 2019. This is mainly attributable to the loans of Storm and Seer which are interest-bearing and short-term.

Contract Liability

Contract liabilities are obligations to transfer goods and services to customers from whom the Group has received consideration. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due. Contract liabilities are recognized as revenue when the Group performs under the contract.

The Group's consolidated contract liability as of March 31, 2020 amounted to ₱94.04 million, an increase of 38% from the December 31, 2019 figure of ₱68.05 million.

Income Tax Payable

The Group's consolidated income tax payable as of March 31, 2020 and December 31, 2019 was ₱3,184.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered into by the Parent Company on April 29, 2019 with its founders amounting to ₱150.00 million, subject to 5.50% interest rate per annum payable in three (3) years from date of agreement.

Lease liabilities

Lease liabilities pertain to long-term office lease and lease for the use of Seer's IT equipment. As of March 31, 2020 and December 31, 2019, lease liabilities totaled ₱3.14 million and ₱3.81 million, respectively, a slight decrease of ₱0.67 million mainly due to rent payments. Current and non-current portions as of March 31, 2020 amounted to ₱2.71 million and ₱0.43 million, respectively.

Deferred Tax Liability - net

As of March 31, 2020, the deferred tax liability was ₱5.96 million, a decrease of 14% or ₱0.98 million from ₱6.95 million as of December 31, 2019. This is primarily the deferred tax liability on fair value adjustment on intangible assets.

Pension Liability

The accrued pension of the Group was at ₱24.82 million as of March 31, 2019, which was unchanged from its levels on December 31, 2019.

Equity

Total Equity

The Group's total equity as of March 31, 2020 was at ₱19.28 million, a 26% decrease from its December 31, 2019 level of ₱25.89 million. The net decrease in total equity was a result of the net loss incurred by the Group during the period. Deficit increased to ₱3,204.85 million in the first quarter of 2020 vis-à-vis ₱3,184.20 million in end 2019.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has some bank debt through the Parent Company and Seer Technologies Inc. which are short term in nature. The Group is not in breach or default on any loan or other form of indebtedness.

Cashflows

In PhP Millions	For the 3 months ended March 31	
	2020	2019
	Amount	Amount
Net cash provided by (used in) Operating Activities	(31.22)	20.25
Net cash provided by (used in) Investing Activities	(2.01)	(6.91)
Net cash provided by (used in) Financing Activities	(1.81)	67.46
Effect of foreign currency exchange changes in cash	9.81	3.86
Net increase (decrease) in cash	(25.23)	84.67
Cash at beginning of period	153.93	177.40
Cash at end of period	128.70	262.07

Cash Flows Provided by Operating Activities

For the first three months of 2020, operating loss before changes in working capital of ₱8.31 million was coupled with the corresponding increase in account receivables and account payables which resulted to ₱30.52 million net cash generated from operations. Together with interest received and income taxes paid, this resulted in a net cash used in operating activities of ₱31.22 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows provided by investing activities for the first three months of 2020 was ₱2.01 million compared to ₱6.91 million used in the same period of 2019.

Cash Flows Used in Financing Activities

The cash flow used in financing activities for the first quarter of 2020 was ₱1.81 million which was a decrease of 103% in comparison to the cashflow in the same period in 2019. The cash flow used in financing activities were mainly from the payment of loans.

Capital Expenditure

The Group's capital expenditures for the nine-month period ended March 31, 2020 and the year ended December 31, 2019 amounted to nil and ₱4.50 million, respectively.

Key Financial Data In PhP Millions	March 31, 2019 Additions	December 31, 2019 Additions
Right-of-use Assets	-	3.51
IT Equipment	0.50	0.12
Leasehold Improvements	-	0.39
Office Equipment	-	0.29
Furniture and Fixtures	-	0.19
Leased Asset	-	-
	0.50	4.50

Additions of right-of-use assets resulted from adoption of PFRS 16.

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the 3 months period ended March 31		For the year ended December 31, 2019
	2020	2019	
Liquidity Ratios			
Current Ratio	39%	64%	41%
Quick Ratio	32%	58%	33%
Asset-to-Equity Ratio	585%	193%	575%
Profitability Ratios			
Net Income Margin	-43%	-24%	-271%
Gross Margin	1%	16%	15%
Operating Margin	-22%	-13%	-256%
Return on Total Assets	-3%	-1%	-93%
Return on Equity	-17%	-29%	-186%
Debt Ratios			
Debt-to-Equity Ratio	5.69x	0.64x	5.55x
Interest Coverage Ratio	-7.33x	-5.70x	-64.75x

Liquidity Ratios

Current Ratio and Quick Ratio for the three-month period ended March 31, 2020 were 39% and 32%, respectively, a decrease from their respective 41% and 33% figures during the full year 2019. The decrease in both ratios was primarily from the significant decrease in current liabilities and minimal increase of current assets of the Group for that period.

Asset-to-Equity Ratio

The decrease in the asset-to-equity ratio from 575% in December 31, 2019 to 585% on March 31, 2020 was the result of the decrease in equity due to net loss incurred during the period.

Profitability Ratios

Profitability margins decreased from March 31, 2019, due to the overall business downturn. The result was a decrease in Gross Profit Margin (1%), Net Loss Margin (-43%), Operating Margin (-22%), Return on Total Assets (-3%) and an increase on Return on Equity (-17%).

Debt Ratios

Debt to Equity in March 31, 2020 was at 5.69x compared to 5.55x as of December 31, 2019. The decrease in the gearing ratio was attributed to the lower total liabilities as of March 31, 2020 compared to the previous year. Interest coverage ratio in March 31, 2020 was at -7.33x compared to -64.75x in December 31, 2019.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios

1. Current ratio

Current assets

Current liabilities

2. Quick ratio

Current assets – Other current assets

Current liabilities

Asset-to-equity Ratio	$\frac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$
Profitability Ratios	
1. Net income ratio	$\frac{\text{Net income attributable to Parent Company}}{\text{Service income} + \text{Sale of goods}}$
2. Gross margin	$\frac{(\text{Service income} + \text{Sale of goods}) - (\text{Cost of services} + \text{Cost of goods sold})}{\text{Service income} + \text{Sale of goods}}$
3. Operating margin	$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income} + \text{Sale of goods}}$
4. Return on total assets	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$
5. Return on total equity	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$
Debt Ratios	
1. Debt-to-equity ratio	$\frac{\text{Total Liabilities}}{\text{Total equity attributable to Parent Company}}$
Interest coverage ratio	$\frac{\text{Earnings before interest and tax}}{\text{Interest expense}}$

Other Disclosures:

- i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.
- ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.
- iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
- iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.
- v. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations. The Group's financial challenges in 2019 are being addressed through the following: continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.
- vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.
- vii. Seasonality. The effects of seasonality or cyclicity on the operations of the Group's business are confined to its mobile consumer and other services segment.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned, on AUG 14 2020.

Issuer: **XURPAS INC.**

By:



NICO JOSE S. NOLLEDO
Chairman of the Board



ALEXANDER D. CORPUZ
President



FERNANDO JUDE F. GARCIA
Treasurer

COVER SHEET

SEC Registration Number

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Company Name

X	U	R	P	A	S		I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S		

Principal Office (No./Street/Barangay/City/Town/Province)

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Form Type

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Department requiring the report

S	E	C
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Secondary License Type, If
Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

<u>info@xurpas.com</u>

Company's Telephone Number/s

889-6467

Mobile Number

N/A

No. of Stockholders

26

Annual Meeting
Month/Day

2nd Monday of May

Fiscal Year
Month/Day

June 30

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Alexander D. Corpuz

Email Address

mar@xurpas.com

Telephone Number/s

889-6467

Mobile Number

N/A

Contact Person's Address

7th Floor Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City
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Note: 1. In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2020**
2. Commission identification number **A200117708**
3. BIR Tax Identification No **219-934-330**

4. **Xurpas Inc.**

Exact name of issuer as specified in its charter

Philippines

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

6. Industry Classification Code: (For SEC Use Only)

7F Cambridge Centre, 108 Tordesillas St., Salcedo Village, Makati City

7. Address of issuer's principal office

1227

Postal Code

(632) 889-6467

8. Issuer's telephone number, including area code

Not Applicable

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

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class

Number of Shares of Common Stock Outstanding

Common Shares

1,871,830,210

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

Yes [☒] No [☐]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange Common Shares 1,797,700,660

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (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 ninety (90) days.

Yes [☒] No [☐]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Unaudited Interim Condensed Consolidated Statements of Financial Position
As at June 30, 2020 (with Comparative Audited Consolidated Statements of Financial Position as at December 31, 2019)

Unaudited Interim Condensed Consolidated Statements of Income and Comprehensive Income
For the Six-Month Periods Ended June 30, 2020 and 2019

Unaudited Interim Condensed Consolidated Statements of Changes in Equity
For the Six-Month Periods Ended June 30, 2020 and 2019

Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the Six-Month Periods Ended June 30, 2020 and 2019

Notes to Unaudited Interim Condensed Consolidated Financial Statements

Attachments:

Schedule I: Map Showing the Relationships Between and Among the Companies in the Group, Its Subsidiaries and Associate

Schedule II: Schedule of All Effective Standards and Interpretations under Philippine Financial Reporting Standards

Schedule III: Reconciliation of Retained Earnings Available for Dividend Declaration

Schedule IV: Financial Ratios

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

The MD&A is a discussion and analysis of the Company's financial position as at June 30, 2020 and December 31, 2019 and performance for the six-month periods ended June 30, 2020 and 2019. The primary objective of this MD&A is to help the readers understand the dynamics of the Company's business and the key factors underlying the Company's financial results.

The MD&A as of and for the six-month period ended June 30, 2020 and 2019 should be read in conjunction with the unaudited interim condensed consolidated financial statements and the accompanying notes.

PART I--FINANCIAL INFORMATION

Item 1. – FINANCIAL STATEMENTS

XURPAS INC. AND SUBSIDIARIES**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalent (Notes 5 and 25)	₱99,146,819	₱153,929,046
Accounts and other receivables (Notes 6 and 25)	52,550,798	37,182,831
Contract assets (Note 7)	9,494,141	8,290,141
Other current assets (Note 9)	37,777,723	44,201,116
Total Current Assets	198,969,481	243,603,134
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Notes 8 and 25)	440,000	440,000
Investments in associates (Note 10)	324,787,686	319,936,508
Property and equipment (Note 11)	5,285,976	8,763,883
Right-of-use asset (Note 19)	3,389,987	4,612,485
Intangible assets (Note 12)	90,169,124	101,129,808
Other noncurrent assets	38,093,904	35,457,027
Total Noncurrent Assets	462,166,677	470,339,711
	₱661,136,158	₱713,942,845
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 13 and 25)	₱445,937,528	₱478,249,032
Loans payable (Notes 14 and 25)	45,834,992	52,130,272
Contract liabilities (Note 7)	93,644,913	68,048,657
Current portion of lease liabilities	2,552,685	2,775,923
Income tax payable	—	3,184
Total Current Liabilities	587,970,118	601,207,068
Noncurrent Liabilities		
Advances from stockholders - net of current	50,470,853	54,033,333
Finance lease - net of current	134,513	1,033,602
Deferred tax liabilities – net	5,429,755	6,951,740
Pension liabilities	24,823,772	24,823,772
Total Noncurrent Liabilities	80,858,893	86,842,447
Total Liabilities	668,829,011	688,049,515
Equity (Capital deficiency)		
Equity (Capital deficiency) attributable to equity holders of Xurpas Inc.		
Capital stock (Note 23)	193,492,585	193,492,585
Additional paid-in capital (Note 23)	3,585,092,298	3,585,092,298
Deficit (Note 23)	(3,228,547,967)	(3,184,802,325)
Net unrealized loss on financial assets at FVOCI (Note 8)	(44,254,956)	(44,254,956)
Cumulative translation adjustment	62,847,275	47,950,210
Retirement benefit reserve	(2,571,739)	(2,571,739)
Equity reserve (Notes 22 and 23)	(363,424,608)	(363,424,608)
Treasury stock (Note 23)	(107,418,911)	(107,418,911)
	95,213,977	124,062,554
Noncontrolling interests	(102,906,830)	(98,169,224)
Total Equity (Capital deficiency)	(7,692,853)	25,893,330
	₱661,136,158	₱713,942,845

See accompanying Notes to Interim Condensed Consolidated Financial Statements

XURPAS INC. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the six-month period ended		For the three-month period ended	
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
INCOME				
Service income (Note 15)	₱44,950,983	₱590,095,010	₱16,671,378	₱321,104,203
Sale of goods	21,719,611	50,052,682	2,996,366	19,529,391
	66,670,594	640,147,692	19,667,744	340,633,594
COST AND EXPENSES				
Cost of services (Note 16)	61,083,554	462,592,499	31,453,928	241,037,599
Cost of goods sold	20,169,492	40,083,674	3,388,323	10,896,374
	81,253,046	502,676,173	34,842,251	251,933,973
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	39,380,591	214,472,948	18,650,301	106,786,315
EQUITY IN NET LOSSES (EARNINGS) OF ASSOCIATES (Note 10)	(4,648,778)	7,527,926	(7,319,484)	2,129,892
OTHER CHARGES – NET (Note 18)	1,112,982	20,274,886	2,261,658	10,834,249
	35,844,795	242,275,760	13,592,475	119,750,456
LOSS BEFORE INCOME TAX	(50,427,247)	(104,804,241)	(28,766,982)	(31,050,835)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 21)	(1,860,739)	10,552,970	(978,323)	7,730,101
NET LOSS	(48,566,508)	(115,357,211)	(27,788,659)	(38,780,936)
OTHER COMPREHENSIVE INCOME				
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>				
Cumulative translation adjustment	14,980,325	7,285,582	817,860	4,958,169
TOTAL COMPREHENSIVE INCOME LOSS	(₱33,586,183)	(₱108,071,629)	(₱26,970,800)	(₱33,822,767)

(Forward)

	For the six-month period ended		For the three-month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income (loss) attributable to:				
Equity holders of Xurpas Inc.	(P43,745,642)	(P118,284,342)	(P23,699,700)	(P47,676,765)
Noncontrolling interests	(4,820,866)	2,927,131	(4,088,960)	8,895,829
	(P48,566,508)	(P115,357,211)	(P27,788,660)	(P38,780,936)
Total comprehensive income (loss) attributable to:				
Equity holders of Xurpas Inc.	(P28,848,577)	(P111,791,839)	(P22,901,281)	(P43,511,656)
Noncontrolling interests	(4,737,606)	3,720,210	(4,069,519)	9,688,889
	(P33,586,183)	(P108,071,629)	(P26,970,800)	(P33,822,767)
Earnings (Loss) Per Share (Note 24)				
Basic	(P0.02)	(P0.06)	(P0.01)	(P0.03)
Diluted	(P0.02)	(P0.06)	(P0.01)	(P0.03)

See accompanying Notes to Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	June 30	
	2020	2019
	(Unaudited)	(Unaudited)
EQUITY (CAPITAL DEFICIENCY) ATTRIBUTABLE TO EQUITY		
HOLDERS OF XURPAS INC.		
CAPITAL STOCK - ₱0.10 par value (Note 23)		
Authorized – 5,000,000,000 shares		
Issued and outstanding		
Balance at beginning and end of period	₱193,492,585	₱193,492,585
ADDITIONAL PAID-IN CAPITAL (Note 23)		
Balance at beginning and end of period	3,585,092,298	3,592,076,662
RETAINED EARNINGS (DEFICIT) (Note 23)		
Appropriated		
Balance at beginning and end of period	115,464,275	115,464,275
Unappropriated		
Balance at beginning of period	(3,300,266,600)	(671,838,812)
Net loss	(43,745,642)	(118,284,342)
Balance at end of period	(3,344,012,242)	(790,123,154)
	(3,228,547,967)	(674,658,879)
NET UNREALIZED LOSS ON FINANCIAL ASSETS AT FVOCI		
(Note 9)		
Balance at beginning and end of period	(44,254,956)	(44,219,956)
CUMULATIVE TRANSLATION ADJUSTMENT		
Balance at beginning of period	47,950,210	34,451,988
Movement during the period	14,897,065	6,492,503
Balance at end of period	62,847,275	40,944,491
RETIREMENT BENEFIT RESERVE		
Balance at beginning and end of period	(2,571,739)	5,475,312
EQUITY RESERVE (Notes 22 and 23)		
Balance at beginning and end of period	(363,424,608)	(402,222,322)
TREASURY STOCK (Note 23)		
Balance at beginning of period	(107,418,911)	(115,464,275)
Sale of treasury shares	–	510,000
Balance at end of period	(107,418,911)	(114,954,275)
	95,213,977	2,595,933,618
NONCONTROLLING INTERESTS		
Balance at beginning of period	(98,169,224)	759,368,776
Increase in NCI	–	7,082,805
Cumulative translation adjustment	83,260	793,079
Net income (loss)	(4,820,866)	2,927,131
Balance at end of period	(102,906,830)	770,171,791
	(₱7,692,853)	₱3,366,105,409

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	June 30	
	2020	2019
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(P50,427,247)	(P104,804,241)
Adjustments for:		
Depreciation and amortization (Notes 16 and 17)	15,110,922	45,765,706
Interest expense (Note 18)	4,810,721	18,672,417
Equity in net losses (earnings) of associates (Note 10)	(4,648,778)	7,527,926
Interest income (Note 5)	(570,157)	(185,027)
Unrealized foreign currency exchange gain	(4,257)	(10,063)
Realized foreign exchange loss on sale of cryptocurrencies	—	447,254
Loss on sale of cryptocurrencies	—	189,520
Provision for impairment loss	—	1,300,211
Loss on disposal of property and equipment	—	277,925
Operating loss before changes in working capital	(35,728,796)	(30,819,825)
Changes in working capital		
Decrease (increase) in:		
Accounts and other receivables and contract assets – net	(16,571,967)	(14,743,470)
Other current assets	6,423,392	(7,415,035)
Increase (decrease) in:		
Accounts and other payables	(36,324,370)	46,033,249
Contract liabilities	25,596,256	9,039,105
Net cash generated from (used in) operations	(56,605,485)	2,094,024
Interest paid	(1,482,662)	(18,809,358)
Interest received	570,157	185,027
Income taxes paid	335,570	(9,057,540)
Net cash used in operating activities	(57,182,420)	(25,587,847)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of intangible assets	—	2,058,018
Proceed from sale of PPE	—	1,834,105
Acquisition of intangible assets	(74,175)	—
Additions to property and equipment (Note 11)	(558,325)	(11,379,247)
Increase in noncurrent assets	(2,636,876)	(4,325,761)
Net cash used in investing activities	(3,269,375)	(11,812,885)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from stockholders	—	150,000,000
Increase in NCI	—	7,082,805
Dividends paid	—	(299,788)
Payment of loans payable	(6,295,280)	(25,602,896)
Net cash provided by (used in) financing activities	(6,295,280)	131,180,121
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH	11,964,848	6,628,192
NET INCREASE(DECREASE) IN CASH	(54,782,227)	100,407,581
CASH AT BEGINNING OF PERIOD	153,929,046	177,396,187
CASH AT END OF PERIOD (Note 5)	99,146,819	P277,803,768

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Xurpas Inc. (the Parent Company or Xurpas) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 26, 2001. The principal activities of the Parent Company and its subsidiaries (collectively referred to as the Group) are to develop, produce, sell, buy or otherwise deal in products, goods or services in connection with the transmission, receiving, or exchange of voice, data, video or any form or kind of communication whatsoever.

The Parent Company's registered office address and principal place of business is at 7th Floor, Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City.

On December 2, 2014, the Parent Company's shares of stock were listed in the Philippine Stock Exchange (PSE).

The accompanying interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on August 14, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation

The interim condensed consolidated financial statements of the Group as at June 30, 2020 and for the six-month periods ended June 30, 2020 and 2019, have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

Accordingly, the interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended December 31, 2019.

The interim condensed consolidated financial statements are presented in Philippine Peso (₱), the Group's presentation currency. All amounts were rounded-off to the nearest Peso, except when otherwise indicated. The interim condensed consolidated financial statements have been prepared under the historical cost basis, except for except for financial assets at fair value through other comprehensive income (FVOCI), available-for-sale (AFS) financial assets which have been measured at fair value and financial liabilities at fair value through profit or loss (FVPL).

Statement of Compliance

The accompanying interim condensed consolidated financial statements of the Group as at June 30, 2020 and December 31, 2019 and for the six-month periods ended June 30, 2020 and 2019 have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Xurpas Inc. and its subsidiaries as at June 30, 2020 and December 31, 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voter holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls and investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests ("NCI") represent the portion of profit or loss and net assets in a subsidiary not wholly owned and are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.

Total comprehensive income within a subsidiary is attributed to the noncontrolling interest even if that results in a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any noncontrolling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

As at June 30, 2020 and December 31, 2019, the consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage Ownership		Principal Activities
	June 30, 2020	December 31, 2019	
Xeleb Technologies Inc. (formerly Fluxion, Inc.) (Xeleb Tech)	100.00%	67.00%	Enterprise services and mobile consumer services
Xeleb Inc. (Xeleb)	100.00	67.00	Mobile consumer services
Seer Technologies, Inc. (Seer)	70.00	70.00	Enterprise services
Codesignate Inc. (Codesignate)*	52.50	52.50	Enterprise services
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.) (Storm)	51.31	51.31	Human resource management
Pt. Storm Benefits Indonesia (Storm Indonesia)**	51.31	51.31	Human resource management
Allcare Technologies, Inc.**	51.31	51.31	Human resource management
Xurpas Enterprise Inc. (Xurpas Enterprise)	100.00	100.00	Enterprise services
Art of Click Pte. Ltd. (AOC)	100.00	100.00	Mobile consumer services
ODX Pte. Ltd. (ODX)	100.00	100.00	Enterprise services
CTX Technologies Inc.	—	100.00	Enterprise services

*Codesignate is a 75%-owned subsidiary of Seer. The Group's effective ownership over Codesignate is 52.50%. The Group has determined that it has control over the entity and consolidates the entity on this basis.

** Storm Indonesia and Allcare are 100%-owned of Storm Technologies, Inc.

All subsidiaries are domiciled in the Philippines except for Storm Indonesia, which is domiciled in Indonesia, and AOC and ODX, which are domiciled in Singapore.

Xeleb Technologies, Inc.

Xeleb Technologies, Inc. was organized to primarily engage in the business of mobile content development.

In 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33% stake in Xeleb Technologies from its minority stakeholders for a total consideration of ₱4.00 million. This brought Parent Company's interest in Xeleb Technologies to 100%.

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb Technologies.

Xurpas Enterprise Inc.

On March 23, 2016, the Parent Company incorporated Xurpas Enterprise. Xurpas Enterprise shall primarily engage in the business of software development including designing, upgrading and marketing all kinds of information technology systems or parts thereof and other related services.

Xeleb Inc.

On July 14, 2015, the Parent Company incorporated Xeleb Inc., a mobile games company domiciled in the Philippines. Xeleb was organized primarily to design, develop, test, build, market, distribute, maintain, support, customize, sell and/or sell applications, games, software, digital solutions, whether internet, mobile or other handheld applications, portals, hardware and other related projects and services, except internet provider services, both for proprietary and custom development purposes.

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb.

Storm Technologies, Inc.

The Parent Company's ownership is 56.60% of the outstanding capital stock of Storm as of December 31, 2017. In 2018, Storm issued 3,601 common shares to various individuals for a total of ₱11.97 million. This brought down the Parent Company's ownership from 56.60% to 53.96% of the outstanding capital stock of Storm, which resulted in a transfer of the Parent Company's share in the accumulated net losses of Storm to the noncontrolling

interest amounting to ₱3.19 million. Net increase in NCI amounted to ₱8.78 million. No change in control resulted from the said transaction.

In 2019, Storm issued 3,985 common shares to various individuals for a total consideration of ₱4.38 million. This brought down the Parent Company's ownership from 53.96% to 51.31% of the outstanding capital stock of Storm. Net increase in NCI amounted to ₱4.38 million. No change in control resulted from the said transaction.

Storm's primary purpose is to create, develop and maintain an online platform that allows companies to exchange their current human resources benefits given to employees and transform them into a wide range of products and services, provide client management services, data management and information processing services, software network management services, software development services, consultancy, project and program management, marketing solutions, information technology services and business process outsourcing services to various companies.

Art of Click Pte. Ltd.

On October 6, 2016, the Parent Company signed a Share Purchase Agreement with Emmanuel Michael Jean Allix and Wavemaker Labs Pte. Ltd. (the "Sellers") for the acquisition of 100% stake in Art of Click for an aggregate consideration of ₱1.94 billion in cash and in Parent Company's shares (see Note 23).

AOC is engaged in the business of mobile media agency that offers a marketing platform for advertisers.

ODX Pte. Ltd.

On April 27, 2018, the Parent Company incorporated a wholly-owned subsidiary in Singapore, ODX, with the following principal activities: 1) other information technology and computer service activities (e.g., disaster recovery services) and 2) development of software for interactive digital media (except games).

CTX Technologies Inc. ("CTX")

On October 16, 2018, the Parent Company incorporated a wholly-owned subsidiary, CTX, an entity engaged as a remittance and transfer company, to operate as a virtual currency exchange.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2020. Adoption of these new standards and amendments did not have any significant impact on the consolidated financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

Standards and Interpretation Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group does not expect that the future adoption of the said pronouncements to have a significant impact on the consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Deferred Effectivity

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of

accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Current and Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current / noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair value measurement

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy (see Note 26).

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments - initial recognition and subsequent measurement

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets

Initial recognition of financial instrument

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes "Cash" and "Accounts and other receivables" (except for "Advances to employees" which are subject to liquidation), "Refundable deposits" under other current assets, and "Cash bond" under other noncurrent assets.

Financial assets at FVOCI (debt instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group has not designated any financial assets under this category.

Financial assets at FVOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in

OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its quoted and unquoted equity investments under this category.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in profit or loss when the right of payment has been established.

The Group has designated its unquoted debt investments under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets and Contract Assets

The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL and contract assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for trade receivables and contract assets that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as receivable from related parties, other receivables, refundable deposits under

other current assets, cash bond under other noncurrent assets and financial assets at FVOCI (debt instruments), ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, where there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

b. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to PSA and statutory payables included as "Others"), "Loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial

liabilities are only designated as at FVPL when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in equity reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument.

Financial liabilities arising from amounts received under the Share and Token Allocation Agreement classified as "Nontrade payables" under "Accounts and other payables" were designated at FVTPL as it contains embedded derivatives.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to short-term debts.

Other Financial Liabilities

Issued financial instruments or their components, which are not designated at FVPL, are classified as accounts payable and accrued expenses where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effect of restatement of foreign currency-denominated liabilities is recognized in profit or loss.

This accounting policy applies to the Group's "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to PSA and statutory payables included as "Others") and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

c. Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Investments in Associates

The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

An investment is accounted for using the equity method from the day it becomes an associate. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the associate.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in values. The consolidated statement of comprehensive income reflects the share of the results of the operations of the associate company. The Group's share of post-acquisition movements in the associate's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the associate company are eliminated to the extent of the interest in the associate company and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investment in associate company is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associate company. When the associate company subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. When necessary, adjustments are made to bring the reporting dates and accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. It excludes the cost of day-to-day servicing.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the property and equipment which are as follows:

	Years
Transportation equipment	3 to 5
Office equipment	2 to 4
Information Technology (IT) equipment	2 to 4
Furniture and fixtures	3 to 5
Leased asset	3 to 5
Leasehold improvements	Useful life or lease term, whichever is shorter

The estimated residual values, useful life and depreciation and amortization method are reviewed at least annually to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

If there is an indication that there has been a significant change in depreciation and amortization rate or the useful lives, the depreciation of that property and equipment is revised prospectively to reflect the new expectations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Cryptocurrencies which are not held in the ordinary course of business are recognized as intangible assets as these are identifiable non-monetary asset without physical substance.

Following initial recognition, intangible assets (other than cryptocurrencies) are carried at cost less any accumulated amortization and accumulated impairment losses. Cryptocurrencies are subsequently carried at revalued amount, being its fair value at the date of the revaluation less any accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The estimated useful lives of intangible assets follow:

	Years
Customer relationships	Indefinite
Cryptocurrencies	Indefinite
Leasehold rights	7
Developed software	5 – 8

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

If an intangible asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the cryptocurrencies' carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of goods sold.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms' economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Noncontrolling interests

In a business combination, as of the acquisition date, the Group recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. There is a choice of two measurement methods for those components of noncontrolling interests that are both present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of a liquidation. They can be measured at:

- a. acquisition-date fair value (consistent with the measurement principle for other components of the business combination); or
- b. at their proportionate share of the value of net identifiable assets acquired.

Written put option over NCI

Any put options granted to noncontrolling interests give rise to a financial liability measured at fair value, which will be the present value of the redemption amount. The Group's accounting policy on financial instruments applies for the subsequent measurement of the financial liability.

The Group assesses whether the terms and conditions of the option give the acquirer present access to the ownership interest in the share subject to the put option. Factors that indicate that the NCI put provides a present ownership interest include:

- a. pricing - to the extent that the price is fixed or determinable, rather than being at fair value;
- b. voting rights and decision-making - to the extent that the voting rights or decision-making connected to the shares concerned are restricted;
- c. dividend rights - to the extent that the dividend rights attached to the shares concerned are restricted; and
- d. issue of call options - a combination of put and call options, with the same period of exercise and same/similar pricing indicates that the arrangement is in the nature of a forward contract.

If it is concluded that the acquirer has a present ownership interest in the shares concerned, the put option is accounted for as an acquisition of the underlying shares, and no noncontrolling interest is recognized.

When the terms of the transaction do not provide a present ownership interest, the noncontrolling interests continues to be recognized within equity until the NCI put is exercised. The carrying amount of noncontrolling interest changes due to allocations of profit or loss, changes in other comprehensive income and dividends declared for the reporting period. The financial liability for the put option is recognized through a debit made to another component of equity attributable to the parent.

If the put option is exercised, the entity accounts for an increase in its ownership interest. At the same time, the entity derecognizes the financial liability and recognizes an offsetting credit in the same component of equity reduced on initial recognition.

If the put option expires unexercised, the financial liability is reclassified to the same component of equity that was reduced on initial recognition.

Combinations of Entities under Common Control

Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interest method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity under the “Equity reserve” account.

The financial information in the consolidated financial statements are not restated for periods prior to the combination of the entities under common control.

Impairment of Nonfinancial Assets

The Group assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments in associates

The Group also determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the associate company and recognizes the difference in profit or loss.

In assessing impairment indicators, the Group considers, as a minimum, the following indicators: (a) dividends exceeding the total comprehensive income of the associate in the period the dividend is declared; or (b) the

carrying amount of the investment in the separate financial statements exceeding the carrying amount of the associate's net assets, including goodwill.

Intangible assets with indefinite useful life

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.

Impairment of goodwill

For assessing impairment of goodwill, a test of impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGUs is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Equity

Capital stock and additional paid-in capital

Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital". When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. The costs of an equity transaction that is abandoned are recognized as an expense.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings (deficit)

Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policy and other capital adjustments.

Unappropriated retained earnings

Unappropriated retained earnings represent the portion of retained earnings that is free and can be declared as dividends to stockholders.

Appropriated retained earnings

Appropriated retained earnings represent the portion of retained earnings which has been restricted and therefore is not available for dividend declaration.

Equity reserve

Equity reserve represents:

- (a) a portion of equity against which the recognized liability for a written put option was charged;
- (b) gains or losses resulting from increase or decrease in ownership without loss of control; and
- (c) difference between the consideration transferred and the net assets acquired in common control business combination.

Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or

service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

Service income

Service income consists of revenue from Value Added Services (VAS) and Business Process Outsourcing (BPO). BPO is further subdivided into IT Staffing, Custom Development and Managed Services, and Products.

VAS are mobile and content application services provided to mobile subscribers. Revenue is recognized at a point in time, that is when services are delivered to the customers during the period.

IT staffing is a business segment where the Group deploys resources to clients to fulfill their IT requirements. Revenue is recognized at a point in time, that is when services are rendered to the customers during the period.

Custom Development and Managed Services are services offered to customers that are produced in the Company's premises. Revenue is recognized over time and at a point in time. In measuring the progress of its performance obligation over time for Custom Development, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the IT specialists.

Products are readily available solutions that will cater to customers' requirements. Revenue is recognized at a point in time, that is when goods are delivered to the customers during the period.

Sale of goods

Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of the consideration received or receivable, net of discounts and applicable taxes. Revenue is recognized at a point in time, which is normally upon delivery.

For the year ended December 31, 2019, the Group has no variable consideration but the timing of revenue recognition resulted in contract assets and liabilities.

Contract Balances

Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional (e.g., warranty fees).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer (e.g., upfront fees, implementation fees, subscription fees, etc.). If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Interest income

Interest income is recognized as it accrues using the effective interest method.

Other income

Other income is recognized as they accrue.

Cost and Expenses

"Cost of services", "Cost of goods sold", and "General and administrative expenses" are expenditures recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measure reliably. The following specific recognition criteria must also be met before costs and expenses are recognized:

Cost of services

Cost that includes all expenses associated with the specific sale of services. Cost of services include salaries, wages and employee benefits, utilities and communication, supplies and other expenses related to services. Such costs are recognized when the related sales have been recognized.

Cost of goods sold

Cost of goods sold consists of inventory costs related to goods which the Group has sold. Inventory costs include all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

General and administrative expenses

General and administrative expenses constitute expenses of administering the business and are recognized in profit or loss as incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Office space	1.5 to 3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of nonfinancial assets section.

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Income tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will not reverse in the foreseeable future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial reporting date. Movements in deferred tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

Deferred tax relating to items outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- Where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- Receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the consolidated statement of financial position.

Pensions and other long-term employee benefits

The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The Group also provided other long-term employee benefit obligations to an employee of a subsidiary as remuneration for the services provided by the employee to the subsidiary, which are to be settled in cash. A liability and expense for the long-term employee benefit is recognized when the services have been rendered and is amortized during the period of entitlement.

Foreign Currency Transactions

The Group's consolidated financial statements are presented in Philippine Peso, which is also the Parent Company and the subsidiaries' functional currency, except for AOC and ODX, which is US dollar, and Storm Indonesia, which is Indonesian Rupiah. The Philippine peso is the currency of the primary economic environment in which the Parent Company operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions denominated in foreign currencies are initially recorded in Philippine Peso at the exchange rate at the date of transaction. Foreign currency-denominated monetary assets and liabilities are retranslated at the closing rate at reporting date. Exchange gains or losses arising from foreign currency transactions are recognized in profit or loss.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation are taken directly to a separate component of equity under “Cumulative translation adjustment” account. Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Investments in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group’s share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares, if any.

Segment Reporting

The Group’s operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 26 of the consolidated financial statements.

Provisions

Provisions are recognized when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

This policy also applies to proceeds received from the Token Pre-Sale Agreement for which management has assessed that it has a present constructive obligation to the token investors.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

This policy also applies to agreements which the Group entered into with certain advisors for which the services received are to be paid through internally generated tokens in the future and for which the obligation cannot be measured with sufficient reliability.

Events after the Reporting Period

Post year-end events up to date when the consolidated financial statements are authorized for issue that provide additional information about the Group’s position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in compliance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments and estimates used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statement. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

a. Going concern assessment

The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that it can continue in business for the foreseeable future (see Note 1). The Group incurred net loss of ₱48.57 million, and net operating cash outflows of ₱63.01 million for the six-month period ended June 30, 2020. As of June 30, 2020 the Group's current liabilities exceeded its current assets by ₱387.95 million. Management has considered this in their assessment and has concluded that the ability to continue as a going concern is mainly dependent on future actions such as continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.

Management does not have plans to liquidate and continues to believe that the Group is in a unique position being one of the few technology companies that can assist companies in their digital transformation initiatives and develop marketing promotions for consumer and enterprise businesses.

b. Determination of control over investment in subsidiaries

The Group determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Group's voting rights and potential voting rights

c. Existence of significant influence over associates

The Group determined that it exercises significant influence over its associates (see Note 10) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee) and board representation.

d. Capitalization of development costs

The Group determined that intangible assets arising from development qualify for recognition by determining that all of the following are present:

- i. The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- ii. Intention to complete and its ability and intention to use or sell the asset;
- iii. How the asset will generate future economic benefits;
- iv. The availability of resources to complete the asset; and
- v. The ability to measure reliably the expenditure during development.

e. Determination of constructive obligation arising from cryptocurrency transactions

The Group determined that a constructive obligation exists based on the terms of the agreements and the general expectations of the counterparties.

Management's Use of Estimates

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- a. *Evaluating impairment of goodwill, intangible assets with indefinite useful lives and investments in associates*
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow (DCF) model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the growth rates, earnings before interest, taxes, depreciation and amortization (EBITDA) margins, working capital and capital expenditures used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.

The carrying value of goodwill as of June 30, 2020 and December 31, 2019 amounted to ₱48.22 million.

Investment in associate is tested for impairment when circumstances indicate that the carrying value may be impaired.

The carrying values of investments in associates amounted to ₱324.79 million and ₱319.94 million as of June 30, 2020 and December 31, 2019, respectively (see Note 10).

- b. *Revenue recognition*
The Group's revenue recognition require management to make use of estimates that may affect the reported amount of revenue. The Group's revenue from sale of services for development projects recognized based on the percentage of completion are measured principally on the basis of the estimated completion of the development services. In measuring the progress of its performance obligation over time, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the Group's specialists.
- c. *Provisions and contingencies*
The Group is currently involved in assessments for national taxes. The estimate of the probable costs for the resolution of these assessments has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these assessments will have a material effect on the Group's consolidated financial position and results of operation.
- d. *Provision for expected credit losses of trade receivables and contract assets*
The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of June 30, 2020 and December 31, 2019, allowance for impairment losses on accounts and other receivables amounted to ₱249.86 million and ₱263.09 million, respectively (see Note 6).

e. Realizability of deferred tax assets

The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the subsidiaries of the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized. The Group looks at its projected performance in the sufficiency of future taxable income.

4. Seasonality of Interim Operations

The Group is subject to the seasonality of revenue realization due to Storm's Flexible Benefits Program. Historically, Storm's sales tend to increase in the second half of the year as observed from its customer behavior to likely avail their converted benefits towards the end of the year.

5. Cash and cash equivalent

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash on hand	₱303,629	₱104,525
Cash in banks	98,843,190	52,751,583
Cash equivalent	—	101,072,938
	₱99,146,819	₱153,929,046

Cash in banks earn interest at the prevailing bank deposit rates.

Interest income earned from cash in banks amounted to ₱0.57 million and ₱0.06 million for the six-month periods ended June 30, 2020 and 2019, respectively.

6. Accounts and Other Receivables

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade receivables	₱274,584,991	₱273,387,545
Receivable from related parties (Note 21)	10,716,544	10,377,902
Advances to employees	2,315,332	2,389,525
Others	14,797,634	14,113,381
	302,414,501	300,268,353
Less: Allowance for impairment loss	249,863,703	263,085,522
	₱52,550,798	₱37,182,831

Trade receivables arise from the mobile content development, mobile solution and key platform development services rendered by the Group to its customers. These are noninterest-bearing and are generally settled on a 30- to 60-day term.

Receivable from related parties are noninterest-bearing and are due and demandable.

Advances to employees mainly pertain to advances which are subject to liquidation.

Others are noninterest-bearing and are generally collectible within one year.

The table below shows the movements in the provision for impairment losses of trade receivables:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At beginning of year	₱263,085,522	₱265,024,372
Provisions (Note 17)	–	(3,299,668)
Write-off	–	(7,305,401)
Sale of subsidiary	–	(6,153,477)
Translation adjustments	(13,221,819)	14,819,696
	₱249,863,703	₱263,085,522

7. Contract Balances

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Contract assets	₱9,494,141	₱8,290,141
Contract liabilities	93,644,913	68,048,657

Contract assets are initially recognized for revenues earned from custom development as receipt of consideration is conditional on successful completion of proportion of work. Upon completion of performance obligation and acceptance by the customer, the amount recognized as contract assets are reclassified to trade receivables.

Contract liabilities consist of collections from customers under custom development services which have not qualified for revenue recognition.

8. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	₱440,000	₱475,000
Unrealized gain on financial assets at FVOCI	–	(35,000)
	₱440,000	₱440,000

The roll forward analysis of net unrealized loss on financial assets at FVOCI follows:

	June 30 2020 (Unaudited)	2019 (Unaudited)
Balance at beginning of period	(₱44,254,956)	(₱44,219,956)
Unrealized gain on financial assets at FVOCI	–	(35,000)
Balance at end of period	(₱44,254,956)	(₱44,254,956)

Unrealized loss on financial assets at FVOCI is recognized under “Other comprehensive income” in the consolidated statements of comprehensive income.

Carrying amount of the investments in financial assets at FVPL and financial assets at FVOCI as at June 30, 2020 and December 31, 2019 are as follow:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Quoted shares		
Club Punta Fuego	₱440,000	₱440,000
Unquoted equity investment		
Zowdow Inc.	44,244,956	44,244,956
Less: Unrealized loss on financial assets at FVOCI	(44,244,956)	(44,244,956)
	—	—
	₱440,000	₱440,000

The quoted shares are categorized under the Level 2 of the fair value hierarchy. The unquoted equity and debt investments are categorized under Level 3 (Note 25).

Quoted equity investments

Quoted equity instruments consist of investment in golf club shares.

Unquoted equity investments

In April 2015, the Group acquired 666,666 million shares of Series A Preferred Stock of Zowdow Inc. (“Zowdow”), formerly Quick.ly, Inc. (“Quick.ly”), at a purchase price of \$1.50 per share for a total investment of US\$999,999 or ₱44.24 million. As at June 30, 2020 and December 31, 2019, the Group holds a 3.56% ownership of Zowdow on a fully-diluted basis.

Fair value of unquoted equity investments was determined using prices from recent sales at arm’s length transaction. No unrealized gain or loss was recognized during the year for these investments (Note 26).

Unquoted debt investments

MatchMe Pte. Ltd.

On November 2, 2015, the Group acquired a convertible promissory note for US\$300,000 (₱14.06 million) issued by MatchMe Pte. Ltd. (“MatchMe”), an associate of the Group based in Singapore (Note 10). On February 11, 2016, the Group acquired additional convertible promissory note issued by MatchMe for US\$500,000 (₱23.89 million). On October 7, 2016, the Group acquired additional convertible promissory note issued by MatchMe for US\$300,000 (₱14.55 million).

Altitude Games Pte. Ltd.

On January 19, 2016, the Group purchased a convertible promissory note for US\$400,000 (₱19.26 million) issued by Altitude Games Pte. Ltd. (“Altitude Games”), an associate of the Group. On September 21, 2016, the Group acquired additional convertible promissory note for US\$200,000 (₱9.60 million) issued by Altitude Games.

Einsights Pte. Ltd.

On September 30, 2015, the Group purchased a convertible promissory note for US\$500,000 (₱23.48 million) issued by Einsights Pte. Ltd. (“Einsights”), a Singapore-based technology solutions provider with operations in Singapore, Vietnam, Hong Kong, India, Australia, Canada and Switzerland.

Pico Candy Pte. Ltd.

In August 2013, the Group invested in Pico Candy Pte. Ltd.’s convertible bonds amounting to SG \$0.10 million, which is equivalent to ₱3.60 million. Pico Candy Pte. Ltd. operates a digital sticker distribution platform. It was founded in 2013 and is based in Singapore.

9. Other Current Assets

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Input VAT	₱14,287,684	₱15,427,616
Prepaid expenses	5,345,483	3,925,070
Creditable withholding tax	8,313,990	6,911,430
Restricted cash equivalent	5,060,129	5,060,129
Inventories	1,821,704	245,717
Deferred input VAT	1,725,014	2,287,689
Cash held in trust	—	10,000,000
Rental deposit	1,094,812	689,200
Refundable deposit	1,705,309	1,230,667
	39,354,125	45,777,518
Less: Allowance for impairment	1,576,402	1,576,402
	₱37,777,723	₱43,511,916

Prepaid expenses mainly pertain to advances to contractors, deposits and advances to rentals and prepaid professional fees.

Creditable withholding taxes pertain to prepaid taxes recognized at the amount withheld at source upon payment, and can be carried forward and claimed as tax credit against income tax due.

Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services.

Deferred input VAT represents input VAT related to unpaid balances for the services availed by the Group. These will be recognized as input VAT and applied against output VAT upon payment. Any remaining balance is recoverable in future periods.

Inventories include purchases of goods to be sold. These are carried at cost.

10. Investments in Associates

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cost		
Balance at beginning of period	₱577,561,081	₱577,561,081
Addition	202,401	—
Balance at end of period	577,763,482	577,561,081
Equity in net earnings (losses) during the period		
Balance at beginning of period	(166,378,090)	(133,091,435)
Share in net earnings (losses) during the period	4,648,777	(33,286,655)
Balance at end of period	(161,729,313)	(166,378,090)
Cumulative translation adjustment		
Balance at beginning of period	15,901,005	11,525,824
Movement during the period	—	4,375,181
Balance at end of period	15,901,005	15,901,005
Impairment	(107,147,488)	(107,147,488)
	₱324,787,686	₱319,936,508

The equity in cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

The Group's equity in the net assets of associates and the related percentages of ownership are shown below:

	Percentages of Ownership		Carrying Amounts	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Micro Benefits Limited	23.53%	23.53%	₱283,166,014	₱281,545,160
MatchMe Ltd.	29.10%	29.10%	—	—
Altitude Games Pte. Ltd	21.78%	21.78%	25,780,114	24,601,980
PT Sembilan Digital Investama	49.00%	49.00%	15,639,157	13,789,368
Altitude Games Inc.	21.17%	21.17%	—	—
CTX Technologies Inc.	20.00%	—	202,401	—
			₱324,787,686	₱319,936,508

Micro Benefits Limited

On March 9, 2016, the Parent Company acquired 718,333 new Series C Preferred Shares equivalent to a 23.53% stake in Micro Benefits Limited (“Micro Benefits”) for US\$10.00 million. Micro Benefits, a company registered in Hong Kong, is engaged in the business of providing employee benefits to Chinese workers through its operating company, Micro Benefits Financial Consulting (Suzhou) Co. Ltd., located in China.

MatchMe Pte. Ltd.

On March 30, 2015, the Parent Company acquired 1,000,000 ordinary shares of MatchMe Pte. Ltd. (“MatchMe”), an international game development company based in Singapore, for a total consideration amounting to ₱60.47 million.

In 2016, MatchMe issued 325,385 common shares to various individuals which resulted in the decrease in the Parent Company ownership interest from 31.52% to 28.59%.

In 2018, MatchMe issued 1,547,729 ordinary shares worth US\$0.079 per share or a total of US\$122,944. The Group subscribed to 467,820 ordinary shares for a total of US\$37,161 or ₱1,977,018 resulting in an increase in percentage ownership from 28.59% to 29.10%.

Altitude Games Pte. Ltd.

On December 11, 2014, the Parent Company acquired 11.76% stake for 13.33 million ordinary shares in Altitude Games, a Singaporean IT company engaged in computer game development and publishing. The Parent Company paid ₱17.98 million as consideration for the said investment.

On the same date, Mr. Nico Jose S. Nollado, a stockholder, assigned its 11.36 million ordinary shares representing 10.02% ownership in Altitude Games pursuant to the Deed of Assignment with the Parent Company. Accordingly, the Parent Company recognized a payable to a stockholder amounting to ₱15.24 million from the said assignment which was subsequently paid in 2015.

PT Sembilan Digital Investama

On March 26, 2015, the Parent Company acquired 147 shares representing 49% shareholdings in PT Sembilan Digital Investama (SDI) amounting to ₱10.83 million. The acquisition gave the Parent Company access to PT Ninelives Interactive (“Ninelives”), a mobile content and distribution company in Indonesia, which SDI owns.

Altitude Games Inc.

On July 22, 2015, the Parent Company subscribed to 211,656 shares of stock or 21.17% shareholdings in Altitude Games Inc. (“Altitude Philippines”), an affiliate of Altitude Games. Altitude Philippines engages in the business of development, design, sale and distribution of games and applications.

On July 22, 2015, the Parent Company subscribed to 211,656 shares of stock or 21.17% shareholdings in Altitude Games Inc. (“Altitude Philippines”), an affiliate of Altitude Games. Altitude Philippines engages in the business of development, design, sale and distribution of games and applications.

CTX Technologies Inc.

On March 30, 2020, the board of directors approved the sale of 80% ownership in CTX to Mr. Fernando Jude Garcia, a founder of the Parent Company, for a total amount of ₱4.00 million. As at the date of disposal, carrying value of CTX's net assets amounted to ₱1.01 million. Accordingly, as a result of the deconsolidation of CTX, the Group recorded "Gain on sale of subsidiary" amounting to ₱3.19 million and "Investment in associate" amounting to ₱0.20 million.

As at June 30, 2020 and December 31, 2019, there are no capital commitments relating to the Group's interests in its associates.

The Group considers an associate with material interest if its net assets exceed 5% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the entity compared to other operations of the Group. There are no significant restrictions on the Parent Company's ability to use assets and settle liabilities of the Group.

11. Property and Equipment

The Group acquired property and equipment amounting to ₱0.56 million and ₱75.39 million during the six-month period ended June 30, 2020 and June 30, 2019, respectively. Depreciation expense amounted to ₱2.78 million and ₱13.94 million for the six-month periods ended June 30, 2020 and 2019, respectively.

12. Intangible Assets

This account consists of:

June 30, 2020

	Goodwill	Developed Software	Leasehold Rights	Crypto- Currencies	Total
Cost					
At beginning of period	₱2,004,469,603	₱103,416,043	₱5,150,312	₱6,081,778	₱2,119,117,736
Additions	—	74,175	—	—	74,175
Translation adjustment	—	—	—	(279,782)	(279,782)
At end of period	₱2,004,469,603	103,490,218	5,150,312	5,801,996	2,118,912,129
Accumulated amortization					
At beginning of period	—	58,234,341	3,505,967	—	61,740,308
Amortization (Note 18)	—	10,325,885	429,193	—	10,755,078
At end of period	—	68,560,226	3,935,160	—	72,495,386
Allowance for impairment	1,956,247,619	—	—	—	1,956,247,619
Net Book Value	₱48,221,984	₱34,929,992	₱1,215,152	₱5,801,996	₱90,169,124

December 31, 2019

	Goodwill	Customer Relationship	Developed Software	Leasehold Rights	Crypto-currencies	Total
Cost						
At beginning of period	₱2,544,617,520	₱1,077,809,700	₱208,845,306	₱17,378,812	₱5,484,591	₱3,854,135,929
Additions	—	—	2,520,997	—	1,253,879	3,774,876
Disposals	—	—	—	—	(2,652,458)	(2,652,458)
Revaluation surplus	—	—	—	—	1,995,765	1,995,765
Sale of subsidiary	(540,147,917)	(1,077,809,700)	(108,569,519)	(12,228,500)	—	(1,738,755,636)
At end of period	2,004,469,603	—	102,796,784	5,150,312	6,081,777	2,118,498,476
Accumulated amortization						
At beginning of period	—	—	87,763,575	8,593,303	—	96,356,878
Amortization (Note 16)	—	—	30,744,703	1,900,378	—	32,645,081
Sale of subsidiary	—	—	(60,893,197)	(6,987,713)	—	(67,880,910)
At end of period	—	—	57,615,081	3,505,968	—	61,121,049
Impairment (Note 17)	1,956,247,619	—	—	—	—	1,956,247,619
Net Book Value	₱48,221,984	₱—	₱45,181,703	₱1,644,344	₱6,081,777	₱101,129,808

Goodwill

Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Developed software

Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment.

Leasehold rights

Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination.

Cryptocurrencies

Cryptocurrencies pertain to units of Bitcoin held by the Group as at June 30, 2020.

The fair value of cryptocurrencies was determined using quoted market prices in active markets categorized under Level 1 of fair value hierarchy. As at June 30, 2020 and December 31, 2019, the fair value of Bitcoin is valued at USD3,742.70 per unit. For the six-month period ended June 30, 2020 and for the year ended December 31, 2019, unrealized loss amounting to nil and Php2.55 million, respectively, was recognized as a result of revaluation of cryptocurrencies.

During the six-month periods ended June 30, 2020 and 2019, the Group sold cryptocurrencies with cost amounting to nil and ₱2.69 million, respectively. The Group recognized “Loss from sale of cryptocurrencies” and “Foreign exchange gain” under “Other income (charges)” amounting to nil and ₱0.19 million, respectively (see Note 19).

The amortization expense of intangible assets recognized in “Depreciation and amortization” under “Cost of services” in the consolidated statements of comprehensive income amounted to ₱10.76 million and ₱18.18 million for the six-month periods ended June 30, 2020 and 2019, respectively (see Note 17).

13. Accounts and Other Payables

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade payables	₱121,418,314	₱115,714,403
Payable to related parties (Note 20)	102,721,868	101,028,311

Nontrade payable	51,974,782	54,481,084
Accrued expenses	15,598,324	26,006,041
Deferred output VAT	4,636,965	1,708,501
Taxes payable	4,582,865	8,533,499
Others	141,884,789	170,777,193
	₱442,817,907	₱478,249,032

Trade payable represents the unpaid subcontracted services and other cost of services to third parties. These are noninterest-bearing and are normally settled within one year.

Nontrade payables include proceeds received by ODX under the Share and Token Allocation Agreement which grants the investor rights to certain shares of ODX and internally generated tokens in the future depending on the happening of certain events prior to termination of the agreement.

Accrued expenses mainly consist of accruals for salaries, professional fees, utilities, transportation and travel, rent, outsourced services and royalty. These are noninterest-bearing and are normally settled within one year.

Deferred output VAT represents deferral of output VAT related to trade receivables for the services rendered by the Group. These will be recognized as output VAT and applied against input VAT upon receipt of payment.

Taxes payable include output VAT after application of available input VAT and expanded withholding tax on payment of suppliers and employees' compensation which are settled within one year.

Others consist of statutory payables to SSS, Philhealth and HDMF. This account also includes provision relating to the Token Pre-Sale Agreements ("PSA") entered into by the Group, through ODX, with various investors for the sale of ODX tokens. These are noninterest-bearing and are normally settled within one year.

The table below shows the movements in the provision relating to the PSA:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of year	₱134,499,466	₱184,527,714
Additions	—	1,253,879
Cost incurred for platform development	—	(46,582,907)
Translation adjustments	(6,187,401)	(4,699,220)
	₱128,312,065	₱134,499,466

14. Loans Payable

This account pertains to short-term, unsecured and interest bearing 30- to 180- day term loans entered into by the Group with different local banks and non-banks, with interest rates of 4.00% to 7.60% and 4.00% to 5.8125% in 2020 and 2019, respectively.

The rollforward analysis of this account follow:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of the period	₱52,130,272	₱358,741,481
Availment of loans	—	9,735,561
Payment of loans	(6,295,280)	(316,346,770)
	₱45,834,992	₱52,130,272

Interest expense recognized in the consolidated statements of comprehensive income during the six-month periods ended June 30, 2020 and 2019 amounted to ₱4.76 million and ₱18.67 million, respectively (see Note 18).

There were no undrawn loan commitments, transaction costs and interest expenses capitalized as at June 30, 2020 and December 31, 2019.

15. Service Income

Service income, amounting to ₱44.95 million and ₱590.10 million for the six-month periods ended June 30, 2020 and 2019, respectively, pertain to revenues earned from mobile consumer products and services, mobile enterprise services and knowledge process outsourcing rendered by the Group to its major customer, GTI, and other telecommunication companies. Revenue from these segments are recognized at a point in time, except for revenues from Custom Development included under mobile enterprise services which are recognized over time.

For the six-month periods ended June 30, 2020 and 2019, the Group's revenue from GTI amounted to nil and ₱196.12 million, respectively, which comprise approximately 0% and 65%, respectively, of the total service income of the Group.

16. Cost of Services

Cost of services for the six-month periods ended June 30, 2020 and 2019 consists of:

	For the six-month period ended		For the three-month period ended	
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
Salaries, wages and employee benefits	₱39,190,262	₱349,395,971	₱20,168,520	₱178,485,424
Depreciation and amortization	10,818,310	18,329,918	4,845,964	9,029,088
Outsourced services	4,827,093	15,759,863	2,844,120	11,943,133
Consultancy fees	1,406,022	3,507,782	805,261	1,795,135
Web hosting	1,244,805	8,775,126	640,261	(4,702,316)
Rent (Note 20)	984,285	2,386,564	930,285	(426,011)
Segment fee and network costs	343,733	58,352,003	118,019	42,208,066
Utilities	248,795	1,418,989	118,013	490,006
Commission	33,000	2,552	—	2,552
Royalty fees	—	943,304	—	673,160
Prizes and winnings	—	16,499	—	16,499
Others	1,987,249	3,703,928	983,485	1,522,863
	₱61,083,554	₱462,592,499	₱31,453,928	₱241,037,599

17. General and Administrative Expenses

General and administrative expenses for the six-month periods ended June 30, 2020 and 2019 consists of:

	For the six-month period ended		For the three-month period ended	
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
Salaries, wages and employee benefits	₱19,227,509	₱111,766,525	₱10,574,559	₱54,258,919
Professional fees	7,807,986	10,167,734	3,952,437	6,893,836
Depreciation and amortization	4,292,612	27,435,788	1,665,994	13,720,277
Taxes and licenses	1,666,902	7,683,564	468,980	4,349,864
Rent	1,243,085	3,999,645	311,900	2,107,154
Utilities	1,023,183	6,692,621	258,531	3,848,848
Marketing and promotions	916,733	153,732	191,355	58,988
Dues and subscription	478,636	3,493,761	260,759	1,847,007
Insurance	400,920	811,816	21,777	417,736
Outsourced services	344,679	14,339,888	93,799	2,488,919
Transportation and travel	309,969	4,390,642	150,398	2,197,998
Advertising	247,003	632,837	237,003	364,244
Repairs and maintenance	240,778	3,533,417	7,307	(2,131,198)

Entertainment, amusement and recreation	218,124	2,347,825	89,715	1,241,532
Seminars and trainings	208,527	434,458	1,671	383,302
Supplies	158,228	2,171,663	63,751	1,264,384
Provision for impairment loss	—	1,300,211	—	1,300,211
Miscellaneous	595,717	13,116,821	300,365	12,174,294
	₱39,380,591	₱214,472,948	₱18,650,301	₱106,786,315

18. Other Charges - Net

This account consists of:

	For the six-month period ended		For the three-month period ended	
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
Interest expense	₱4,810,721	₱18,672,417	₱2,210,570	₱7,668,266
Bank charges	222,404	512,713	117,815	185,236
Gain (loss) on sale of cryptocurrencies	—	188,067	—	(1,453)
Foreign exchange gains (losses)	(4,257)	1,795,879	(6,010)	604,636
Other income	(155,354)	(709,163)	(15,331)	2,507,211
Interest income	(570,157)	(185,027)	(45,386)	(129,647)
Gain on sale of subsidiary	(3,190,375)	—	—	—
	₱1,112,982	₱20,274,886	₱2,261,658	₱10,834,249

Other income pertains to gain on curtailment, gain on reversal of payables and other miscellaneous income.

Interest expense consists of:

	For the six-month period ended		For the three-month period ended	
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
Interest on loans payable	₱4,763,475	₱18,672,417	₱2,194,820	₱7,668,266
Amortization of discount on lease liability	47,246	—	15,750	—
	₱4,810,721	₱18,672,417	₱2,210,570	₱7,668,266

19. Operating Lease Commitments

The Group entered into various lease agreements with third parties for the office spaces it occupies. Leases have terms ranging from one to three years and renewable subject to new terms and conditions to be mutually agreed upon by both parties.

Set out below are the movements and carrying amounts of right-of-use asset recognized as of June 30, 2020 and December 31, 2019:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cost		
Balance at beginning of period	₱16,396,951	₱85,472,135
Additions	—	3,490,515
Sale of a subsidiary	—	(72,565,699)
Balance at end of period	16,396,951	16,396,951
Accumulated Depreciation		
Balance at beginning of period	11,784,466	7,536,575
Depreciation	1,580,286	21,315,066
Adjustment	—	16,508
Sale of a subsidiary	—	(17,074,282)
Translation adjustments	(357,788)	(9,401)
	13,006,964	11,784,466
	₱3,389,987	₱4,612,485

The rollforward analysis of lease liability as of December 31, 2019 follows:

	June 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	₱3,809,525	₱76,495,086
Additions	—	3,340,541
Accretion of interest	47,246	2,657,206
Payments	(1,591,804)	(21,833,337)
Sale of a subsidiary	—	(56,849,444)
Translation adjustment	422,231	(528)
Balance at end of period	₱2,687,198	₱3,809,525
Current lease liability	₱2,552,685	₱2,775,923
Noncurrent lease liability	₱134,513	₱1,033,602

Total rent expense charged under “Cost of services” and “General and administrative expenses” in the consolidated statements of comprehensive income amounted to ₱2.22 million and ₱6.39 million for the six-month periods ended June 30, 2020 and 2019, respectively (see Notes 16 and 17).

As at June 30, 2020 and December 31, 2019, the future minimum lease payments within one year under noncancellable operating leases amounted to ₱6.03 million.

20. Related Party Transactions

The Group, in the normal course of business, has transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture.

Terms and conditions of transactions with related parties

There have been no guarantees provided or received for any related party receivables and payables. These accounts are noninterest-bearing and are generally unsecured. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. Impairment assessment is undertaken through examination of the financial position of the related party and market in which this related party operates.

Details of transactions with related parties and their outstanding payables to a related party as at June 30, 2020 and December 31, 2019 follow:

			Amount/ Volume		Outstanding Balance			
			June 30, 2020	June 30, 2019	June 30, 2020		December 31, 2019	
	Terms	Conditions			Receivable	Payable	Receivable	Payable
Associate								
Advances	Noninterest-bearing	Unsecured, no impairment	338,642	4,049,516	₱10,716,544	₱—	₱10,377,902	₱—
			338,642	4,049,516	10,716,544		10,377,902	—
Stockholders								
Payable to directors and officers (a-b)	Interest-bearing	Unsecured	3,909,327	—	—	152,981,293	—	153,071,966
Payable to directors and officers (c)	Noninterest-bearing	Unsecured	—	—	—	—	—	1,872,000
Advances (d)	One year; noninterest-bearing	Unsecured, no impairment	—	—	—	211,428	—	117,678
			₱3,909,327	₱—	—	153,192,721	—	145,061,649
					₱10,716,544	₱153,192,721	₱10,377,902	₱145,061,649

Associates:

- a. In 2017, the Parent Company entered into a US\$100,000 noninterest-bearing short-term loan agreement with Altitude Games for working capital purposes. As at June 30, 2020 and December 31, 2019, receivable from Altitude Games amounted to ₱5.26 million.
- b. The Parent Company made payments on behalf of its associates. As at June 30, 2020 and December 31, 2019, outstanding balance amounted to ₱5.46 million and ₱5.12 million.

Stockholders:

- a. In 2017, the Parent Company entered into a loan agreement with its directors amounting to US\$1,945,758 or ₱97.15 million subject to 5% interest rate per annum. The Group recognized interest expense amounting to ₱2.46 million under “Other income (charges)” in its consolidated statements of comprehensive income. As at June 30, 2019, outstanding loans and interest payable amounted to ₱93.79 million and ₱7.13 million, respectively.
- b. On April 29, 2019 the BOD approved the availment of loan from the Parent Company’s founders with an aggregate amount of ₱150.00 million subject to 5.50% interest rate per annum. . The Group recognized interest expense amounting to ₱1.45 million under “Other income (charges)” in its consolidated statements of comprehensive income.

As at June 30, 2020, outstanding loans and interest payable pertaining to this transaction amounted to ₱50.47 million and ₱1.59 million, respectively.

- c. Payable to directors and officers also pertain to directors’ fees still outstanding as of June 30, 2020 and December 31, 2019 amounting to nil and ₱1.87 million, respectively.
- d. Advances from stockholders pertain to cash advances for operational and corporate-related expenses paid by a stockholder in behalf of the Group. These are noninterest-bearing and are due and demandable.

Compensation of key management personnel pertaining to short-term employee benefits amounted to ₱5.62 million and ₱35.19 million for the six-month periods ended June 30, 2020 and 2019, respectively.

21. Income Taxes

Provision for (benefit from) income tax for the six-month periods ended June 30, 2020 and 2019 consists of:

	June 30	
	2020 (Unaudited)	2019 (Unaudited)
Deferred	(₱1,974,025)	(₱5,001,013)
Current	—	15,524,933
Final	113,286	29,050
	(₱1,860,739)	(₱10,552,970)

22. Business Combinations and Acquisition of Noncontrolling Interests

Business Combinations

Art of Click Pte. Ltd.

On October 6, 2016, the Parent Company executed a Share Purchase Agreement for the acquisition of 100% shares of Art of Click Pte. Ltd. (“Art of Click”) for an aggregate consideration of ₱1.40 billion in cash and in Parent Company’s shares. Art of Click is a Singaporean start-up firm established in 2011 that specializes on mobile marketing solutions for advertisers, publishers, app developers, and other operators. Its key markets include Japan, Korea, Hong Kong, Taiwan, Southeast Asia, North America and Europe.

The Group considers the acquisition an opportunity to grow its mobile consumer services by increasing its content offering.

The cash consideration consists of (1) an Upfront Payment to the Sellers amounting to US\$2,797,106 (₱135,379,930) and (2) cancellation of employee stockholder options through Parent Company's subscription to one ordinary share in the capital of AOC for US\$2,202,894 (₱106,620,070). This was used to pay the AOC's Employee Stock Ownership Plan ("ESOP") shareholders.

The Xurpas shares to be issued to the Sellers consist of (1) an Upfront Payment amounting to US\$19,451,739 payable in Xurpas shares to the Sellers on the acquisition date, (2) Installment Payment payable to the Sellers in Xurpas shares one year after the closing date and every year thereafter until three years after the closing date, and (3) a Deferred Purchase Consideration which shall be subject to a net income after tax floor per year that AOC has to meet as a condition precedent to the entitlement of the Sellers to the Deferred Purchase Consideration and payable in three (3) tranches. The aggregate amount of Deferred Payment Consideration for a three year deferred payment period shall in no case be greater than US\$13,962,725. In the finalization of the purchase price, the parties have clarified that the Deferred Purchase Consideration shall be fixed at US\$13,962,725 and shall not be subject to the performance metrics of AOC, and such is intentionally part of the original consideration. Accordingly, the Deferred Purchase Consideration was considered as part of the acquisition cost in the final purchase price.

The number of Xurpas shares to be issued at each tranche shall be determined using the average market value of Xurpas common shares fifteen (15) days before and fifteen (15) days after the closing date or each commitment date, as applicable, agreed to by the parties.

The Installment Payment payable and Deferred Purchase Consideration in the next three years amounting to ₱760.69 million was initially recognized under "Payable to former shareholders of a subsidiary" in the consolidated statements of financial position. These were measured at its fair value as at acquisition date using an assumed discount rate of 11.55%. In 2016, interest expense and foreign exchange loss amounting to ₱21.96 million and ₱22.78 million, respectively, were recognized in "Other income (charges)" in the consolidated statements of comprehensive income and is reflected in the net income attributable to the equity holders of the Parent Company. As of December 31, 2016, the outstanding payable to former shareholders of a subsidiary amounted to ₱805.43 million.

Included in the Share Purchase Agreement is a call option granting the Sellers an option exercisable within fifty one (51) months following the Closing Date and only upon the occurrence of a Call Option event to purchase from the Parent Company their respective proportionate share in the Sale Shares. This was subsequently waived.

In June 2017, the Parent Company entered into an agreement to reacquire the 53,298,242 common shares Upfront Payment issued at acquisition date to Emmanuel Michel Jean Allix ("Allix"), a former shareholder of AOC, for a consideration of US\$532,983 or ₱26.65 million (see Note 24). On the same date, amendments were made to the share purchase agreement with Allix which (a) resulted in the payment of US\$7.24 million or ₱358.50 million, (b) changed the manner of payment of the Installment Payment payable and Deferred Purchase Consideration from being partly in cash and Xurpas shares to solely in cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. The additional payment and the buyback of the common shares are linked transactions and in substance is accounted for as an equity transaction for accounting purposes. Based on the agreement, only the ₱26.65 million is presented as treasury shares while the remaining amount of ₱358.50 million is presented under equity reserve in the consolidated statements of financial position. The change from being payable in three years to being payable within the year resulted in the acceleration of the accretion of unamortized interest expense amounting to ₱26.00 million.

In October 2017, the Parent Company entered into an agreement to amend the share purchase agreement with Wavemaker Labs Pte. Ltd. ("Wavemaker"), a former shareholder of AOC, which provides for (a) the adjusted purchase price, (b) the change in manner of payment for the Installment Payment and Deferred Consideration pertaining to Wavemaker from being payable in Xurpas shares to cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. To implement these amendments, the Parent Company made a placement and subscription transaction involving 67,285,706 Xurpas listed shares of existing shareholders by way of a block sale through the facilities of the PSE in 2019. The amendments resulted in an additional payable to Wavemaker amounting to US\$3.01 million or ₱153.96 million which was recognized as a loss under "Other income (charges)" in the consolidated statements of comprehensive income. The change in the timing of the payment resulted in an

acceleration of the accretion of unamortized interest expense amounting to ₱4.92 million. The amendments were ratified by the BOD on February 22, 2018.

The 16,641,244 common shares initially issued to Wavemaker representing the Upfront Payment shall be placed by Wavemaker in an escrow agent who is authorized to sell these shares after these are listed. The allocation of the proceeds from the sale of these shares will be determined in the future subject to certain conditions.

In October 2017, Allix and Wavemaker executed a waiver of the second and third tranches of the Deferred Purchase Consideration. Since the waiver is not considered as a measurement period adjustment as allowed under PFRS 3 to adjust the recorded acquisition cost of the Parent Company's investment, the extinguishment of the liability amounting to US\$7.11 million or ₱364.01 million is recognized as a gain under "Other Charges - Net" in the consolidated statements of comprehensive income. The Sellers also waived their call option on the shares.

In 2017, interest expense and foreign exchange losses amounting to ₱61.63 million and ₱26.59 million, respectively, were recognized in "Other income (charges)" in the consolidated statements of comprehensive income and is reflected in the net income attributable to the equity holders of the Parent Company. As of December 31, 2017, the remaining payable to former shareholders of a subsidiary amounted to ₱244.43 million.

The net assets recognized in the December 31, 2016 financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation for the intangible assets owned by AOC which was done by an appraiser accredited by the SEC.

The purchase price allocation has been prepared on a preliminary basis as the fair value of intangible asset (i.e., technology) is being finalized. The following are the preliminary fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱205,580,070
Receivables	125,285,313
Property and equipment	634,945
Intangible asset	61,508,895
Other assets	2,197,610
	<u>395,206,833</u>
 Forward	
Liabilities	
Accounts and other payables	₱270,986,228
Income tax payable	20,099,967
Deferred tax liability	18,452,669
	<u>309,538,864</u>
Total net assets acquired	85,667,969
Goodwill	1,856,808,730
Acquisition cost	<u>₱1,942,476,699</u>

In October 2017, the valuation was completed and the acquisition date fair value of the total net assets acquired was determined to be ₱85.67 million, an increase of ₱43.06 million over the provisional value of ₱42.61 million. The 2016 comparative information was restated to reflect the adjustments to the provisional amounts. As a result, an intangible asset for AOC's developed software amounting to ₱61.51 million was recognized. The Deferred Purchase Consideration amounting ₱544.29 million was included as acquisition cost. Total goodwill arising from the acquisition amounted to ₱1,856.81 million. The 2016 comparative income statements were also restated to reflect the increase in amortization expense, additional accretion and interest and foreign exchange adjustments, with a net effect of ₱40.06 million decrease in the 2016 consolidated net income and net income attributable to equity holders of the Parent Company.

The fair value of the receivables approximate their carrying amounts. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected. The deferred tax liability represents the tax effect of the fair value adjustments on the intangible asset.

The fair value of the intangible asset was based on net present value of future cash flows using the “Relief from Royalty” method. The valuation has not been completed by the date the 2016 consolidated financial statements were approved for issue by the BOD.

The consideration for the acquisition amounting to ₱1.94 billion partly involves cash and Xurpas shares payable to the Sellers.

From the date of acquisition on October 6, 2016, the Group’s share in the revenue and net income of AOC amounted to ₱477.95 million and ₱120.34 million, respectively. If the combination had taken place at the beginning of 2016, the Group’s total revenue and total net income would have been ₱2,120.93 million and ₱334.01 million, respectively.

Cash outflow related to the acquisition follows:

Cash acquired from AOC	₱205,580,070
Cash paid	242,000,000
Net cash outflow	₱36,419,930

Storm Technologies, Inc. (“Storm”)

On February 26, 2015, the Parent Company and Storm signed a deal that will give the Parent Company 37,565 common shares or a 51% stake in Storm and other rights through primary and secondary issuances, for a total consideration of US\$4.30 million or ₱190.89 million.

Storm is a human resource consultancy firm which has developed a proprietary platform called the “flex benefits system” that allows employees to convert their employee benefits to other benefits such as gadgets, dining and other merchandise or service.

The acquisition of Storm will enable the Group to expand its distribution network to beyond telecommunication networks. The Group will be able to reach more customers and provide them with physical products and services through Storm's "flex benefits system".

In 2016, the Parent Company finalized its purchase price allocation.

The following are fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱110,123,616
Receivables	14,389,114
Inventories	978,648
Other current assets	5,788,668
Property and equipment	1,435,871
Intangible assets	4,096,106
Deferred tax asset	2,731,642
Other noncurrent asset	382,769
	139,926,434
Liabilities	
Accounts and other payables	20,965,139
Deferred tax liability	1,228,832
Loans payable	6,628,000
	28,821,971
Net assets	111,104,463
Non-controlling interests in Storm	54,376,599
Total net assets acquired	56,727,864
Goodwill	134,161,689
Acquisition cost	₱190,889,553

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The non-controlling interests have been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

Cash outflow related to the acquisition follows:

Cash acquired from Storm	₱110,123,616
Cash paid	135,366,761
Net cash outflow	₱25,243,145

From February 26 to December 31, 2015, the Group's share in revenue and net loss of Storm amounted to ₱80.27 million and ₱28.81 million, respectively. If the combination had taken place at the beginning of 2015, the Group's total revenue would have been ₱927.83 million, while the Group's net income would have been ₱226.47 million.

Seer Technologies Inc. ("Seer") and subsidiary

On June 25, 2015, the Parent Company acquired 70,000 shares representing 70% stake holdings in Seer at a price of ₱18.00 million. Codesignate is a 75% owned subsidiary of Seer.

The Parent Company is also due to pay an earn-out amount corresponding to a fixed percentage of Seer's net income after tax for the years 2015 to 2017 based on its Audited Financial Statements, as an incentive for Seer's management to continue to improve Seer's financial performance in the immediately succeeding years after the acquisition.

Seer is a company in the mobile platform development space, with a human resource base composed primarily of software engineers. Its acquisition will enhance the ability of the Group to provide mobile solutions such as applications and mobile marketing solutions to its enterprise clients.

In 2016, the Parent Company finalized its purchase price allocation.

The following are fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱3,706,340
Receivables	29,735,813
Other current assets	7,297,243
Property and equipment	3,381,984
Intangible assets	1,054,205
Deferred tax asset	5,562,638
Other noncurrent asset	2,886,447
	53,624,670
Liabilities	
Accounts and other payables	22,014,409
Loans payable	13,998,370
Pension liability	6,959,000
Finance lease liability	3,906,890
Deferred tax liability	316,262
	47,194,931
Net assets	6,429,739
Non-controlling interests in Seer	1,928,922
Total net assets acquired	4,500,817
Goodwill	13,499,183
Acquisition cost	₱18,000,000

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The non-controlling interests have been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

Cash outflow related to the acquisition follows:

Cash acquired from Seer	₱3,706,340
Cash paid	18,000,000
Net cash outflow	<u>₱14,293,660</u>

From June 26 to December 31, 2015, the Group's share in revenue and net income of Seer amounted to ₱41.02 million and ₱5.27 million, respectively. If the combination had taken place at the beginning of 2015, the Group's total revenue would have been ₱954.25 million, while the Group's net income would have been ₱223.72 million.

Yondu Inc. ("Yondu")

On September 16, 2015, the Parent Company acquired 22,950 shares of common stock in Yondu, a content developer and provider of mobile value-added services and information technology services for a total consideration of ₱900.00 million. 5,000 shares out of the 22,950 shares were from unissued shares of Yondu while 17,950 shares were purchased from GTI. Purchase price of unissued shares and shares previously held by GTI amounted to ₱230.00 million and ₱670.00 million, respectively. The purchase resulted to a 51% ownership by the Parent Company in Yondu.

Included in the Shareholders' Agreement are a call and put option granting the Parent Company the right to require GTI to sell and granting GTI the right to require the Parent Company to purchase all, but not part only, of the 49% shareholding of GTI in Yondu at ₱39,215.69 per company share, respectively. The options will be effective starting September 16, 2016 and will expire after two years, therefrom. The put option and call option shall be exercised by a share swap of Xurpas shares for shares held by GTI or a combination of share swap and cash, at the mutual agreement of both parties.

A financial liability amounting to ₱853.18 million was recognized in the consolidated financial statements of financial position for the redemption obligation related to the written put option over the shares held by GTI. The liability was recognized initially at the present value of the redemption price at acquisition date.

In 2016, the Parent Company finalized its purchase price allocation.

The following are fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱175,110,666
Receivables	598,921,607
Other current assets	38,071,606
Property and equipment	39,638,479
Intangible assets	1,187,626,747
Deferred tax asset	6,652,819
Other noncurrent asset	10,431,165
	<u>2,056,453,089</u>
Liabilities	
Accounts and other payables	582,669,211
Income tax payable	41,541,943
Pension liability	6,514,740
Deferred tax liability	355,471,170
Other long-term liabilities	3,900,000
	<u>990,097,064</u>
Net assets	1,066,356,025

Non-controlling interests in Yondu	706,503,943
Total net assets acquired	359,852,082
Goodwill	540,147,918
Acquisition cost	<u>₱900,000,000</u>

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The Group elected to measure the noncontrolling interests in the acquiree at fair value.

The fair value of the noncontrolling interest has been estimated by determining the present value of discounted cash flow. The fair value measurements are based on significant inputs that are not observable in the market. The fair value estimate is based on:

- An assumed discount rate of 13.46%
- A terminal value, calculated based on long-term sustainable growth rates for the industry ranging from 2% to 4% which has been used to determine income from future years.

Cash outflow related to the acquisition follows:

Cash acquired from Yondu	₱175,110,666
Cash paid	900,000,000
Net cash outflow	<u>₱724,889,334</u>

From September 15 to December 31, 2015, the Group's share in revenue and net income of Yondu amounted to ₱235.89 million and ₱35.87 million, respectively. If the combination had taken place at the beginning of 2015, the Group's total revenue would have been ₱1,498.37 million, while the Group's net income would have been ₱312.98 million.

Acquisition of Noncontrolling Interests

Xeleb Technologies Inc. (Xeleb Tech)

On August 22, 2016, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 35.00% interest in Xeleb Tech. The acquisition of the 35.00% interest in Xeleb Tech made it a wholly-owned subsidiary of the Parent Company. The acquisition resulted to recognition of equity reserves amounting to ₱41.49 million (see Note 24).

Xeleb Inc. (Xeleb)

On August 22, 2016, Xeleb Tech acquired 3,349,996 shares or 67.00% majority stake in Xeleb from the Parent Company at ₱1.00 per share or ₱3.35 million. On the same date, Xeleb acquired the remaining 33.00% stake in Xeleb from various individuals for a total consideration of ₱1.65 million. This resulted in 100.00% ownership interest of Xeleb Tech in Xeleb.

Xeleb Tech and Xeleb are entities under common control of the Parent Company before and after the restructuring. As a result, the acquisition was accounted for using the pooling of interests method. This transaction has no effect on the carrying amounts of the Group's assets and liabilities, but has resulted to consolidation of Xeleb's assets and liabilities into Xeleb Tech. This resulted to recognition of equity reserves amounting to ₱5.39 million (see Note 24).

Storm Technologies, Inc. (Storm)

On October 27, 2016, the Parent Company acquired additional 3,735 common shares of Storm for ₱10.00 million. This brought the Parent Company's ownership from 51.52% to 56.60% of the outstanding capital stock of Storm and there was no change in control.

23. Equity (Capital Deficiency)

The details of the number of shares as at June 30, 2020 and December 31, 2019 follow:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Authorized shares	5,000,000,000	5,000,000,000
Par value per share	₱0.10	₱0.10
Issued shares	1,934,925,852	1,934,925,852
Treasury shares	63,985,642	63,095,642
Value of shares issued	₱193,492,585	₱193,492,585
Value of treasury shares	(₱115,464,275)	(₱114,954,275)

Capital Stock and Additional Paid-in Capital (APIC)

On May 2, 2014, the Parent Company's BOD approved the subscription and issuance of 6.75 million shares with par value of ₱1.00 per share from the unissued portion of its ₱10.00 million authorized capital stock.

On May 5, 2014, the Parent Company's BOD approved the following transactions which were subsequently approved by the SEC on June 25, 2014:

- Increase in authorized capital stock from ₱10.00 million divided into 10.00 million common shares with par value of ₱1.00 per share to ₱255.00 million divided into 255.00 million common shares with par value of ₱1.00 per share.
- Amendments of the Parent Company's Articles of Incorporation to increase the authorized capital stock from ₱10.00 million to ₱255.00 million.
- Subscription of 61.25 million shares with par value of ₱1.00 per share, which is paid in the form of stock dividends. These represent twenty five percent of the additional increase in authorized capital stock.

On July 10, 2014, the Parent Company's BOD approved the following transactions which were subsequently approved by the SEC on September 2, 2014:

- Increase in authorized capital stock from ₱255.00 million divided into 255.00 million common shares at the par value of ₱1.00 each to ₱500.00 million divided into 500.00 million common shares at the par value of ₱1.00 each.
- Amendments of the Parent Company's Articles of Incorporation to increase the authorized capital stock from ₱255.00 million to ₱500.00 million.
- Subscription of 61.25 million shares with par values of ₱1.00 per share, to be paid in the form of stock dividends. These represent twenty five percent of the additional increase in authorized capital stock.

In addition, the Parent Company issued the subscribed 61.25 million shares with par value of ₱1.00 per share and another 5.10 million shares with par value of ₱1.00 per share to certain executives and employees through cash payments.

On September 3, 2014, the Parent Company's BOD approved the decrease in the par value of the capital stock from ₱1.00 per share to ₱0.10 per share. Accordingly, the Parent Company applied for an Amended Articles of Incorporation to decrease the par value of the capital stock. Thus, the Parent Company cancelled all the previously issued stock certificates and reissued new stock certificates to all stockholders effecting the 10-to-1 stock split.

Initial Public Offering (IPO)

On November 12, 2014, PSE approved the 344.00 million common shares at an offer price of ₱3.97 per share (₱1,365.68 million) for the IPO of the Parent Company.

On November 13, 2014, the SEC granted the Parent Company permit to sell or offer its securities which consists of 1,720.00 million common shares.

The Parent Company was publicly listed on December 2, 2014.

As at December 31, 2014, ₱172.00 million of the ₱500.00 million authorized capital stock has been subscribed and issued, ₱122.55 million of which was issued through stock dividend declaration and the rest was paid in cash. The excess of subscription price over paid-up capital was recognized as APIC. The Parent Company incurred transaction costs incidental to the IPO amounting to ₱111.56 million and ₱7.35 million which were charged to “Additional paid-in capital” in the consolidated statements of financial position and “General and administrative expense” in the consolidated statements of comprehensive income, respectively.

Overnight Top-Up Placement

On April 9, 2016, the Parent Company issued and subscribed 77.70 million shares with par value of ₱0.10 for a total consideration of ₱1,243.20 million or ₱16.00 per share. The excess of subscription price over paid-up capital was recognized in APIC. The Parent Company incurred transaction costs incidental to the share issuance amounting to ₱44.82 million which were charged to “Additional paid-in capital” in the consolidated statements of financial position.

Installment Payment in Shares

On November 11, 2016, the Parent Company issued 69,939,486 common shares to the Sellers of AOC as payment of the upfront consideration in relation to the acquisition of 100% stakeholding in AOC (see Note 23). The excess of subscription price over paid-up capital amounting to ₱932.79 million was recognized as APIC.

On March 2, 2018, the Parent Company issued 67,285,706 common shares by way of block sale to implement the amendments in the share purchase agreement (see Note 23). The shares were issued at ₱3.80 per share.

Retained Earnings

Appropriations

On November 9, 2016, the BOD of the Parent Company approved the appropriation of unrestricted retained earnings for the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the share buyback.

On March 27, 2017, the BOD of the Parent Company approved the termination of the Buy-back Program adopted last November 9, 2016 appropriating an aggregate of ₱170.00 million. A total of ₱88.82 million has been used as of March 31, 2017. Accordingly, the balance of ₱81.18 million previously allocated for the Buy-back Program shall be released from such appropriations.

Dividends declaration

On May 10, 2016, the Parent Company’s BOD approved the declaration of cash dividends of approximately ₱0.048 per share, or the aggregate amount of ₱86.27 million out of the Parent Company’s unrestricted retained earnings for distribution to its stockholders of record as at May 31, 2016 and payable to stockholders on June 23, 2016.

Equity Reserve

In 2016, the Parent Company purchased additional shares from noncontrolling interests of Xeleb, Xeleb Tech and Storm. The transactions were accounted as an equity transaction since there was no change in control. The movements within equity are accounted for as follows:

	Consideration paid	Carrying value of noncontrolling interests	Difference recognized within Equity
Xeleb Technologies Inc.	₱45,000,000	₱3,506,647	(₱41,493,353)
Storm Technologies Inc.	10,002,330	2,382,396	(7,619,934)
Xeleb Inc.	1,650,000	7,038,398	5,388,398
	<u>₱56,652,330</u>	<u>₱12,927,441</u>	<u>(₱43,724,889)</u>

In 2017, a reserve amounting to ₱358.50 million was recognized for the payment resulting from amendments in the Share Purchase Agreement with Allix and the acquisition of the Parent Company’s own shares (see Note 23).

Treasury Stock

On November 9, 2016, the BOD of the Parent Company approved the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the

buyback. The Parent Company commenced the program on November 14, 2016 and will end upon full usage of the approved allotment, or as otherwise may be directed by the BOD, subject to an appropriate disclosure to the SEC and PSE. As at December 31, 2016, treasury stocks acquired totaled to 10,687,400 shares and 8,532,900 shares, respectively, which amounted to ₱71.51 million.

In January and February 2017, the Parent Company acquired 2,154,500 shares for ₱17.30 million.

On March 27, 2017, the BOD of the Parent Company approved the termination of the buyback program adopted in 2016. Treasury stocks acquired under this program totaled to 10,687,400 shares amounting to ₱88.82 million.

On July 18, 2017, the Parent Company reacquired 53,298,242 common shares from Allix for a total amount US\$532,983 or ₱26.65 million (see Note 23).

Employee Stock Option Plan

The Parent Company's BOD, on January 20, 2016, and the stockholders, on May 11, 2016, approved the Employee Stock Option Plan (the Plan) of the Parent Company. Full time and regular employees of the Parent Company and those deemed qualified by the Compensation and Remuneration Committee from the names recommended by the Executive Committee are eligible to participate in the Plan. As at March 31, 2019, the Plan has been filed with and is pending approval of the SEC and PSE.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group's sources of capital follow:

	June 30 2020 (Unaudited)	December 31, 2019 (Audited)
Capital stock	₱193,492,585	₱193,492,585
Additional paid-in capital	3,585,092,298	3,585,092,298
	₱3,778,584,883	₱3,778,584,883

The Group is not subject to externally-imposed capital requirements. The Group regards its equity as its primary source of capital. No changes were made in the capital management policies as at June 30, 2020 and December 31, 2019.

24. Loss Per Share

Basic loss per share for the six-month periods ended June 30, 2020 and 2019 were computed as follows:

	For the six-month period ended		For the three-month period ended	
	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)
Net income (loss) attributable to the equity holders of the Parent Company	(₱43,745,642)	(₱118,284,342)	(₱23,699,700)	(₱47,676,765)
Weighted average number of outstanding shares	1,870,940,210	1,871,130,514	1,870,940,210	1,871,130,514
Basic loss per share	(₱0.02)	(₱0.06)	(₱0.01)	(₱0.03)
Diluted loss per share	(₱0.02)	(₱0.06)	(₱0.01)	(₱0.03)

Loss per share is calculated using the consolidated net loss attributable to the equity holders of the Parent Company divided by weighted average number of shares

25. Financial Instruments

Fair Value Information

The methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

- Cash, accounts and other receivables (except for advances to employees which are subject to liquidation), refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding “Taxes payable”, “Deferred output VAT”, and provision relating to PSA and statutory payables included as “Others”), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liability under other current liabilities - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments, except for cash bond under other noncurrent assets. The difference between carrying amount and fair value is immaterial.
- Financial assets at FVOCI - Fair value is based on quoted prices published in the market.
- Financial assets at FVOCI (unquoted equity investments) - Fair values are based on the latest selling price available.
- Financial assets at FVPL (unquoted debt investments) - Fair values are based on the comparable prices adjusted for specific market factors such as nature, industry, location and market recovery rates.
- Nontrade payable - Fair values are determined using prices in such transaction which still approximate the fair values at yearend.

The fair value of financial assets at FVOCI amounting to ₱0.48 million approximate their carrying value.

Fair Value Hierarchy

The Group uses the following three-level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Cash, accounts and other receivables, refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding “Taxes payable”, “Deferred output VAT”, and statutory payables included as “Others”), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liability under other current liabilities were classified under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus certain spread.

Quoted financial assets at FVOCI amounting to ₱0.44 million as at June 30, 2020 and December 31, 2019 were classified under Level 2 (see Note 8).

Unquoted financial assets at FVOCI amounting to nil as at June 30, 2020 and December 31, 2019 were classified under Level 3 (see Note 8).

As at June 30, 2020 and December 31, 2019, there have been no reclassifications from Level 1 to Level 2 or 3 categories.

Financial Risk Management and Objectives and Policies

The Group’s financial instruments comprise cash, financial assets at FVPL, accounts and other receivables, financial assets at FVOCI, refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding taxes payable, deferred output VAT, customer’s deposit and statutory payables), loans payable, liability on written put option, contingent liability and finance lease liability under other current liabilities, which arise directly from operations. The main purpose of these financial instruments is to finance the Group’s operations and to earn additional income on excess funds.

Exposure to credit risk, liquidity risk and foreign currency risk arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

There were no changes in the Group's risk management objectives and policies in 2020 and 2019.

The Group's risk management policies are summarized below:

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

The Group's credit risk is primarily attributable to cash (excluding "cash on hand") and receivables. To manage credit risk, the Group monitors its exposure to credit risk on a continuous basis.

The Group entered into an agreement with GTI, wherein the former will provide mobile consumer products and services and mobile enterprise services to the latter in accordance with the service order and description specified in the service level agreement among the parties involved. The mobile consumer products and services include creation and development of mobile electronic content for delivery to GTI and distribution to GTI's mobile phone subscribers. Mobile enterprise services, on the other hand, includes development and maintenance of its own platforms which host and enable mobile subscribers to access or use GTI's mobile content products.

The Group has concentration of credit risk with receivable from GTI, its largest customer, representing 0% and 46% of its total trade receivables as at June 30, 2020 and December 31, 2019, respectively (see Note 6). Recent economic condition and market segment of GTI shows its continuing growth and success.

The Group's maximum exposure to credit risk is equal to the carrying values of its financial assets as at June 30, 2020 and December 31, 2019.

The credit quality of the financial assets was determined as follows:

Cash in banks, financial assets at FVPL, financial assets at FVOCI and other assets - based on the nature of the counterparty and the Group's rating procedure. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.

Accounts and other receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three defaults in payment; and low grade pertains to receivables with more than three defaults in payment.

Unquoted AFS financial assets are unrated.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirement, finance capital expenditures and service maturing debts. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD.

The maturity profile of the Group's financial assets and financial liabilities at June 30, 2020 and December 31, 2019 are based on contractual undiscounted payments.

As at June 30, 2020 and December 31, 2019, the Group's financial assets and financial liabilities have a maturity of less than one year.

26. Segment Reporting

The industry segments where the Group operates follow:

- Mobile consumer services - includes airtime management, content development and management and marketing and advertising solutions
- Enterprise services - includes platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This also includes IT staff augmentation and various enterprise solutions-based services to telecommunication companies and other companies for network and applications development
- Other services – includes consultancy services in the field of human resource management, trading in general, sourcing for and supplying of goods to import and export goods

The following tables regarding business segment revenue and profit information for the six-month periods ended June 30, 2020 and 2019:

2020 (Unaudited)

	Mobile consumer services	Enterprise service	Other services	Intersegment Adjustments	Consolidated
INCOME					
Service income	₱15,622,999	₱37,363,049	₱4,601,304	(₱12,636,369)	₱44,950,983
Sale of goods	—	—	21,719,611	—	21,719,611
	15,622,999	37,363,049	26,320,915	(12,636,369)	66,670,594
COST AND EXPENSES	(47,571,611)	(31,201,248)	(38,825,610)	(3,035,168)	(120,633,637)
Equity in net earnings of associates	—	—	—	4,648,778	4,648,778
Other charges – net	(7,525,692)	(99,205)	(678,460)	7,190,375	(1,112,982)
	(39,474,304)	6,062,596	(13,183,155)	(3,832,384)	(50,427,247)
Provision for (benefit from) income tax	(110,704)	(280)	(2,302)	1,974,025	1,860,739
Net income (loss)	(₱39,585,008)	₱6,062,316	(₱13,185,457)	(₱1,858,357)	(₱48,566,508)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱43,745,642)
Noncontrolling interests					(4,820,866)
					(₱48,566,508)

2019 (Unaudited)

	Mobile consumer services	Enterprise service	Other services	Intersegment Adjustments	Consolidated
INCOME					
Service income	₱20,236,388	₱578,154,406	₱1,931,466	(₱10,227,250)	₱590,095,010
Sale of goods	—	—	50,052,682	—	50,052,682
	20,236,388	578,154,406	51,984,148	(10,227,250)	640,147,692
COST AND EXPENSES	(110,354,602)	(533,297,493)	(73,740,742)	243,716	(717,149,121)
Equity in net losses of associates	—	—	—	(7,527,926)	(7,527,926)
Other income	(8,896,560)	(2,626,858)	(5,016,603)	(3,734,865)	(20,274,886)
	(99,014,774)	42,230,055	(26,773,197)	(21,246,325)	(104,804,241)
Provision for (benefit from) income tax	(28,690)	(14,518,483)	(2,199)	3,996,402	(10,552,970)
Net loss	(₱99,043,464)	₱27,711,572	(₱26,775,396)	(₱17,249,923)	(₱115,357,211)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱118,284,342)
Noncontrolling interests					2,927,131
					(₱115,357,211)

27. Notes to Consolidated Statement of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2020	Cash flows	Non-cash changes	Foreign exchange movement	June 30, 2020
Loans payable	₱52,130,272	(₱6,295,280)	₱–	₱–	₱45,834,992
Dividends payable	–	–	–	–	–
Total liabilities from financing activities	₱52,130,272	(₱6,295,280)	₱–	₱–	₱45,834,992

	January 1, 2019	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2019
Loans payable	₱358,741,481	(₱306,611,209)	₱–	₱–	₱52,130,272
Dividends payable	63,163,333	(299,788)	(62,863,545)	–	–
Total liabilities from financing activities	₱421,904,814	(₱306,910,997)	(₱62,863,545)	₱–	₱52,130,272

28. Approval of Financial Statements

The unaudited interim condensed consolidated financial statements of the Group as at June 30, 2020 and December 31, 2019 and for the six-month periods ended June 30, 2020 and 2019 were approved and authorized for issue by the BOD on August 14, 2020.

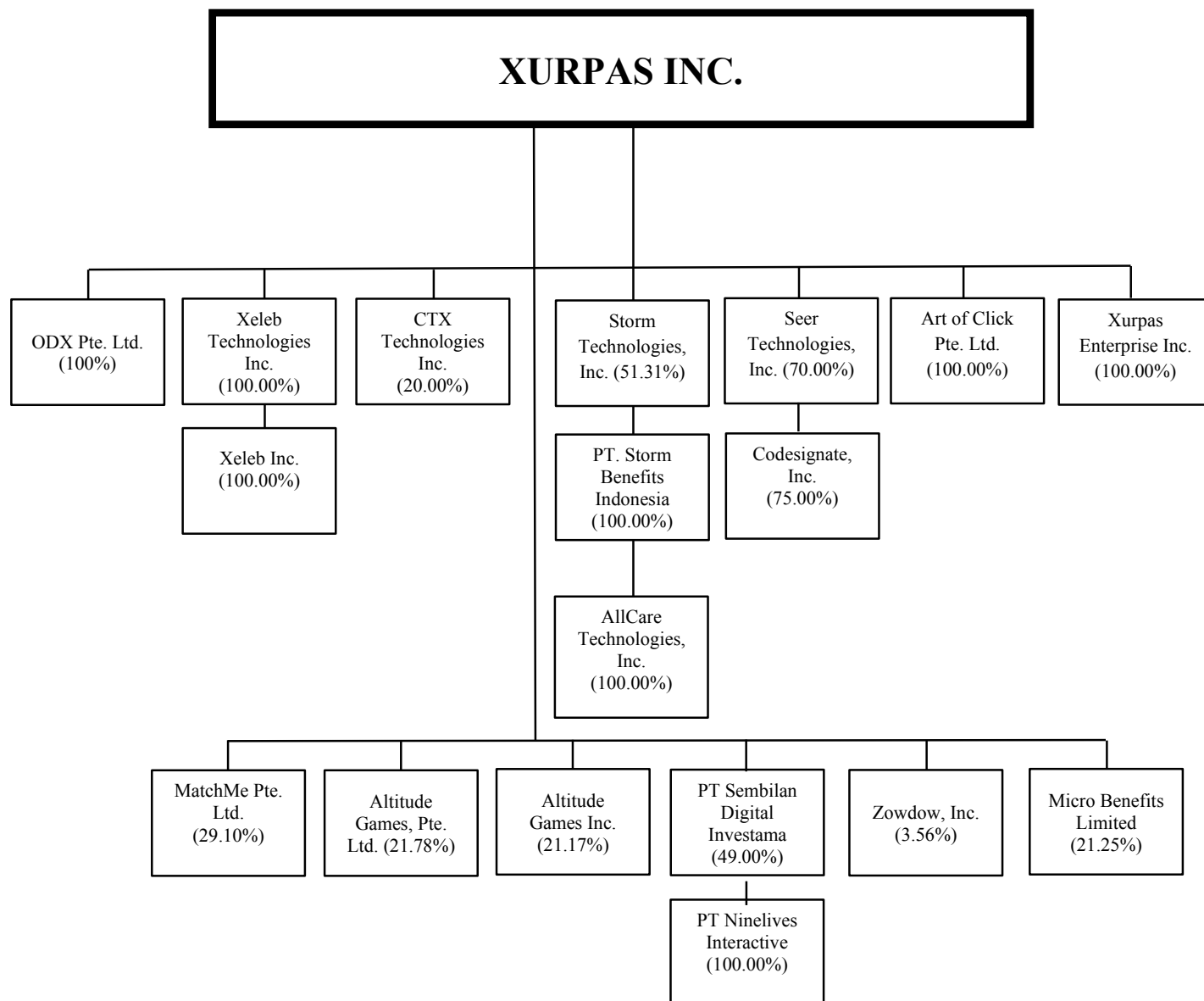
AGING OF RECEIVABLES

The aging analysis of accounts receivable as of June 30, 2020 presented per class follows:

	Current	Days past due				Total
		1 to 30 days	31 to 60 days	61 to 90 days	>90 days	
Trade receivable	₱8,783,723	₱893,954	₱3,483,221	₱11,325,750	₱250,098,343	₱274,584,991
Receivable from related parties	10,716,544	—	—	—	—	10,716,544
Advances to employees	2,315,332	—	—	—	—	2,315,332
Others	14,797,634	—	—	—	—	14,797,634
	₱36,613,233	₱893,954	₱3,483,221	₱11,325,750	₱250,098,343	₱302,414,501

XURPAS INC. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES



XURPAS INC. AND SUBSIDIARIES**SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS
JUNE 30, 2020**

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as of June 30, 2020:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2020		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs			✓
	Amendments to PFRS 1: Meaning of 'Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2020		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4, Insurance			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments: Classification and Movement (2010 version)	Not early adopted		
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)	Not early adopted		
	Financial Instruments (2014 or final version)	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation	Not early adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2020		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendment to PFRS 12: Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014-2016 Cycle)			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	Not early adopted		
PFRS 16	Leases	Not early adopted		
Philippine Accounting Standards				
PAS (Revised)	1 Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2020		Adopted	Not Adopted	Not Applicable
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12-Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28	Investment in Associate and Joint Venture	✓		
	Amendments to PAS 28: Sale or Contribution of Assets			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2020		Adopted	Not Adopted	Not Applicable
	between an Investor and its Associate or Joint Venture*			
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✓
	Amendment to PAS 28: Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014-2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	✓		
	Amendments to PAS 34: - Disclosure of information 'elsewhere in the interim financial report	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2020		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40			✓
	Transfer of Investment Property			✓
PAS 40 (Amended)	Investment Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2020		Adopted	Not Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty over Income Tax Treatments			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

XURPAS INC. AND SUBSIDIARIES**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

Unappropriated Retained Earnings, beginning, as restated	(P3,048,024,408)
Less adjustments:	
Impairment loss	2,526,245,730
Fair value adjustments	—
Unappropriated Retained Earnings, as adjusted, beginning	(521,778,678)
Net Income based on the face of financial statement	(12,356,519)
Less: Non-actual/unrealized income net of tax	
Amount of provision for deferred tax during the year	—
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	—
Fair value adjustment (M2M gains)	—
Impairment loss	—
Net Income Actual/Realized	(12,356,519)
Less: Other adjustments	
Dividend declarations during the period	—
Reversal of appropriation for share buy-back transactions	—
Reversal of appropriation for dividend declaration	—
Appropriations during the year	—
	—
Unappropriated retained earnings, end available for dividend distribution	P—

XURPAS INC. AND SUBSIDIARIES

FINANCIAL RATIOS

Financial Ratios	June 30, 2020	December 31, 2019
A. Current ratios		
Current ratios	34%	41%
Quick ratios	27%	33%
B. Debt-to-equity ratios	702%	555%
C. Asset-to-equity ratios	694%	575%
D. Interest rate coverage ratios	(948%)	(6475%)
E. Profitability ratios		
Net loss margin	(66%)	(271%)
Gross margin	(22%)	15%
Operating margin	(46%)	(256%)
Return on total assets	(6%)	(93%)
Return on equity	(40%)	(186%)

PART II--OTHER INFORMATION

There are no other information for this period not previously reported in SEC Form 17-C that needs to be reported in this section.

Item 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the first half of 2020, the Group recorded total revenues of ₱66.67 million, a 90% decrease compared to the first half of 2019 which posted a revenue of ₱640.15 million. The decrease was brought about by the exclusion of revenues generated from Yondu, as it was sold back to Globe on September 2019.

The COVID-19 outbreak that the world is currently experiencing not only affected the health of people but also had severe effects to the economy and various businesses. The pandemic affected the Group as evidenced by the slowdown in operations of the enterprise segment and other services. For the second quarter of 2020, the aggregate revenue went down by 58% (from ₱47.0 million to ₱19.67 million) as compared to the first quarter. For the enterprise segment, the revenues of which decreased by 51%, a number of potential clients delayed or altogether cancelled their projects. Other services represented by Storm (with revenues decreasing by 74%), also reported that their major clients’ operations were gravely affected, thereby reducing the use of the Storm’s platform/services by their employees.

Though there are delays and cancellations in some projects under the enterprise segment, the Group remains positive and likewise sees a business opportunity amidst the pandemic. The Company intends to seize the opportunity to support various companies that want to jumpstart their digital transformation. Xurpas will continue to create and provide custom tools and solutions for these transformations using its technology capabilities and experience. The Group is also exploring potential projects both from the private and public sectors to expand clientele base. Storm continues to look for other revenue sources, in partnership with other HR technology firms, for on-selling to its client employee base.

Overall, the Group recorded a net loss of ₱48.57 million for the first half of 2020, a 58% improvement as compared to last year’s figure of ₱115.36 million.

Financial Summary

Key Financial Data In PhP Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase
	Amount	Percentag	Amount	Percentag		
Revenues						
Mobile consumer services	2.99	4%	19.07	3%	(16.08)	-84%
Enterprise services	37.36	56%	569.09	89%	(531.73)	-93%
Other services	26.32	40%	51.98	8%	(25.66)	-49%
Total Revenues	66.67	100%	640.15	100%	(573.48)	-90%
Cost of Services	61.08	92%	462.59	72%	(401.51)	-87%
Cost of Goods Sold	20.17	30%	40.08	6%	(19.91)	-50%
Gross Profit (Loss)	(14.58)	-22%	137.47	21%	(152.05)	-111%
General and Administrative Expenses	39.38	59%	214.47	34%	(175.09)	-82%
Equity in Net Losses (Earnings) of Associate	(4.65)	-7%	7.53	1%	(12.18)	-162%
Other Charges - net	1.11	2%	20.27	3%	(19.16)	-95%
Loss Before Income Tax	(50.43)	-76%	(104.80)	-16%	54.38	-52%
Provision for (Benefit from) Income Tax	(1.86)	-3%	10.55	2%	(12.41)	-118%
Net Loss	(48.57)	-73%	(115.36)	-18%	66.79	-58%
Other Comprehensive Income	14.98	22%	7.29	1%	7.69	106%
Total Comprehensive Loss	(33.59)	-50%	(108.07)	-17%	74.49	-69%

	30-Jun-20 Amount	31-Dec-19 Amount	Amount Change	% Increase (Decrease)
Total Assets	661.14	713.94	(52.81)	-7%
Total Liabilities	668.83	688.05	(19.22)	-3%
Total Equity	(7.69)	25.89	(33.59)	-130%

wGroup revenues were still mainly driven by enterprise services, comprising 56% of the total revenue, compared to 89% in the 1H2019.

The blended cost of services decreased by 87% from ₱462.59 million for the six-month period ended June 30, 2019 to ₱61.08 million for the comparable period in 2020. Cost of goods sold attributable to other services was ₱20.17 million for the six-month period ended June 30, 2020 compared to ₱40.08 million in the same period in 2018, a decrease of 50% or ₱19.19 million.

The Group incurred gross loss for the period ended June 30, 2020 amounting to ₱14.58 million which corresponds to 22% gross loss margin. In comparison, for the same period last year, the Group earned gross profit amounting to ₱137.47 million and a margin of 21%.

General and administrative expenses decreased by 82%, from ₱214.47 million for the first half of 2019 to ₱39.38 million for the same period in 2020.

Overall, the decrease in the cost of services and general and administrative expenses was mainly due to the cost reduction initiatives undertaken by the Group. The deconsolidation of Yondu's expenses also contributed to the decrease given that most of the expenses were incurred by the company.

The Group also shares in the recorded net earnings of the associate companies it has invested in, which amounted to ₱4.65 million for the six-month period ended June 30, 2020; a 162% improvement from the ₱7.53 million share in net loss of the associate companies for the first half of 2019.

Loss before income tax improved by 52% from ₱104.80 million for the first half of 2019 to ₱50.43 million for the same period in 2020.

Benefit from income taxes during the first half of 2020 amounted to ₱1.86 million, while provision for income tax of ₱10.55 million was recognized in the same period in 2019. Overall, the net loss for the Group decreased from ₱115.36 million for the first half of 2019 to ₱48.57 million over the same period in 2020; a decrease of 58%.

Consolidated total assets as of June 30, 2020 amounted to ₱661.14 million, a decrease of 7% from ₱713.94 million as of December 31, 2019. Consolidated total liabilities decreased by 3% from ₱688.05 million as of December 31, 2019 to ₱668.83 million on June 30, 2020, mainly due to the decrease in accounts and other payables.

The Group recorded capital deficiency as of June 30, 2020 amounting to ₱7.69 million. Note that in 2019, the Group recognized significant impairment losses of its goodwill and investment in associates as well as loss from sale of Yondu which contributed largely to the 2019 net loss. As of December 30, 2019, the Group was left with only ₱25.89 million total equity. Incurring total comprehensive loss amounting to ₱33.59 million led the Group to a capital deficiency position as of June 30, 2020.

Segment Financial Performance

For the 6-month period ended June 30, 2020 In ₱P Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	15.62	37.36	4.60	(12.64)	44.95
Revenue from sale of goods	-	-	21.72	-	21.72
Total Service Revenues	15.62	37.36	26.32	(12.64)	66.67
Operating expenses	47.57	31.20	38.83	3.04	120.63
Equity in net earnings of associates	-	-	-	(4.65)	(4.65)
Other charges (income) - net	7.53	0.10	0.68	(7.19)	1.11
Total Expenses	55.10	31.30	39.50	(8.80)	117.10
Operating Income (Loss)	(39.47)	6.06	(13.18)	(3.83)	(50.43)
Benefit from (provision for) income tax	(0.11)	(0.00)	(0.00)	1.97	1.86
Net Income (Loss)	(39.59)	6.06	(13.19)	(1.86)	(48.57)

For the six-month period ended June 30, 2020, mobile consumer services' revenues, operating loss and net loss prior to eliminations were ₱15.62 million, ₱39.47 million and ₱39.59 million, respectively. (Note that after intersegment adjustments, revenue for Mobile Consumer services is ₱2.99 million and net loss is ₱45.09.) Enterprise services had a net income of ₱6.06 million from revenues of ₱37.36 million. The other services segment had revenues of ₱26.32 million, ending up with an operating loss of ₱13.18 million.

Profitability

For the six-month period ended June 30, 2020 compared with the six-month period ended June 30, 2019

Revenues

The consolidated revenues of the Group for the six-month period ended June 30, 2020 amounted to ₱66.67 million, a decrease of 90% from ₱640.15 million the same period of the previous year.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	<ul style="list-style-type: none"> • Xurpas Parent Company • Art of Click
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy	<ul style="list-style-type: none"> • Seer • Xurpas Enterprise

	services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	<ul style="list-style-type: none"> • Xurpas Parent Company
Other services	Revenues derived from services related to the proprietary platform called “Flex Benefits System” and “Ace” (formerly “Kudos”) which allows employees to convert their employee benefits to other benefits which includes sale of goods	<ul style="list-style-type: none"> • Storm Technologies

In Php Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	37.36	56%	569.09	89%	(531.73)	-93%
Mobile consumer services	2.99	4%	19.07	3%	(16.08)	-84%
Other services	26.32	40%	51.98	8%	(25.66)	-49%
<i>Total Revenues</i>	66.67	100%	640.15	100%	(573.48)	-90%

Revenues from enterprise services (which accounts for 56% of total revenues) decreased by 93% as of June 30, 2020, to ₱37.36 million from ₱569.09 million on June 30, 2019. On the other hand, revenues from the mobile consumer services segment for the six-month period ended June 30, 2020 amounted to ₱2.99 million, a decrease of 84% from the previous year’s same period level of ₱19.07 million. This segment accounts for 4% of the total revenues. Other services booked revenues of ₱26.32 million in the first half of 2020, lower by 49% from the previous level at ₱51.98 million over the same period last year.

Expenses

In Php Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	61.08	51%	462.59	64%	(401.51)	-87%
Cost of Goods Sold	20.17	17%	40.08	6%	(19.91)	-50%
General and Administrative Expenses	39.38	32%	214.47	30%	(175.09)	-82%
<i>Total Expenses</i>	120.63	100%	717.15	100%	(596.52)	-83%

The Group’s consolidated expenses during the six-month period ended June 30, 2020 amounted to ₱120.63 million, an 83% decrease from the same period of the previous year at ₱717.15 million. For the first half of 2020, cost of services accounted for the bulk of expenses, totaling ₱61.08 million or 51% of the Group’s consolidated expenses. For the same period in 2019, cost of services amounted to ₱462.59 million, which comprised 64% of overall expenses.

Cost of Services

In Php Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	39.19	64%	349.40	76%	(310.21)	-89%
Depreciation and amortization	10.82	18%	18.33	4%	(7.51)	-41%
Outsourced services	4.83	8%	15.76	3%	(10.93)	-69%
Others	6.25	10%	79.11	17%	(72.86)	-92%
<i>Total Expenses</i>	61.08	100%	462.59	100%	(401.51)	-87%

Cost of services totaling ₱61.08 million as of June 30, 2020, was mainly driven by expenses relating to salaries, wages, and employee benefits (64%), followed by Depreciation and Amortization (18%), Outsourced Services (8%) and Other expenses (10%).

Cost of Goods Sold

For six-month period ended June 30, 2020, cost of goods sold took up 17% of the Group's consolidated expenses, amounting to ₱20.17 million. This figure was a decrease of 50% from its level at ₱40.08 million on June 30, 2019. The decrease in cost of goods sold was directly attributable to the decrease in revenues of Storm Technologies.

General and Administrative Expenses

In PhP Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	19.23	49%	111.77	52%	(92.54)	-83%
Professional fees	7.81	20%	10.17	5%	(2.36)	-23%
Depreciation and amortization	4.29	11%	27.44	13%	(23.14)	-84%
Others	8.05	20%	65.10	30%	(57.05)	-88%
Total Expenses	39.38	100%	214.47	100%	(175.09)	-82%

General and administrative expenses relating to the Group's operations, for the first half of 2020 amounted to ₱39.38 million, lower by 82% compared to previous year's same period level of ₱214.47 million. Salaries, wages, and employee benefits was ₱19.23 million or 49% of the total general and administrative expenses (GAEX). The same expenses amounted to ₱111.77 million for the same period in 2019. As of June 30, 2020, Professional Fees and Others (Taxes and Licenses, Rent and Utilities among others) both incurred 20% of total GAEX.

Equity in Net Earnings of Associates

For the first half of 2020, the Group registered equity in net earnings of its associate companies amounting to ₱4.64 million vis-à-vis the equity in net loss of its associate companies incurred for the comparable period in 2020 amounting to ₱7.53 million. Equity in net earnings of Ninelives, Altitude SG and Microbenefits for the first half of 2020 amounted to ₱1.85 million, ₱1.17 million and ₱1.62 million, respectively.

Other Charges – net

For the first half of 2020, the Group recognized other net charges amounting to ₱1.11 million. This account mainly pertains to interest expense, foreign exchange gains and losses and bank charges.

Loss before Income Tax

The Group's loss before taxes for the six-month period ended June 30, 2020 was ₱50.43 million. The net loss before taxes for the Group improved by 52% or ₱54.38 million from the same period ended June 30, 2019, which posted a figure of ₱104.80 million.

Provision for (Benefit from) Income Tax

For the first half of 2020, the Group reported a Benefit from Income tax amounting to ₱1.86 million as compared to last year wherein the Group recognized provision for Income tax amounting to ₱10.55 million despite incurring a loss.

Net Loss

The Group posted a consolidated net loss of ₱48.57 million for the six-month period ended June 30, 2020, a decrease of 58% from the previous year's same period at ₱115.36 million.

Total Comprehensive Income (Loss)

As of June 30, 2020, the Group's total comprehensive loss amounted to ₱33.59 million, a decrease of 69% compared to total comprehensive loss of ₱108.07 million as at June 30, 2019.

Financial Position

As of June 30, 2020 compared to December 31, 2019

Assets

Cash and Cash Equivalents

The Group's consolidated cash and cash equivalents amounted to ₱99.15 million as at June 30, 2020, a net decrease of 36% or ₱54.78 million from consolidated cash of ₱153.93 million as at December 31, 2019.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱52.55 million and ₱37.18 million as at June 30, 2020 and December 31, 2019, respectively, representing an increase of ₱15.37 million. The increase was generally the result of higher trade receivables (from ₱273.39 million as of December 31, 2019 to ₱274.58 million on June 30, 2020) coupled with lower allowance for impairment loss from ₱263.09 million in 2019 to ₱249.86 million in 2020.

Contract Asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

The Group's consolidated contract asset totaled ₱9.49 million as of June 30, 2020, an increase of ₱1.20 million or 15% from its previous level on December 31, 2019 at ₱8.29 million.

Other Current Assets

The Group's consolidated other current assets totaled ₱37.78 million as of June 30, 2020, a decrease of ₱5.60 million or 13% from its previous level on December 31, 2019 at ₱4.20 million. Creditable withholding taxes, input VAT and prepaid expenses comprised majority of other current assets.

Financial assets at FVOCI

This account pertains to quoted and unquoted equity investments in Club Punta Fuego and Zowdow Inc. As at June 30, 2020, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position remained unchanged from its previous level on December 31, 2019 which amounted to ₱0.44 million and ₱44.25 million, respectively.

Investment in Associates

As of June 30, 2020, the Group's consolidated investment in associates amounted to ₱324.79 million, a 2% increase from its figure of ₱319.94 million on December 31, 2019. The breakdown of the carrying amounts of these investments are: Altitude Games Pte. Ltd. (₱25.78 million), PT Sembilan Digital Investama (₱15.64 million), CTX (₱0.20 million) and Micro Benefits Limited (₱283.17 million).

Property and Equipment

The Group's consolidated property and equipment was ₱5.29 million on June 30, 2020 vis-à-vis ₱8.76 million on December 31, 2019, or a decrease of 40%. The Group acquired property and equipment amounting to ₱0.56 million and ₱75.39 million during the six-month period ended June 30, 2020 and June 30, 2019, respectively. Depreciation expense amounted to ₱2.78 million and ₱13.94 million for the six-month periods ended June 30, 2020 and 2019, respectively.

Property and equipment consisted of leasehold improvements, leased assets, office equipment, computer and information technology equipment, furniture and fixtures and right-of-use assets.

Right-of-use Assets

This account represents the right to use office spaces and computer equipment covered by non-cancellable lease agreements with terms ranging from 1.5 to 3 years. As of March 31, 2020, the Group recorded right-of-use assets with carrying amount of ₱3.39 million. Depreciation expense from right-of-use assets amounted to ₱1.58 million.

Intangible Assets

As of June 30, 2020, intangible assets amounted to ₱90.17 million, an 11% decrease from December 31, 2019 balance of ₱101.13 million. The components are goodwill, customer relationship, developed software and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As of June 30, 2020, goodwill was at ₱48.22 million.
- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of June 30, 2020, developed software net book value was at ₱34.93 million. Amortization of developed software for the six-month period ended June 30, 2020 amounted to ₱10.33 million.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of June 30, 2020, leasehold rights net book value was at ₱1.22 million. Amortization of leasehold rights for the six-month period ended June 30, 2020 amounted to ₱0.43 million.
- Cryptocurrencies pertain to units of Bitcoin and Ethereum held by the Group as at June 30, 2020 valued at ₱5.80 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱38.09 million as of June 30, 2020. This figure was 7% higher than the value posted as of December 31, 2019 at ₱35.46 million. These are primarily rental, other deposits and other noncurrent assets.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱445.94 million as at June 30, 2020 saw an 8% (₱32.31 million) decrease from its December 31, 2019 figure of ₱478.25 million. The decrease was due to lower nontrade payables, accrued expenses, taxes payables and other payables.

The Group's accounts and other payables consisted mainly of trade payables (₱116.42 million), payable to related parties (₱102.72 million), and nontrade payables (₱51.97 million).

Loans Payable

The Group recorded ₱45.83 million in current loans on June 30, 2020 and ₱52.13 million on December 31, 2019. This was mainly attributable to the loans of the Group which are interest-bearing and short-term with different local banks and non-banks. Interest rates of said loans ranges from 4.00% to 7.60% in 2019 and 4.00% to 5.8125% in 2020.

Contract liability

Contract liabilities are obligations to transfer goods and services to customers from whom the Group has received consideration. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due. Contract liabilities are recognized as revenue when the Group performs under the contract.

The Group's consolidated contract liability as at June 30, 2020 amounted to ₱93.64 million, an increase of 38% from the December 31, 2019 figure of ₱68.05 million.

Income Tax Payable

No income tax payable was recorded as at June 30, 2020 as compared to the December 31, 2019 figure of ₱3,184.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered into by the Parent Company on April 29, 2019 with its founders amounting to ₱150.00 million, subject to 5.50% interest rate per annum payable in three (3) years from date of agreement.

Lease liabilities

Lease liabilities pertain to long-term office lease and lease for the use of Seer's IT equipment. As of June 30, 2020 and December 31, 2019, lease liabilities totaled ₱2.69 million and ₱3.81 million, respectively, a slight decrease of ₱1.12 million mainly due to rent payments. Current and non-current portions as of June 30, 2020 amounted to ₱2.55 million and ₱0.13 million, respectively.

Deferred Tax Liability - net

As of June 30, 2020, the deferred tax liability (net) was ₱5.43 million, a decrease of 22% or ₱1.52 million from ₱6.95 million as of December 31, 2019. This was primarily the deferred tax liability on fair value adjustment on intangible assets.

Pension Liability

The accrued pension of the Group was at ₱24.82 million on June 30, 2020, which was unchanged from its levels on December 31, 2019.

Capital Deficiency

Total Capital Deficiency

The Group recorded capital deficiency as of June 30, 2020 amounting to ₱7.69 million. Note that in 2019, the Group recognized significant impairment losses of its goodwill and investment in associates as well as loss from sale of Yondu which contributed largely to the 2019 net loss. As of December 30, 2019, the Group was left with only ₱25.89 million total equity. Incurring total comprehensive loss amounting to ₱33.59 million led the Group to a capital deficiency position as of June 30, 2020.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has some bank debt

through the Parent Company and Seer Technologies Inc. which are short term in nature. The Group is not in breach or default on any loan or other form of indebtedness.

Cash Flows

In PhP Millions	For the 6 months ended June 30	
	2020	2019
	Amount	Amount
Net cash provided by (used in) Operating Activities	(57.18)	(25.59)
Net cash provided by (used in) Investing Activities	(3.27)	(11.81)
Net cash provided by (used in) Financing Activities	(6.30)	131.18
Effect of foreign currency exchange changes in cash	11.96	6.63
Net increase (decrease) in cash	(54.78)	100.41
Cash at beginning of period	153.93	177.40
Cash at end of period	99.15	277.81

Cash Flows Used in Operating Activities

For the first half of 2020, operating loss of ₱35.73 million was coupled with the corresponding increase in account receivables and account payables resulted to ₱57.43 million net cash used in operations. Together with interest received and income taxes paid, this resulted in a net cash used in operating activities of ₱57.18 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows used in investing activities for the first half of 2020 was ₱3.27 million compared to ₱11.81 million used in the same period of 2019. The net cash used in investing activities was mainly attributable to the acquisitions of property and equipment and changes in other noncurrent assets.

Cash Flows Used in Financing Activities

The Group's consolidated net cash flow used in financing activities for the six-month period ended June 30, 2020 was ₱6.30 million vis-à-vis ₱131.18 million provided for the six-month period ended June 30, 2019. The cash flow provided by financing activities were mainly due to payment of loans.

Capital Expenditure

The Group's capital expenditures for the six-month period ended June 30, 2020 and the year ended December 31, 2019 amounted to ₱0.56 million and ₱84.87 million, respectively.

Key Financial Data In PhP Millions	June 30, 2020 Additions	December 31, 2019 Additions
Right-of-use Assets	-	73.49
IT Equipment	0.50	10.22
Leasehold Improvements	-	1.14
Office Equipment	0.06	0.02
Furniture and Fixtures	-	-
Leased Asset	-	-
	0.56	84.87

Additions of right-of-use assets resulted from adoption of PFRS 16.

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the 6 months period ended June 30		For the year ended December 31, 2019
	2020	2019	
Liquidity Ratios			
Current Ratio	34%	73%	41%
Quick Ratio	27%	67%	33%
Asset-to-Equity Ratio	694%	197%	575%
Profitability Ratios			
Net Loss Margin	-66%	-18%	-271%
Gross Margin	-22%	21%	15%
Operating Margin	-46%	-6%	-256%
Return on Total Assets	-6%	-2%	-93%
Return on Equity	-40%	-29%	-186%
Debt Ratios			
Debt-to-Equity Ratio	7.02x	0.68x	5.55x
Interest Coverage Ratio	-9.48x	-4.61x	-64.75x

Liquidity Ratios

Current Ratio and Quick Ratio for the six-month period ended June 30, 2020 were 34% and 27%, respectively, a decrease from their respective 41% and 33% figures during the full year of 2019. The decrease in both ratios was primarily from the significant decrease in current assets particularly, cash and other current assets.

Asset-to-Equity Ratio

The increase in the asset-to-equity ratio from 575% on December 31, 2019 to 694% on June 30, 2020 resulted from the decrease in equity due to net loss incurred during the period.

Profitability Ratios

Profitability margins improved from December 31, 2019, due to the continuous cost-cutting initiatives of the Group. The result was an increase in Net Loss Margin (-66%), Operating Margin (-46%), Return on Total Assets (-6%) and Return on Total Equity (-41%). On the other hand, Gross Margin went down to -22% due to lower revenues earned.

Debt Ratios

Debt to Equity on June 30, 2020 was at 7.02x compared to 5.55x as of December 31, 2019. The increase in the gearing ratio was attributed to the decrease of total equity value as of June 30, 2020 compared to the previous year. Interest coverage ratio in June 30, 2020 was at -9.48x compared to -64.75x on December 31, 2019.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios

1. Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
2. Quick ratio	$\frac{\text{Current assets} - \text{Other current assets}}{\text{Current liabilities}}$

Asset-to-equity Ratio

$\frac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$
--

Profitability Ratios

1. Net income ratio	$\frac{\text{Net income attributable to Parent Company}}{\text{Service income} + \text{Sale of goods}}$
2. Gross margin	$\frac{(\text{Service income} + \text{Sale of goods}) - (\text{Cost of services} + \text{Cost of goods sold})}{\text{Service income} + \text{Sale of goods}}$
3. Operating margin	$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income} + \text{Sale of goods}}$
4. Return on total assets	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$
5. Return on total equity	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$

Debt Ratios

1. Debt-to-equity ratio	$\frac{\text{Total Liabilities}}{\text{Total equity attributable to Parent Company}}$
2. Interest coverage ratio	$\frac{\text{Earnings before interest and tax}}{\text{Interest expense}}$

Other Disclosures:

- i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.
- ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.
- iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
- iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.
- v. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations. The Group's financial challenges in 2019 are being addressed through the following: continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.
- vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.
- vii. Seasonality. The effects of seasonality or cyclicity on the operations of the Group's business are confined to its mobile consumer and other services segment.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned, on AUG 14 2020.

Issuer: **XURPAS INC.**

By:



NICO JOSE S. NOLLEDO
Chairman of the Board



ALEXANDER D. CORPUZ
President



FERNANDO JUDE F. GARCIA
Treasurer

ANNEX “K”**PREVIOUS ACTS OF THE BOARD OF DIRECTORS AND MANAGEMENT OF XURPAS INC.**

DATE OF MEETING	MATTERS APPROVED
January 4, 2019	<ul style="list-style-type: none">- Appointment of Primeiro Partners, Inc.- Authorizing Seer Technologies Inc. to assign its receivables from Energy Development Corporation t
January 29, 2019	<ul style="list-style-type: none">- Resignation of Mr. Raymond Gerard S. Racaza as Director, President and Chief Executive Officer effective on January 30, 2019.- Mr. Alexander D. Corpuz and Mr. Fernando Jude F. Garcia was appointed as President and Treasurer, respectively.
February 20, 2019	<ul style="list-style-type: none">- The Company secured a loan in the amount of Php150 million from the controlling shareholders / founders- The Company opened an account with BPI- Authorization/Appointment of Representative for the labor case filed by a certain employee- Lease of Deposit Box to be used by ODX Pte. Ltd.
April 8, 2019	<ul style="list-style-type: none">- The Board approved to hold the Annual Stockholders’ Meeting on August 14, 2019- Issuance of 415,000 Xurpas Shares in favor of Mr. Alexander D. Corpuz which shall be taken from the treasury shares and set at current trading price
April 30, 2019	<ul style="list-style-type: none">- The Board approved the 2018 Audited Financial Statements of Xurpas Inc. and 2018 Consolidated Audited Financial Statements of Xurpas Inc. and its subsidiaries
May 15, 2019	<ul style="list-style-type: none">- Approval of the 2019 First Quarter Financial Report- The Board postponed the 2019 Annual Stockholders’ Meeting.
May 29, 2019	<ul style="list-style-type: none">- Approval of Annual Corporate Governance Report
June 18, 2019	<ul style="list-style-type: none">- Xurpas extended financial assistance to Seer Technologies Inc (“Seer”). in relation to the filing of a counter-bond for the discharge or lifting of the attachment on the properties of Seer and its directors pursuant to the case entitled “AMA Computer University, Inc. vs. Seer Technologies, Inc., et. al (“Seer Case”)”- The Company assigned its account in Banco de Oro-Perea, covered by a Certificate of Time Deposit to Pioneer Insurance & Surety Corporation for the Seer Case. <p>The foregoing case has already been settled as of date.</p>
July 4, 2019	<ul style="list-style-type: none">- The Board approved the transfer of 475,000 Xurpas shares to certain employees which shall be taken from the Treasury Shares. The said shares shall be in lieu of their 14th month pay, and shall be transferred through the facilities of the Exchange.- The Board also approved the opening of account with Metropolitan Bank & Trust Company.

August 7, 2019	<ul style="list-style-type: none"> - The Board approved to hold the 2019 Annual Stockholders' Meeting on November; and - The Board approved the Unaudited Consolidated Financial Statements for the period ended June 30, 2019.
September 2, 2019	<ul style="list-style-type: none"> - Xurpas purchased the shares of minority shareholders in Xeieb Technologies Inc.
September 11, 2019	<ul style="list-style-type: none"> - The Board approved the sale of 49% of Yondu Inc. to Globe Telecom, Inc. at a purchase price of Php501 million. - The Board also approved the dissolution of Xeieb Technologies Inc. and Xeieb Inc.
October 28, 2019	<ul style="list-style-type: none"> - The Board approved the Material Related Party Transactions Policy and Guidelines
November 6, 2019	<ul style="list-style-type: none"> - The Board approved the acquisition of 100% of shares in a holding company to be formed by Eric Manlunas, Paul Santos and James Jordan ("Wavemaker Partners") which holding company shall have equity ownership over Wavemaker Partners' Management entities at a purchase price of approximately Php170 million. - Subscription by Wavemaker Partners to shares amounting to 48% of the total outstanding shares in Xurpas at approximately Php170 million <p>The foregoing approvals will be subject to further discussions, negotiations and due diligence.</p>
November 8, 2019	<ul style="list-style-type: none"> - The Board appointed its officers and memberships in the Board Committees
November 11, 2019	<ul style="list-style-type: none"> - Approval of 2019 3rd Quarter Unaudited Consolidated Financial Statements
November 26, 2019	<ul style="list-style-type: none"> - Board of Directors approved to hold a special stockholder meeting on February 19, 2020, with record date on December 13, 2019.
January 8, 2020	<ul style="list-style-type: none"> - Updating of corporate records for transactions with BDO Unibank, Inc. – Trust and Investment's Group, the Company's Stock Transfer Agent
January 27, 2020	<ul style="list-style-type: none"> - The Board of Directors of the Company approved to move the date of the Special Stockholders' Meeting from February 19, 2020 to March 4, 2020.
February 11, 2020	<ul style="list-style-type: none"> - The Board of Directors of the Company approved to move the date of the Special Stockholders' Meeting from March 4, 2020 to March 24, 2020 - The Board also approved the opening of a time deposit with China Banking Corporation.
March 16, 2020	<ul style="list-style-type: none"> - The Board approved to indefinitely postpone meeting originally scheduled on March 24, 2020 due to the community quarantine imposed because of the coronavirus (Covid-19) pandemic

March 30, 2020	<ul style="list-style-type: none"> - The Board approved to hold the meeting on May 7, 2020. The said Special Stockholders' Meeting shall also be conducted virtually. - The Board approved the retrenchment of employees of Art of Click Pte. Ltd, the termination of its current lease and suspension of activity of its platform. Consequently, the Board delegated to the Executive Committee the implementation of the suspension of business operations of Art of Click Pte. Ltd. - The Board also approved the sale of 80% of CTX to Mr. Fernando Jude F. Garcia at a purchase price of Php4,000,000.00. - The Board also approved the amendment of certain sections in the By-Laws to allow stockholders to receive materials for the Stockholders' Meeting through electronic means, to allow stockholders to participate in the meeting through remote communication, or in absentia and to allow stockholders to vote through remote communication or in absentia.
April 3, 2020	<ul style="list-style-type: none"> - The Board approved the postponement of the Annual Stockholders' Meeting to 3rd Quarter of 2020.
May 7, 2020	<ul style="list-style-type: none"> - With the election of two (2) new independent directors, the Board reassigned members of the Board Committees.
July 23, 2020	<ul style="list-style-type: none"> - The Board approved the following: <ul style="list-style-type: none"> 1. 2019 Audited Financial Statements of Xurpas Inc. and its Subsidiaries (the "Group"); <p>The filing of the said report has been delegated by the Board to Management.</p> 2. 2020 First Quarter Financial Report of the Group; <p>The filing of the said report has been delegated by the Board to Management.</p> 3. 2019 Integrated Annual Corporate Governance Report; <p>The filing of the report has been delegated to the Chief Compliance Officer.</p> 4. Appointment of Mr. Jonathan Gerard A. Gurango as the Lead Independent Director; 5. 2020 Annual Stockholders' Meeting: <p>The 2020 Annual Stockholders' Meeting will be on September 23, 2020. The Record Date for the said meeting is on August 17, 2020. The meeting will be conducted electronically (through videoconference).</p> 6. Issuance of Xurpas Shares to Certain Employees; <p>The Board approved the issuance of 966,667 Xurpas Shares to certain Xurpas Employees. Transfer price will be set at current</p>

	<p>trading price. The shares will be taken from Xurpas Inc.'s treasury shares and executed through the facilities of the Exchange. Xurpas Inc. will submit a separate disclosure once this matter has been implemented.</p> <p>7. Endorsement by the Board of SyCip Gorres Velayo & Co. as Xurpas Inc.'s external auditor for 2020.</p>
August 11, 2020	<ul style="list-style-type: none"> - the Board of Directors of Xurpas Inc. approved the following: <ul style="list-style-type: none"> 1. Unaudited Consolidated Financial Statements of Xurpas Inc. and its subsidiaries for the period ended June 30, 2020. The finalization of the report has been delegated to the Executive Committee. 2. Postponement of the 2020 Annual Stockholders' Meeting from September 23, 2020 to October 21, 2020, 9:00 AM, via videoconference. New Record Date is on September 7, 2020.
September 20, 2020	<ul style="list-style-type: none"> - Sale of the remaining interest of Xurpas in CTX Technologies Inc. to Mr. Fernando Jude F. Garcia. <p>CTX was incorporated in 2018 primarily for the proposed virtual currency exchange business of the Xurpas Group. With the decline of the virtual currency market in 2019 and the unclear regulations involving digital assets, Xurpas' Management has previously decided to place CTX's business on hold. CTX has not provided any material business for Xurpas, and has no revenue contribution to the Group since its incorporation.</p> <p>Xurpas has decided to sell 80% of CTX to Mr. Garcia last March 30, 2020 at a purchase price of Php4 million. Xurpas is now selling to Mr. Garcia the remaining 20% of CTX at Php1.2 million. The purchase price will be taken from Xurpas' payables to Mr. Garcia.</p>
September 24, 2020	<ul style="list-style-type: none"> - 2020 Annual Stockholders Meeting will be held on November 13, 2020 via videoconference. Registration and Voting will be done electronically.
October 6, 2020	<ul style="list-style-type: none"> - Record Date for the 2020 Annual Stockholders' Meeting has been moved to October 23, 2020
October 29, 2020	<ul style="list-style-type: none"> - The Board approved to move the conduct of the 2020 Annual Stockholders Meeting to November 27, 2020