XURPAS INC.
MANAGEMENT REPORT
For the 2021 Annual Stockholders' Meeting
To be held on August 11, 2021
Pursuant to SRC Rule 20 (4) (1)

1. **Financial Statements**

- Please refer to Annex "E" for the 2020 Annual Report of Xurpas Inc. and its subsidiaries (the "**Group**"); and
- Please refer to Annex "F" for the Consolidated Unaudited Financial Statements of the Group for the period ended March 31, 2021.

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 measurers:

- 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 Buckly 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.

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.

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 purchase of Wavemaker Group Inc. will be subject to stockholders' approval. Please note however that as of date of submission of this report, the foregoing transaction has not been completed considering that Xurpas is still waiting for the approval of the Commission and the Exchange on certain matters.

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.

First Quarter of 2021 compared with First Quarter of 2020

Financial Summary

Key Financial Data In PhP Millions	For the 3 months ended March 31					
	2021		2020		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	4.82	13%	0.96	2%	3.86	404%
Enterprise services	13.25	33%	25.15	54%	(11.90)	-47%
Other services	21.57	54%	20.90	44%	0.67	3%
Total Revenues	**39.64**	**100%**	**47.00**	**100%**	**(7.36)**	**-16%**
Cost of Services	29.81	75%	29.63	63%	0.18	1%
Cost of Goods Sold	10.17	26%	16.78	36%	(6.61)	-39%
Gross Profit	**(0.34)**	**-1%**	**0.59**	**1%**	**(0.93)**	**-157%**
General and Administrative Expenses	15.02	38%	20.73	44%	(5.71)	-28%
Equity in Net Loss of Associates	(0.76)	-2%	2.67	6%	(3.43)	-128%
Other charges - net	2.20	6%	(1.15)	-2%	3.35	-292%
Loss Before Income Tax	**(16.80)**	**-42%**	**(21.66)**	**-46%**	**4.86**	**-22%**
Provision for (Benefit from) Income Tax	-	0%	(0.88)	-2%	0.88	-100%
Net Loss	**(16.80)**	**-42%**	**(20.78)**	**-44%**	**3.98**	**-19%**
Other Comprehensive Income	19.01	0%	14.16	30%	4.85	34%
Total Comprehensive Loss	**2.21**	**6%**	**(6.62)**	**-14%**	**8.83**	**-133%**

	March 31, 2021 Amount	31-Dec-20 Amount	Amount Change	% Increase (Decrease)
Total Assets	611.61	617.06	(5.45)	-1%
Total Liabilities	604.75	612.41	(7.66)	-1%
Total Equity	6.86	4.65	2.21	47%

The Group's total revenue in the first quarter of 2021 was ₱39.64 million, a 16% decrease from the same period of 2020, resulting in a net loss of ₱16.80 million (a 22% improvement in comparison to ₱20.78 million in March 2020). Majority of the revenue were driven by Other Services which generated ₱21.57 million or 54% of total revenue followed by the enterprise services and mobile consumer services which generated ₱13.25 million and ₱4.82 million respectively.

The blended cost of services as of March 31, 2021, slightly went up from ₱29.63 million to ₱29.81 million as compared to the three-month period ended March 31, 2020. Cost of goods sold attributable to other services was ₱10.17 million for Q1 of 2021 compared to ₱16.78 million figure for the first quarter of 2020.

Gross profit margins on total revenues went down from ₱0.59 million (1Q2020) to negative ₱0.34 million, for the period ended March 31, 2021.

General and administrative expenses decreased by 28%, from ₱20.73 million for the first quarter of 2020 to ₱15.02 million for the same period in 2021. Overall, the decrease in cost of services and GAEX results from the cost reduction initiatives of the Group. The Company also shares in the recorded net loss of the associate companies it has invested in, which amounted to negative ₱0.76 million for the three-month period ended March 31, 2021 (a 128% decrease from first quarter of 2020).

Revenues and net loss contributed by foreign operations for the three-month period ended March 31, 2021 amounted to nil and ₱1.00 million, respectively, which corresponds to nil and 5.84% of the consolidated revenues and net loss, respectively, for the said period.

Consolidated total assets slightly dropped by 1% from ₱617.06 million for the period ended December 31, 2020, to ₱611.61 million of the first 3 months of 2021. Consolidated total liabilities also went down by 1% from ₱612.41 million as of December 31, 2020, to ₱604.75 million on March 31, 2021, due to lower trade payables and contract liabilities. Lastly, consolidated total equity went up to ₱6.86 million on March 31, 2021, from December 31, 2020, equity of ₱4.65 million because of the increase in revaluation of crypto currency.

Segment Financial Performance

For the 3-month period ended March 31, 2021 In PhP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	4.82	13.25	6.49	-	24.56
Revenue from sale of goods	-	-	15.08	-	15.08
Total Service Revenues	**4.82**	**13.25**	**21.57**	**-**	**39.64**
Operating expenses	13.26	19.35	19.31	3.08	54.99
Equity in net loss of associates	-	-	-	(0.76)	(0.76)
Other charges (income) - net	0.93	0.89	0.39	-	2.20
Total Expenses	**14.19**	**20.24**	**19.69**	**2.32**	**56.44**
Operating Loss	**(9.37)**	**(6.99)**	**1.87**	**(2.32)**	**(16.80)**
Provision from income tax	(0.00)	(0.00)	(0.00)	-	(0.00)
Net Loss	**(9.37)**	**(6.99)**	**1.87**	**(2.32)**	**(16.81)**

Xurpas Group operates under Mobile Consumer Services, Enterprise Services and Other Services segments. Prior to eliminations, for the three-month period ended March 31, 2021, the Other Services, represented by Storm Flex Systems Inc., generated 54% of total revenues or ₱21.57 million. Enterprises services and Mobile consumer services then generated ₱13.25 million and ₱4.82 million respectively. Out of the three business sources, only the Other Services posted a net income of ₱1.87 million.

Profitability

For the three-month period ended March 31, 2021, compared with the three-month period ended March 31, 2020.

Revenues

The consolidated revenues of the Group for the three-month period ended March 31, 2021, amounted to ₱39.64 million, a decrease of 16% from ₱47.00 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	• Xurpas Parent Company
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	• 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; subscriptions offering HMO and other pre-need employee benefits to small teams and freelancers.	• Storm Technologies

In PhP Millions	For the 3 months ended March 31					
	2021		2020		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Other services	21.57	54%	20.90	44%	0.68	3%
Enterprise services	13.25	33%	25.15	54%	(11.91)	-47%
Mobile consumer services	4.82	13%	0.96	2%	3.86	404%
Total Revenues	**39.64**	**100%**	**47.00**	**100%**	**(7.36)**	**-16%**

For the first quarter of 2021, Other Services represented by Storm Services generated the most revenue at ₱21.57 million or 54% of total revenues. On the other hand, revenue generated from the enterprise services went down from ₱25.15 million as of March 2020 to ₱13.25 million in March 2021. The enterprise segment accounted for 33% of total revenue followed by the mobile consumer services at 13%.

Expenses

In PhP Millions	For the 3 months ended March 31					
	2021		2020		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	29.81	54%	29.63	44%	0.18	1%
Cost of Goods Sold	10.17	19%	16.78	26%	(6.62)	-39%
General and Administrative Expenses	15.02	27%	20.73	31%	(5.71)	-28%
Total Expenses	**55.00**	**100%**	**67.14**	**100%**	**(12.14)**	**-18%**

The Group's consolidated expenses during the three-month period ended March 31, 2021, amounted to ₱55.00 million, an 18% decrease from the same period of the previous year at ₱67.14 million. For the first three months of 2021, cost of services accounted for the bulk of expenses, totaling ₱29.81 million or 54% of the Group's consolidated expenses. For the same period in 2020, cost of services amounted to ₱29.63 million, which comprised 44% of overall expenses. Decline in overall expenses was a result of the company's continuing cost reduction efforts.

Cost of Services

In PhP Millions	For the 3 months ended March 31					
	2021		2020		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	18.99	64%	19.02	64%	(0.03)	0%
Depreciation and amortization	5.08	17%	5.97	20%	(0.89)	-15%
Outsourced services	2.49	8%	1.98	7%	0.51	26%
Others	3.25	11%	2.66	9%	0.60	22%
Total Expenses	**29.81**	**100%**	**29.63**	**100%**	**0.18**	**1%**

The cost of services for the first quarter of 2021 amounted to ₱29.81 million, a slight increase from the same period of the previous year of ₱29.63 million. 64% of cost of services came from salaries and wages at ₱18.99 million.

Cost of Goods Sold

For three-month period ended March 31, 2021, cost of goods sold took up 19% of the Group's consolidated expenses, amounting to ₱10.17 million. This figure was a decrease of 39% from its level at ₱16.78 million on March 31, 2020. The cost of goods sold is directly attributable to the operations of Storm Technologies.

General and Administrative Expenses

In PhP Millions	For the 3 months ended March 31					
	2021		2020		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	5.77	38%	8.65	42%	(2.89)	-33%
Professional fees	3.72	25%	3.86	19%	(0.13)	-3%
Marketing and promotions	0.88	6%	0.72	3%	0.16	22%
Others	4.65	31%	7.50	36%	(2.85)	-38%
Total Expenses	**15.02**	**100%**	**20.73**	**100%**	**(5.71)**	**-28%**

General and administrative expenses relating to the Group's operations, for the first three months of 2021 amounted to ₱15.02 million, lower by 28% compared to previous year's same period level of ₱20.73 million. Salaries and wages accounted for 38% in the first quarter of 2021 and decreased by 33% vis-à-vis same period in 2020. On the other hand, professional fees, marketing and promotions and other expenses accounted for 25%, 6% and 31% respectively.

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, 2021, amounted to negative ₱0.76 million, 128% lower than the ₱2.67 million net loss for the comparable period.

Other Charges (Income) – net

For the first three months of 2021, the Group recognized other charges amounting to ₱2.20 million. This account mainly consists of interest income and other income totaling to ₱0.15 million, partially offset by interest expense and bank charges with aggregate amount of ₱2.35 million.

Loss before Income Tax

The Group's net loss before taxes for the three-month period ended March 31, 2020, was ₱16.80 million. The net loss before taxes for the Group improved by 22% or ₱4.86 million from the same period ended March 31, 2020, which posted a figure of ₱21.66 million.

Provision for (Benefit from) Income Tax

The Group recognized ₱3,101 provision for income tax for the three- month period ended March 31, 2021 vis-à-vis ₱0.88 million provision for income benefit as of March 2020.

Net Loss

The Group posted a consolidated net loss of ₱16.80 million for the three-month period ended March 31, 2021, an improvement of 19% from the previous year's same period of ₱20.78 million.

Other Comprehensive Income

In March 2021, the Group posted a ₱19.01 million other comprehensive income. This figure was a 34% increase from March 2020 of ₱14.16 million due to the increase in revaluation of crypto currency.

Total Comprehensive Income (Loss)

As of March 31, 2021, the Group's total comprehensive income amounted to ₱2.21 million, 133% higher compared to total comprehensive loss of ₱6.62 million as of March 31, 2020.

Financial Position

As of March 31, 2021, compared to December 31, 2020.

Assets

Cash and Cash Equivalents

The Group's consolidated cash and cash equivalents amounted to ₱71.91 million for the three-month period ended March 31, 2021, a net increase of 6% or ₱4.17 million from consolidated cash of ₱67.74 million as of December 31, 2020.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱44.09 million and ₱70.29 million as of March 31, 2021, and December 31, 2020, respectively. The decrease of ₱26.20 million was mostly attributed to the decrease of trade receivables.

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 totaling ₱5.00 million on December 31, 2020, increased by ₱2.36 million as of March 31, 2021, to ₱7.36 million.

Other Current Assets

As of March 31, 2021, the Group's consolidated other current assets totaled ₱37.11 million, an increase of ₱14.31 million or 63% from its previous level on December 31, 2020, of ₱22.80 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, 2021, 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, 2020, which both amounted to ₱0.50 million.

Investment and Advances to Associates

As of March 31, 2021, the Group's consolidated investment in associates increased from ₱340.55 million during December 31, 2020, to ₱341.30 million. The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱282.34 million), Altitude Games Pte Ltd. (₱21.67 million), and SDI (₱15.20 million). Aside from that, advances amounting to ₱22.08M were made to SDI.

Property and Equipment

The Group's consolidated property and equipment was ₱4.00 million on March 31, 2021, vis-à-vis ₱4.25 million as of December 31, 2020. The Group acquired property and equipment amounting to ₱ 0.41 million and ₱0.50 million during the three-month period ended March 31, 2021, and March 31, 2020, respectively. Depreciation expense amounted to ₱0.53 million and ₱1.50 million for the three-month periods ended March 31, 2021, and 2020, respectively.

Intangible Assets

As of March 31, 2021, intangible assets amounted to ₱85.51 million which decreased from December 31, 2020, balance of ₱87.84 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, 2021, 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 March 31, 2021, net book value of developed software was ₱9.24 million. Amortization of developed software for the three-month period ended March 31, 2020, amounted to ₱4.92 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, 2021, leasehold rights net book value was nil.
- Cryptocurrencies pertain to units of Bitcoin held by the Group as of March 31, 2021, valued at ₱28.05 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱19.83 million as of March 31, 2021. This figure is 10% higher than the ₱18.10 million figure posted as of December 31, 2020.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables was at ₱447.40 million as of March 31, 2021. It decreased by 3% or ₱14.93 million from the December 31, 2020, figure of ₱462.33 million mainly due to the decline of trade payables and other payables.

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 ₱50.26 million in current loans on March 31, 2021, and ₱41.71 million as of December 31, 2020. 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, 2021, amounted to ₱30.96 million, a decrease of 4% from the December 31, 2020, figure of ₱32.26 million.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered 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.

Pension Liability

The accrued pension of the Group was at ₱26.82 million as of March 31, 2021, which was unchanged from its levels on December 31, 2020.

Equity

Total Equity

The Group recorded total equity of ₱6.86 million as of March 31, 2021, a 47% increase from December 31, 2020, figure of ₱4.65 million.

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 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	
	2021	2020
	Amount	Amount
Net cash provided by (used in) Operating Activities	(4.56)	(31.22)
Net cash provided by (used in) Investing Activities	(2.22)	(2.01)
Net cash provided by (used in) Financing Activities	8.55	(1.81)
Effect of foreign currency exchange changes in cash	2.40	9.81
Net increase (decrease) in cash	4.17	(25.23)
Cash at beginning of period	67.74	153.93
Cash at end of period	**71.91**	**128.70**

Cash Flows from Operating Activities

For the first three months of 2021, operating loss before changes in working capital of ₱9.71 million was coupled with the corresponding decrease in receivables, trade payables, contract liabilities and increase in other current assets, and contract assets resulted to ₱4.30 million net cash generated from operations. Together with interest received, interest expense and income taxes paid, this resulted in a net cash used in operating activities of ₱4.56 million.

Cash Flows from Investing Activities

The Group's consolidated cash flows used in investing activities for the first three months of 2021 was ₱2.22 million compared to ₱2.01 million used in the same period of 2020.

Cash Flows from Financing Activities

The cash flow provided in financing activities for the first quarter of 2021 was ₱8.55 million which increased from net cash used of ₱1.81 million in the same period in 2020 The cash flow used in financing activities were mainly from the proceeds from loan payables.

Capital Expenditure

The Group's capital expenditures for the three-month period ended March 31, 2021, and the year ended December 31, 2020, amounted to ₱0.41 million and ₱1.16 million, respectively.

Key Financial Data **In PhP Millions**	**March 31, 2021** **Additions**	**December 31, 2020** **Additions**
Right-of-use Assets	-	-
IT Equipment	0.22	1.09
Leasehold Improvements	0.19	-
Office Equipment	-	0.07
Furniture and Fixtures	-	-
Leased Asset		-
	0.41	**1.16**

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 three-month ended March 31	
	2021	2020
Liquidity Ratios		
Current Ratio	**30%**	39%
Quick Ratio	**23%**	33%
Asset-to-Equity Ratio	**602%**	594%
Profitability Ratios		
Net Income Margin	**-45%**	-43%
Gross Margin	**-1%**	1%
Operating Margin	**-23%**	-22%
Return on Total Assets	**-3%**	-3%
Return on Equity	**-18%**	-17%
Debt Ratios		
Debt-to-Equity Ratio	**5.950x**	5.790x
Interest Coverage Ratio	**-6.45x**	-7.33x

Liquidity Ratios

Current Ratio and Quick Ratio for the three-month period ended March 31, 2021, were 30% and 23%, respectively, a decrease from their respective 39% and 33% figures during the same period of 2020. The decrease in both ratios was primarily from the higher current liabilities and a decrease of current assets of the Group for that period.

Asset-to-Equity Ratio

The increase in the asset-to-equity ratio from 594% on March 31, 2020, to 602% on March 31, 2021, was generally due to the sale of crypto currency.

Profitability Ratios

With the exception of gross margin (1%) and return on total assets (3%) which were maintained at the same level, profitability ratios such as net income margin, operating margin, and return on equity went down to (45%), (23%), and (18%) respectively.

Debt Ratio

Debt to Equity on March 31, 2021, increased to 5.95x from 5.79x as of March 31, 2020. The increase in the gearing ratio was attributed to increased loan payable to local banks and non-banks. Interest coverage ratio as of March 31, 2021, was at -6.45x compared to -7.33x on March 31, 2020.

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
$$\frac{\text{Current assets – Other current assets}}{\text{Current liabilities}}$$

Asset-to-equity Ratio
$$\frac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$$

Profitability Ratios

1. Net income ratio
$$\frac{\text{Net income attributable to Parent Company}}{\text{Service income + Sale of goods}}$$

2. Gross margin
$$\frac{\text{(Service income + Sale of goods) – (Cost of services + Cost of goods sold)}}{\text{Service income + Sale of goods}}$$

3. Operating margin
$$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income + Sale of goods}}$$

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, obtain additional advances from its stockholders, 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 2021 are being addressed through the following: developing aggressive lead generation via digital marketing; forging alliances to enhance distribution and cross selling opportunities; and building competency in talent solution business.

vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.

vii. Seasonality. 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.

Full year 2020 compared with 2019

In 2020, the COVID-19 pandemic continued to affect not only the health of people but also the operations of various companies, including Xurpas. The pandemic affected the Group's operations evidenced by the slowdown in operations in the second quarter, of the enterprise segment and other services, as clients either cancelled or delayed projects. Despite this setback, there was an improvement in the succeeding quarters, as the Group remains optimistic that operations can further improve, continuing to provide services to companies who want to jumpstart their digital transformation. Xurpas likewise remains positive given the business opportunities provided by its affiliates through the launching of new products and establishing partnerships with other technology companies.

Summary

Key Financial Data In PhP Millions	For the year ended December 31					
	2020		2019		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentag		
Revenues						
Mobile consumer services	22.00	12%	19.92	2%	2.08	10%
Enterprise services	88.24	51%	854.73	88%	(766.50)	-90%
Other services	63.77	37%	97.31	10%	(33.54)	-34%
Total Revenues	**174.01**	**100%**	**971.96**	**100%**	**(797.95)**	**-82%**
Cost of Services	127.19	73%	742.19	76%	(615.00)	-83%
Cost of Goods Sold	38.01	22%	83.28	9%	(45.27)	-54%
Gross Profit	**8.81**	**5%**	**146.49**	**15%**	**(137.68)**	**-94%**
General and Administrative Expenses	119.85	69%	2,204.42	227%	(2,084.57)	-95%
Equity in Net Losses of Associates	7.75	4%	33.29	3%	(25.54)	-77%
Finance Costs	9.98	6%	38.04	4%	(28.06)	-74%
Other Charges (Income) - net	(55.23)	-32%	479.94	49%	(535.17)	-112%
Loss Before Income Tax	**(73.54)**	**-42%**	**(2,609.21)**	**-268%**	**2,535.67**	**-97%**
Provision for (Benefit from) Income Tax	(4.72)	-3%	26.15	3%	(30.87)	-118%
Net Loss	**(68.82)**	**-40%**	**(2,635.36)**	**-271%**	**2,566.54**	**-97%**
Other Comprehensive Income	36.03	21%	8.39	1%	27.64	329%
Total Comprehensive Loss	**(32.79)**	**-19%**	**(2,626.97)**	**-270%**	**2,594.18**	**-99%**

	31-Dec-20 Amount	31-Dec-19 Amount	Amount Change	% Increase (Decrease)
Total Assets	617.06	713.94	(96.88)	-14%
Total Liabilities	612.41	688.05	(75.64)	-11%
Total Equity	4.65	25.89	(21.24)	-82%

In 2020, the Group generated revenue of ₱174.01 million which was 82% lower than 2019 revenue of ₱971.96 million. Likewise, net loss also went down by 97% from ₱2,635.36 million in 2019 to ₱68.82 million in 2020. The enterprise segment generated majority of revenue with 51% contribution or ₱88.24 million, followed by other revenues and mobile consumer services which generated 37% and 12% respectively. It should be noted that the revenue generated by the enterprise services was significantly higher in 2019, given that it still included revenues that came from Yondu. Excluding revenues generated from Yondu, the Group's revenue increased from ₱182.96 million in 2019 to ₱174.01 million in 2020.

The aggregate cost of services of the Group decreased from ₱742.19 million in 2019 to ₱127.19 million in 2020 or 83% decline. The drop in the cost of sales was mostly due to lower salaries and wages, web hosting, and outsourced services resulting from the company's cost cutting measures. The Cost of Goods Sold attributable to other services provided by Storm Technologies Inc. was ₱38.01 million in 2020, a decrease of 54% from 2019 COGS of ₱83.28 million; due to lower sales for Storm in 2020.

The Group's general and administrative expenses significantly went down from ₱2,204.42 million in 2019 to ₱119.85 million in 2020 or 95% decrease. GAEX in 2019 was high due to the provision for impairment loss and provision for liquidation costs totaling to ₱1,923.42 million. 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.

The Group recorded a 77% decline for the equity in net losses from ₱33.29 million in 2019 to ₱7.75 million in 2020. The finance costs incurred by the Group was ₱9.98 million and ₱38.04 million in 2020 and 2019, respectively. Lower finance cost was mainly due to lower interest expense paid for outstanding loans from local banks and non-banks.

For the year ended December 31, 2020, the Group generated other income amounting to ₱55.23 million as compared to the other charges it incurred in 2019 amounting to ₱479.94 million. Higher charges were incurred in 2019 due to the loss on sale of Yondu recognized in 2019 amounting to ₱478.95 million.

In 2020, the Group reported a Benefit from Income tax amounting to ₱4.72 million as compared to last year wherein the Group recognized provision for Income tax amounting to ₱26.15 million despite incurring a loss.

The total comprehensive loss of the Group was ₱32.79 million in 2020, which was 99% lower than 2019 figure of ₱2,629.97 million.

Revenues and net income contributed by foreign operations for the year ended December 31, 2020 amounted to ₱0.44 million and ₱18.78 million, respectively, which corresponds to 0.25% and -32.94% of the consolidated revenues and net loss, respectively, for the said period.

The Group's total assets in 2020 amounted to ₱617.06 million, a decrease of 14% from 2019 recorded total assets of ₱713.94 million. The decline in assets were mostly due to lower current assets, namely, cash. Total liabilities likewise decreased from ₱688.05 million in 2019 to ₱612.41 million as a result mainly of lower trade payables. Lastly, the Group's total equity went down from ₱25.89 million in 2019 to ₱4.65 million in 2020.

Segment Financial Performance

For the year ended December 31, 2020 In PhP Millions	**Mobile Consumer Services**	**Enterprise Services**	**Other Services**	**Intersegment Adjustments**	**Consolidated**
Revenue from services	22.00	249.55	11.12	(161.32)	121.36
Revenue from sale of goods	-	-	52.65	-	52.65
Total Service Revenues	**22.00**	**249.55**	**63.77**	**(161.32)**	**174.01**
Cost and expenses	44.58	314.15	83.32	(157.00)	285.05
Equity in net losses of associates	-	-	-	7.75	7.75
Finance cost and other charges (income)	(31.23)	(21.74)	(1.20)	8.92	(45.25)
Total Expenses	**13.34**	**292.41**	**82.13**	**(140.33)**	**247.55**
Operating Income (Loss)	**8.66**	**(42.86)**	**(18.35)**	**(20.98)**	**(73.54)**
Benefit from (provision for) income tax	0.21	(2.05)	(0.38)	6.95	4.72
Net Income (Loss)	**8.86**	**(44.91)**	**(18.74)**	**(14.03)**	**(68.82)**

In 2020, the mobile consumer services posted revenue, operating income, and net income of ₱22.00 million, ₱8.66 million, and ₱8.86 million respectively. Enterprise services had an operating loss of ₱42.86 million and net loss of ₱44.91 million from revenues of ₱249.55 million. Likewise, the other services segment did not have a positive contribution to the Group.

Profitability

For the twelve-month period ended December 31, 2020, compared with the twelve-month period ended December 31, 2019.

Revenues

The consolidated service revenues of the Group for the year ended December 31, 2020, amounted to ₱174.01 million, a decrease of 82% from ₱971.96 million for the year ended December 31, 2019.

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.	• Xurpas Parent Company
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	• 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; subscriptions offering HMO and other pre-need employee benefits to small teams and freelancers.	• Storm Technologies

In PhP Millions	For the year ended December 31					
	2020		2019		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	88.24	51%	854.73	88%	(766.49)	-90%
Mobile consumer services	22.00	13%	19.92	2%	2.08	10%
Other services	63.77	37%	97.31	10%	(33.54)	-34%
Total Revenues	**174.01**	**100%**	**971.96**	**100%**	**(797.95)**	**-82%**

Revenues from enterprise services (which accounted for 51% of total revenues) decreased by 90% in 2020, to ₱88.24 million from ₱854.73 million in 2019. Other services generated 37% of total revenue or ₱63.77 million, a 34% drop from its ₱97.31 million figure in 2019. Lastly, the mobile consumer services generated ₱22.00 million or 13% of the total revenue. This figure was 10% higher than 2019 revenue of ₱19.92 million.

Expenses

In PhP Millions	For the year ended December 31					
	2020		2019		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	127.19	45%	742.19	24%	(615.00)	-83%
Cost of Goods Sold	38.01	13%	83.28	3%	(45.27)	-54%
General and Administrative Expenses	119.85	42%	2,204.42	73%	(2,084.57)	-95%
Total Expenses	**285.05**	**100%**	**3,029.89**	**100%**	**(2,744.84)**	**-91%**

The Group's consolidated expenses in 2020 amounted to ₱285.05 million, a 91% decrease from previous year's ₱3,029.89 million. Bulk of the expenses came from cost of services and GAEX which contributed 45% and 42% respectively, followed by cost of goods sold at 13%. Decline in overall expenses was a result of the company's continuing cost reduction efforts.

Cost of Services

In PhP Millions	For the year ended December 31					
	2020		2019		Amount Change	% Increase (Decrease)
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	70.50	55%	539.04	73%	(468.54)	-87%
Depreciation and amortization	22.73	18%	32.87	4%	(10.14)	-31%
Outsourced services	20.98	16%	27.79	4%	(6.81)	-25%
Others	12.98	11%	142.49	20%	(129.52)	-91%
Total Expenses	**127.19**	**100%**	**742.19**	**100%**	**(615.00)**	**-83%**

Cost of Services in 2020 was ₱127.19 million, an 83% decline from previous year's figure of ₱742.19 million. It is composed of Salaries and Wages which incurred expenses of ₱70.50 million (55%) followed by depreciation and amortization (18%), outsourced services (16%), and Others (11%).

Cost of Goods Sold

Cost of Goods Sold made up 13% of the Group's total consolidated expenses. This figure decreased by 54% from its 2019 level of ₱83.28 million to ₱38.01 million in 2020. The cost of goods sold is directly attributable to the operations of Storm Technologies.

General and Administrative Expenses

In PhP Millions	For the year ended December 31					
	2020		2019		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	39.62	33%	107.48	5%	(67.86)	-63%
Professional fees	24.06	20%	42.26	2%	(18.20)	-43%
Provision for impairment loss	16.03	13%	1,923.42	87%	(1,907.39)	-99%
Depreciation and amortization	6.84	6%	43.77	2%	(36.93)	-84%
Others	33.30	28%	87.50	4%	(54.20)	-62%
Total Expenses	**119.85**	**100%**	**2,204.42**	**100%**	**(2,084.57)**	**-95%**

In 2020, the general and administrative expenses of the Group's operations amounted ₱119.85 million, which was significantly lower than the GAEX posted in 2019 which amounted to ₱2,204.42 million. This included provision for impairment losses on goodwill, investment in associates, receivables and other current assets. In this regard, it should be noted that provision for impairment loss during the year is already net of Art of Click's recovered receivable from Pocketmath amounting to $400,000

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, 2020, amounted to ₱7.75 million.

Finance Costs

The Group posted finance costs of ₱38.04 million in 2019 and ₱9.98 million in 2020. The 74% decrease was a result of lower interests paid to loans borrowed from local banks and non-banks.

Other Charges (Income) – net

As of December 31, 2020, the Group recorded other income of ₱55.23 million as compared to ₱479.94 million other charges posted in 2019. Other income mainly consists of gain from derecognition of long-outstanding payables, penalties earned from late payments and gain on sale of subsidiary (CTX). Higher charges were incurred in 2019 due to the loss on sale of Yondu recognized in 2019 amounting to ₱478.95 million.

Loss before Income Tax

The Group's loss before income taxes for the year ended December 31, 2020, was ₱73.54 million, a 97% decrease from previous year's ₱2,609.21 million.

Provision for (Benefit from) Income Tax

In 2020, the Group reported a Benefit from income tax amounting to ₱4.72 million as compared to last year wherein the Group recognized provision for Income tax amounting to ₱26.15 million despite incurring a loss.

Net Loss

The Group posted a consolidated net loss of ₱68.82 million in 2020, a 97% decrease from the previous year's net loss of ₱2,635.36 million.

Other Comprehensive Income (Loss)

In 2020, the Group's other comprehensive income increased to ₱36.03 million from 2019 figure of ₱8.39 million. The ₱27.64 million increase was mostly due to the revaluation of cryptocurrency.

Total Comprehensive Loss

The Group's total comprehensive loss decreased by 99% in 2020 (from ₱2,626.97 million in 2019 to ₱32.79 million in 2020).

Financial Position

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

Assets

Cash and Cash Equivalent

The Group's consolidated cash amounted to ₱67.74 million for the twelve-month period ended December 31, 2020, a net decrease of 56% or ₱86.19 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 ₱70.29 million and ₱37.18 million as of December 31, 2020, and December 31, 2019, respectively. The increase was generally the result of lower allowance for impairment loss (from ₱263.09 million in 2019 to ₱22.34 million in 2020).

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, 2020, contract assets amounted to ₱5.00 million or 40% lower than 2019 figure of ₱8.29 million.

Other Current Assets

The Group's consolidated other current assets in 2020 totaled ₱22.80 million, a 48% decrease from 2019 figure of ₱44.20 million. It was mostly comprised of creditable withholding tax and input VAT.

Financial Assets at FVOCI

As of December 31, 2020, and 2019, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position amounted to ₱0.50 million and ₱0.44 million, respectively.

Investment in and advances to associates

In 2020, the Group's consolidated investment in associates amounted to ₱318.46 million, an decrease of ₱1.47 million compared to the 2019 figure of ₱319.94 million. The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱282.02 million), Altitude Games Pte. Ltd. (₱20.92 million), and SDI (₱15.52 million). During the year, the Group also reclassified its advances to associate amounting to ₱22.08 million.

Property and Equipment

The Group's consolidated property and equipment was ₱4.25 million as of December 31, 2020. It decreased by ₱4.51 million or 51% as compared to 2019 which amounted to ₱8.76 million. Property and equipment consisted mainly of leasehold improvements, IT equipment, furniture and fixtures and office equipment.

Intangible Assets

As of December 31, 2020, intangible assets amounted to ₱87.84 million, a 13% decrease from 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 subsidiaries acquired by the Group. As of December 31, 2020, goodwill was at ₱48.22 million.
- 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, 2020, net book value of developed software was ₱14.16 million. Movements in developed software are accounted for as follows: (1) Additions during the year amounting to ₱96,332, (2) Amortization during the year amounting to ₱21.89 million and (3) Impairment amounting to ₱9.23 million. The impairment incurred resulted from the suspension of operations of AoC.
- 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, 2020, net book value of leasehold rights was nil.
- Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as of December 31, 2020, which amounted to ₱25.46 million.

Other Noncurrent Assets

In 2020, other noncurrent assets amounted to ₱18.10 million which decreased by 49% from the previous year's figure of ₱35.46 million.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables was valued at ₱462.33 million as of December 31, 2020. It decreased by ₱15.92 million or 3% from 2019 balance of ₱478.25 million mainly due to the decline in trade payables, payable to third parties and accrued expenses.

Loan Payable

The Group recorded ₱41.71 million worth of current loans (short term and interest bearing) as of December 31, 2020. This was a ₱10.42 million decrease from 2019 loan payable of ₱52.13 million. The loans pertain to that of Storm Technologies and Seer Technologies.

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.

In 2020 and 2019, the Group's contract liabilities were ₱32.26 million and ₱68.05 million respectively.

Income Tax Payable

For 2020, the Group's consolidated income tax payable was nil vis-à-vis 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.

Pension Liability

The accrued pension of the Group was ₱26.82 million in 2020 compared to ₱24.82 million as of December 31, 2019, or an 8% increase.

Equity

Total Equity

As of December 31, 2020, the Group's total equity was at ₱4.65 million, an 82% decrease from 2019 equity of ₱25.89 million. Lower equity was mainly due to the increase in deficit brought about by the incurred net loss of the Group.

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 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

	For the year ended December 31	
	2020	2019
In PhP Millions	**Amount**	**Amount**
Net cash used in Operating Activities	(74.42)	(116.21)
Net cash provided by (used in) Investing Activities	(2.42)	366.19
Net cash used in Financing Activities	(12.53)	(281.25)
Effect of foreign currency exchange changes in cash	3.19	7.80
Net decrease in cash	(86.19)	(23.47)
Cash at beginning of period	153.93	177.40
Cash at end of period	**67.74**	**153.93**

Cash Flows from Operating Activities

For the year ended December 31, 2020, operating loss before changes in working capital of ₱18.15 million coupled with the corresponding changes in trade receivables, other current assets, contract assets, trade payables and contract liability resulted to ₱66.21 million cash used in operations. Together with interest received, interest paid, and income taxes paid, net cash used in operating activities totaled ₱74.42 million.

Cash Flows from Investing Activities

Cash used in investing activities in 2020 was ₱2.42 million while cash provided in investing activities in 2019 amounted to ₱366.19 million. The net cash used in investing activities was mainly attributable to the cash of disposed subsidiary, and acquisition of property and equipment and intangible assets.

Cash Flows from Financing Activities

The consolidated net cash used in financing activities for the year 2020 was ₱12.53 million while net cash provided by financing activities for the year 2019 was ₱281.25 million. Net cash was mainly used to pay off loan payables and a portion of lease liabilities.

Capital Expenditure

The Group's capital expenditures amounted to ₱1.24 million and ₱14.78 million in 2020 and 2019, respectively.

Key Financial Data In PhP Millions	December 31, 2020 Additions	December 31, 2019 Additions
Right-of-use Assets	-	4.61
IT Equipment	1.17	9.01
Leasehold Improvements	-	0.75
Office Equipment	0.07	0.21
Furnitures and Fixtures	-	0.19
	1.24	**14.78**

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		
	2020	2019	2018
Liquidity Ratios			
Current Ratio	**31%**	41%	69%
Quick Ratio	**27%**	33%	64%
Asset-to-Equity Ratio	**613%**	575%	183%
Profitability Ratios			
Net Loss Margin	**-34%**	-271%	-62%
Gross Margin	**5%**	15%	9%
Operating Margin	**-19%**	-256%	-46%
Return on Total Assets	**-9%**	-93%	-14%
Return on Equity	**-53%**	-186%	-22%
Debt Ratios			
Debt-to-Equity Ratio	**6.09x**	5.55x	0.550x
Interest Coverage Ratio	**-5.92x**	-64.75x	-20.45x

Liquidity Ratios

The current ratio and quick ratio of the Group was at 31% and 27% in 2020, respectively, and 41% and 33% in 2019, respectively. The decrease in both ratios was mainly due to the decline in both current assets and current liabilities.

Asset-to-Equity Ratio

In 2020, the Asset-to-Equity ratio of the Group increased to 613% from 575% of 2019. The increase was mostly because of the increase in deficit, reducing total equity.

Profitability Ratios

Excluding Gross Margin, the Group's profitable ratios improved in 2020 in comparison to 2019 ratios. Net loss margin was at (34%), operating margin was (19%), return on total assets (9%), and return on equity (53%). Gross margin on the other hand went down to 5% in 2020 from 15% in 2019.

Debt Ratios

For 2020, the Debt-to-Equity ratio increased from 5.55x in 2019 to 6.09x which can be attributed to lower total equity due to recurring net loss posted by the Group. The interest coverage ratio improved in 2020 to -5.92x from -64.75x in 2019.

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

Current Ratios	
1. Current ratio	$\dfrac{\text{Current assets}}{\text{Current liabilities}}$
2. Quick ratio	$\dfrac{\text{Current assets – Other current assets}}{\text{Current liabilities}}$
Asset-to-equity Ratio	$\dfrac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$
Profitability Ratios	
1. Net income ratio	$\dfrac{\text{Net income attributable to Parent Company}}{\text{Service income + Sale of goods}}$
2. Gross margin	$\dfrac{\text{(Service income + Sale of goods) – (Cost of services + Cost of goods sold)}}{\text{Service income + Sale of goods}}$
3. Operating margin	$\dfrac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income + Sale of goods}}$
4. Return on total assets	$\dfrac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$
5. Return on total equity	$\dfrac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$
Debt Ratios	
1. Debt-to-equity ratio	$\dfrac{\text{Total Liabilities}}{\text{Total equity attributable to Parent Company}}$
2. Interest coverage ratio	$\dfrac{\text{Earnings before interest and tax}}{\text{Interest expense}}$

<u>Other Disclosures:</u>

i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds, obtain additional advances from its stockholders, 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 2021 are being addressed through the following: developing aggressive lead generation via digital marketing; forging alliances to enhance distribution and cross selling opportunities; and building competency in talent solution business.

vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.

vii. Seasonality. 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.

For Full Year 2019 compared with 2018

Summary

Php Millions	2019	2018	2017	2016	2015	2014	2019vs2018	2018vs2017	2017vs2016	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	0.15	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	Percentag		
Revenues						
Mobile consumer services	19.92	2%	270.86	22%	(250.94)	-93%
Enterprise services	854.73	88%	875.61	70%	(20.88)	-2%
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	6%	13.55	19%
Gross Profit	**146.49**	**15%**	**109.59**	**9%**	**36.90**	**34%**
General and Administrative Expenses	2,204.42	227%	701.04	56%	1,503.38	214%
Equity in Net Losses of Associates	33.29	3%	52.99	4%	(19.70)	-37%
Finance Costs	38.04	4%	30.66	2%	7.38	24%
Other Charges (Income) - net	479.94	49%	(7.98)	-1%	487.92	-6114%
Loss Before Income Tax	**(2,609.21)**	**-268%**	**(667.13)**	**-54%**	**(1,942.08)**	**291%**
Provision for Income Tax	26.15	3%	144.51	12%	(118.36)	-82%
Net Loss	**(2,635.36)**	**-271%**	**(811.64)**	**-65%**	**(1,823.72)**	**225%**
Other Comprehensive Income	8.39	1%	8.27	1%	0.12	1%
Total Comprehensive Loss	**(2,626.97)**	**-270%**	**(803.37)**	**-65%**	**(1,823.60)**	**227%**

	31-Dec-19 Amount	31-Dec-18 Amount	Amount Change	% Increase (Decrease)
Total Assets	713.94	4,966.57	(4,252.63)	-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.

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 losses of associates	-	-	-	33.29	33.29
Finance cost and other charges	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)**
Benefit from (provision for) 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	• 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	• 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	• 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 (Decrease)
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	537.15	72%	724.50	68%	(187.35)	-26%
Segment fee and network costs	88.66	12%	43.26	4%	45.40	105%
Depreciation and amortization	32.87	4%	39.32	4%	(6.45)	-16%
Others	83.51	12%	255.80	24%	(172.29)	-67%
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 72%, 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%
Total Expenses	**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.

Finance Costs

The Group recorded finance costs of ₱38.04 million and ₱30.66 million in 2019 and 2018 respectively. Finance costs pertains to the interest expense on loans payable to local banks and non-banks.

Other Charges – net

In 2019, the Group recorded other charges amounting to ₱479.94 million. This account mainly consists of loss on sale of subsidiary (Yondu), bank charges, foreign exchange loss, loss on retirement and disposal of property and equipment and loss from sale of cryptocurrencies totaling to ₱486.31 million, partially offset by unrealized gain on revaluation of cryptocurrencies, and other income.

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.

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 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 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 reclassed 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 reclassed 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

	For the year ended December 31	
	2019	2018
In PhP Millions	**Amount**	**Amount**
Net cash 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 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 from Operating Activities

For the year ended December 31, 2019, operating loss before changes in working capital of ₱28.4 million coupled with the corresponding changes 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 from 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 from 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	
1. Current ratio	Current assets / Current liabilities
2. Quick ratio	Current assets – Other current assets / Current liabilities
Asset-to-equity Ratio	Total assets / Total equity attributable to Parent Company
Profitability Ratios	
1. Net income ratio	Net income attributable to Parent Company / Service income + Sale of goods
2. Gross margin	(Service income + Sale of goods) – (Cost of services + Cost of goods sold) / Service income + Sale of goods
3. Operating margin	Earnings before interest, tax, depreciation and amortization / Service income + Sale of goods
4. Return on total assets	Net income attributable to Parent Company / Average total assets
5. Return on total equity	Net income attributable to Parent Company / Average total equity attributable to the Parent Company
Debt Ratios	
1. Debt-to-equity ratio	Total Liabilities / Total equity attributable to Parent Company
2. Interest coverage ratio	Earnings before interest and tax / 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 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.

Full year 2018 compared with 2017

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. 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 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	• 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	• 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	• 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%
Total Revenues	**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%
Total Expenses	**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

	For the 12 months ended December 31	
	2018	**2017**
In PhP Millions	**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	
1. Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
2. Quick ratio	$\frac{\text{Current assets – Other current assets}}{\text{Current liabilities}}$
Asset-to-equity Ratio	$\frac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$
Profitability Ratios	
1. Net income ratio	$\frac{\text{Net income attributable to Parent Company}}{\text{Service income + Sale of goods}}$
2. Gross margin	$\frac{\text{(Service income + Sale of goods) – (Cost of services + Cost of goods sold)}}{\text{Service income + Sale of goods}}$
3. Operating margin	$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income + Sale of goods}}$
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 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 cyclicality on the operations of the Group's business are confined to its mobile consumer and other services segment.

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%
Allcare Technologies Inc.	36.75%
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	21.17%
Altitude Games Inc.	21.17%
Xeleb Technologies Inc. (formerly Fluxion, Inc.)	100.00%
Xeleb Inc.	100.00%

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.

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. Through another subsidiary, the Company offers subscriptions offering HMO and other pre-need employee benefits to small companies and freelancers.

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"). In 2020, with limited operations, there was minimal platform development work done.

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.

<u>Platforms</u>

- 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.

<u>Trademarks</u>

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.	Xurpas	420017004618	May 8, 2007	August 27, 2007
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.	#TBT	42014009258	July 25, 2014	December 11, 2014
Xurpas Inc.	SWAG	42014009261	July 25, 2014	February 12, 2015
Xurpas Inc.	#FOODPORN	42014009256	July 25, 2014	December 11, 2014
Xurpas Inc.	Xurpas	42007004775	May 11, 2007	October 8, 2007
Xurpas Inc.	Balikbayan Box It	42017017366	October 26, 2017	April 12, 2018
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.	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.	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 business which involves 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, 2026, 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 considering 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, 2020:

Executives 3
Accounting, Finance, Human Resources and Administrative 11
Marketing 5

Technical Staff	30
Total	49

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:

- **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 have 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 through establishing good relationships with its customers by providing quality services. The Company is continually identifying new, upgradable, and cost-effective solutions for its offered services. Accordingly, the Company invests in its employees' training to ensure that the Company is able to adapt with new technology.

- **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 because of this. The Company has disclosed that it is strengthening and enhancing its enterprise services considering 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.

- **Ability to adapt due to changes attributed to Covid-19**

The Coronavirus-19 (COVID19) disease caused lockdown and/or restrictions in movement in 2020. The Company had to consider the safety of its employees and their families. The Company saw a reduction or turnover in its support staff as a result of the mobility restrictions during the pandemic. To mitigate the risks caused by the pandemic, the Company implemented work from home arrangements, maximized available online software, and relied on digital marketing. The Company had to implement changes in the marketing and delivery of its services to comply with the movement restrictions imposed by the Government.

The complete shift to cloud and/or online software due to COVID-19 also increased the Company's risk on data privacy. The Company reviewed its data privacy policy and implemented new policies to ensure that data are protected notwithstanding the shift to remote work.

- **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.

Previously, the Company held office at 7th Floor, Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines, which is leased by the Company from Gervel, Inc.

On April 1, 2021, the Company moved its office to Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Makati City, 1227.

Operating Lease Commitments

a. The Parent Company has noncancellable lease contract with Gervel, Inc. for the 7th floor office space which terminated on March 31, 2020. The applicable rate per month is ₱0.27 million.

   On March 31, 2020, the lease contract was renewed for a period of one (1) year which terminated on March 31, 2021. The applicable rate per month is ₱0.33 million.

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. 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. In March 31, 2020, the contract of lease was expired and terminated.

d. The Company entered a lease contract with Milestone Petroleum Marketing Corporation, Inc. (the "Lease Contract") for an office space in Unit 804, Antel Corporate Center, Salcedo Village, 121 Valero, Makati, 1227 (the "Office Space"). The term of the Lease Contract is two (2) years commencing on March 1, 2021, and expiring on February 28, 2023, renewable upon terms and conditions mutually agreed upon by the parties. After the execution of the Lease Contract, Milestone Petroleum Marketing Corporation, Inc. sold the Office Space to Red Round Abacus Inc. and executed a Deed of Assignment of Lease constituting Red Round Abacus Inc. as the Company's current Lessor.

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 March 31, 2021.

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.

4. Directors' and Officers' Background

Board of Directors, Independent Directors and Executive Officers

The following directors and officers were elected during the 2020 Annual Stockholders' Meeting and Organizational Meeting both held on November 27, 2020:

Directors / Officers	Nationality	Position	Year Position was Assumed
Nico Jose S. Nolledo	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. Nolledo	Filipino	Non-Executive Director	2001
Wilfredo O. Racaza	Filipino	Non-Executive Director	2001
Jonathan Gerard A. Gurango	Filipino	Independent Director	2014
Imelda C. Tiongson	Filipino	Independent Director	2020
Bartolome S. Silayan, Jr.	Filipino	Independent Director	2020
Mark S. Gorriceta	Filipino	Corporate Secretary, Chief Legal Officer and Chief Compliance Officer	2014

Background Information

Nico Jose S. Nolledo, 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, 54, 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. Nolledo, 80, 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, 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. 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, 63, 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, 55, 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., 54, 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, 43, 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. Nolledo, Chairman, is the son of Atty. Mercedita S. Nolledo, 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 threated 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 19 of the Corporation's Consolidated Financial Statements as of December 31, 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. Nolledo 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 Buckly Jordan, Wavemaker Partners V LP and Wavemaker US Fund Management Holdings, LLC., or shares equivalent to 47.68% of the Company. The shares have not been issued to the Subscribers as of date.

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.

5. **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		
3rd Quarter	0.55	0.50
2nd Quarter	1.37	0.40
1st Quarter	0.95	0.40

2019		
4th Quarter	1.16	0.75
3rd Quarter	1.22	0.87
2nd Quarter	1.37	0.91
1st Quarter	2.33	1.09
2018		
4th Quarter	2.39	1.04
3rd Quarter	3.72	2.02
2nd Quarter	3.92	2.80
1st Quarter	5.93	3.10
2017		
4th Quarter	5.94	3.10
3rd Quarter	9.07	5.20
2nd Quarter	10.84	7.40
1st Quarter	10.50	7.09

The market capitalization of the Company's common shares as of end-2020, based on the closing price of ₱0.55/share, was approximately ₱1.03 billion versus the ₱1.44 billion the previous year[2]

The price information of Xurpas' common shares as of the close of the latest practicable trading date, September 18, 2020, is at ₱0.55/share.

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-four registered holders of common shares, as of June 22, 2021 (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]	1,415,447,479	73.15	Filipino
	PCD Nominee Corp. (Non-Filipino)	291,407,558	15.06	Others
2.	Raymond Gerard S. Racaza	174,100,010	8.99	Filipino
3.	Nelson Gatmaitan	400,000	0.02	Filipino
4.	Emilie Grace S. Nolledo	251,889	0.01	Filipino
5.	Aquilina V. Redo	6,500	0	Filipino
6.	Rogina C. Guda	6,000	0	Filipino
7.	Dahlia C. Aspillera	2,900	0	Filipino
8.	Mercedita S. Nolledo	1,060	0	Filipino
9.	Wilfredo O. Racaza	1,060	0	Filipino
10.	Roberto B. Redo	1,000	0	Filipino

[2] Xurpas has 1,872,796,877 outstanding common shares as of December 31, 2020.
[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. Nolledo; b) Mr. Raymond Gerard S. Racaza; and c) Mr. Fernando Jude F. Garcia. We note that a portion of shares of Messrs. Nolledo, 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.

11.	Shareholders' Association of the Philippines	1,000	0	Filipino
12.	Frederick D. Go	500	0	Filipino
13.	Dondi Ron R. Limgenco	111	0	Filipino
14.	Marietta V. Cabreza	100	0	Filipino
15.	Milagros P. Villanueva	100	0	Filipino
16.	Myra P. Villanueva	100	0	Filipino
17.	Myrna P. Villanueva	100	0	Filipino
18.	Philip &/or Elnora Turner	99	0	British-Indian
19.	Fernando Jude F. Garcia	10	0	Filipino
20.	Nico Jose S. Nolledo	10	0	Filipino
21.	Jonathan Gerard A. Gurango	10	0	Filipino
22.	Alvin D. Lao	10	0	Filipino
23.	Owen Nathaniel S. AUITF: Li Marcus Au	3	0	Filipino
24.	Joselito T. Bautista	1	0	Filipino
	Total	**1,881,627,610**[5]	**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

[5] This includes Treasury Shares under PCD Nominee Corp (Filipino).

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 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. Nolledo, 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 March 31, 2021. 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 shares have not been issued and the Subscribers have not obtained any management position in the Company.

6. 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 ₱2.13 million and ₱ 2.34 million for 2019 and 2020, respectively. The audit fees for 2021 are estimated to be at ₱2.57 million. 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.

7. 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.