SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2017**

2. SEC Identification Number **A200117708** 3. BIR Tax Identification No. **219-934-330-000**

4. Exact name of issuer as specified in its charter **XURPAS INC.**

5. **PHILIPPINES**
Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
Industry Classification Code:

7. **7th Floor, Cambridge Centre 108 Tordesillas St. Salcedo Village, Makati City 1227**
Address of principal office

1227
Postal Code

8. **(632) 889-6467 / fax (632) 889-6426**
Issuer's telephone number, including area code

9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	**1,803,654,504**

As of December 31, 2017, 29% of Xurpas Inc.'s common shares are owned by the public.

11. Are any or all of these securities listed in the Philippine Stock Exchange.

Yes [**X**] No [ ]

A total of 1,797,700,660 common shares are listed in the Philippine Stock Exchange as of December 31, 2017.

12. Check whether the issuer:

(a.) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**X**] No [ ]

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

Yes [**X**]   No [ ]

13. Aggregate market value of the voting stock held by non-affiliates as of December 31, 2017 amounted to ₱2,917,695,095.89. The price used for this computation is the closing price as of December 31, 2017 is ₱5.57.

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [**X**]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20;

(c) Any prospectus filed pursuant to SRC Rule 8.1.

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PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

Xurpas Inc. ("Xurpas" or the "Company") is a technology company specializing in the creation and development of digital products and services for mobile end-users, as well as the creation, development, and management of proprietary platforms for mobile operators. Xurpas provides mobile marketing and advertising solutions integrated in these consumer digital products and platforms for the consumption of mobile users. The Company is also engaged in platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This includes information technology (IT) staff augmentation and various enterprise solutions-based services to Telcos and other companies for network and applications development.

Today, the Company's main business units comprise of: 1) Mobile consumer products and services; 2) Enterprise solutions; and 3) Other services (HR technology services).

On November 12, 2014, the Philippine Stock Exchange ("PSE") approved the initial public offering of the Company and offer of 344.00 million common shares at an offer price of ₱3.97 per share. On December 2, 2014, the common shares of Xurpas were listed in the PSE.

In 2015, Xurpas acquired several companies to expand its portfolio of mobile technology products and services, enterprise services, and invest in companies that will aid in the distribution of the aforementioned products and services.

In February 2015, the Company acquired a 51% controlling stake in Storm Flex Systems, Inc. (currently registered as Storm Technologies Inc., referred herein as "Storm"), to enable Xurpas to expand beyond telecommunication networks and into corporations through offering human resource ("HR") technology solutions. As of date, Xurpas owns 57% controlling stake in Storm.

In June 2015, Xurpas acquired 70% controlling stake in Seer Technologies Inc. ("Seer"), a company engaged in software consultancy, design, development and managed services focused on mobile, cloud and data technologies. In the same month, the incorporation of Xeleb Inc. ("Xeleb") was approved by the Securities and Exchange Commission (the "Commission"). Xeleb is engaged in the development, design, sale and distribution of celebrity-branded games and applications.

In September 2015, the Company acquired 51% controlling stake in Yondu Inc. ("Yondu"), originally a Globe Telecom wholly-owned subsidiary which is presently engaged in the development and creation of wireless products and services accessible through telephones or other forms of communication devices and media networks. It also provides internet and mobile value added services, and information technology and technical services including software development and related services.

Xurpas Enterprise Inc. ("Xurpas Enterprise") was incorporated in March 2016. Xurpas Enterprise was created to primarily engage in the business of software development including designing, upgrading, and marketing all kinds of information technology systems to corporate clients. In the same month, the Company acquired 23.53% ownership in Micro Benefits Limited ("Micro Benefits"), a company registered in Hong Kong. Micro Benefits is engaged in the business of providing employee benefits to Chinese workers through its operating company, Micro Benefits Financial Consulting (Suzhou) Co. Ltd, China.

On April 26, 2016, Xurpas conducted an overnight placement with partial top up ("Overnight Top Up Placement") wherein three shareholders sold an aggregate of 155,400,000 common shares and accordingly, subscribed to 77,700,000 common shares ("Subscription Shares") from the Company's authorized capital stock. The Company raised an aggregate of ₱1.2 billion gross proceeds from issuance of the Subscription Shares, which was intended to support its growth strategy and fund its capital expenditure program.

On October 6, 2016, Xurpas acquired 100% stake in Art of Click Pte. Ltd ("AOC"), a company registered under the laws of Singapore and engaged in the business of mobile media advertising that offers a marketing platform for advertisers.

Xurpas currently owns 67% of Xeleb Technologies Inc. (formerly Fluxion, Inc.) ("Xeleb Technologies"). Xeleb Technologies, and its wholly owned subsidiary, Xeleb, develops digital products and services, with a particular focus on celebrity-branded and themed mobile Casual Games and Content for consumers.

The list of the companies on which Xurpas has control as of December 31, 2017 and 2016 are as follows:

	Percentage of Voting Interest	
	2017	2016
Xeleb Technologies Inc. (formerly Fluxion, Inc.)	**67.0%**	67.0%
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.)	**56.6%**	56.6%
Xeleb Inc.	**67.0%**	67.0%
Seer Technologies Inc.	**70.0%**	70.0%
Yondu Inc.	**51.0%**	51.0%
Yondu Software Labs Inc.	**51.0%**	51.0%
Xurpas Enterprise Inc.	**100.0%**	100.0%
Art of Click Pte. Ltd.	**100.0%**	100.0%
PT Sembilan Digital Investama	**49.0%**	49.0%
MatchMe Pte. Ltd.	**28.6%**	28.6%
Micro Benefits limited	**23.5%**	23.5%
Altitude Games Pte. Ltd	**21.8%**	21.8%
Altitude Games Inc.	**21.2%**	21.2%
Zowdow, Inc. (formerly Quick.ly Inc.)	**3.6%**	3.6%

PRODUCTS AND SERVICES

Mobile Consumer Services

Mobile Consumer Services includes airtime management, content development and management, and marketing and advertising solutions. The Company creates and develops mobile consumer content and other value-added services for mobile phone subscribers such as online casual games, info-on-demand services (e.g., news, social and other entertainment information), chat and messaging applications (e.g., mobile stickers), ringtones, licensed or unlicensed content such as music, videos, as well as mobile marketing and advertising solutions. In addition, for its online casual games (e.g. Grab-a-Gold, GlobeGameswithFriends and PlaySmart) and mobile casual game applications (e.g. Run Super V and Anne Galing!), each of which has been tailored to an internet and online consumer base, the Company develops and maintains its own platforms that host and enable mobile subscribers to access or use such products. The provision of these products and services for end-users is performed by the Company's mobile consumer content and services segment.

Content Provider Agreements with Telcos

As of December 31, 2017, the Company is a party to content provider agreements with all three of the Philippines leading Telcos, namely, Smart Communications, Inc., Globe Telecom Inc. and Sun Cellular.

Under these arrangements, the Company is primarily responsible for conceptualizing, designing, sourcing, generating, and maintaining (including, where necessary, de-bugging) mobile consumer content and services that its client Telco may avail of for distribution to or access, subscription or use by its mobile phone subscribers. On the other hand, the client Telco shall be responsible for all costs incurred in maintaining and operating its telecommunications network, as well as the billing and collection of the fees prescribed by the Telco for access, subscription or use of the mobile consumer content and services paid for by the Telco's mobile phone subscribers.

Access or subscription fees payable for access or subscription to the Company's mobile consumer content are paid exclusively through a mobile subscriber's outstanding mobile airtime credits, and payment of such fees is made by a subscriber by crediting a short code (which is a specific network access code assigned by the Telco to the Company) with the corresponding amount of mobile airtime credit. For instance, a mobile subscriber who wishes to subscribe to a news service offered by the Company, subscription to which is available for a price of ₱2.50, will need to send an instruction by SMS to the Telco through the short code (in the form of brief text commands) to debit his or her outstanding mobile airtime credit with the amount of ₱2.50. All access or subscription fees paid (or deemed paid) by the mobile subscriber are received and collected by the Telco.

In consideration for providing mobile consumer content and services (or access to such content, as for example, licensed content such as music or videos) to the client Telco, the Company receives a share in the revenues derived by the Telco from the fees paid by its mobile phone subscribers to the Telco to access, subscribe to or use such mobile consumer content and services. This share may vary depending on the type of content or service provided by the Company, but is typically equivalent to at least 50% of such access, subscription or usage fees, and is distributed to the Company by the Telco on a monthly basis.

For the year ended December 31, 2017, the Group's total revenue and net income from its mobile consumer products business before intersegment adjustments were ₱1,599.60 million and ₱317.80 million, respectively, while total revenue and net income before intersegment adjustments from its mobile consumer products business for the year ended December 31, 2016 amounted ₱1,324.58 million and ₱288.48 million, respectively.

Enterprise Services

The Company develops, on its own or in close collaboration with other technology companies, mobile platform solutions for the benefit of clients such as Telcos, government agencies, and other top-tiered companies. These products, which are tailored to a client's particular requirements and are used by millions of mobile subscribers at any given time, comprise the Company's enterprise services segment and include mission-critical applications such as customized call/SMS/data bundles, peer-to-peer mobile airtime credit transfers and various forms of mobile commerce.

The Company, through its subsidiaries, develops and customizes information technology platforms, provides system integration, mobile platform consultancy, manages off-the-shelf application and social media-related services.

Enterprise Services also includes information technology staff augmentation and various enterprise solutions-based services to Telcos and other companies for network and applications development.

For the year ended December 31, 2017, the Company's total revenue and net loss from its enterprise business before intersegment adjustments were ₱721.36 million and ₱22.98 million, respectively, while total revenue and net income before intersegment adjustments from its enterprise business were ₱660.59 million and ₱75.94 million, respectively, for the year ended December 31, 2016.

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 'Flex Ben.' Storm also offers the same service for employees who are rewarded with points for accomplishing set milestones or objectives by their employer. The Company's subsidiary designs, develops, and customizes the HR technology platforms and streamlines the logistical requirements for product and service fulfillment.

For the year ended December 31, 2017, the Company's total revenue and net loss from its other services before intersegment adjustments were ₱99.69 million and ₱63.82 million, respectively. While for the year ended December 31, 2016, the Company's total revenue and net loss before intersegment adjustments from its other services were ₱54.07 million and ₱36.49 million.

Competition

For its mobile consumer content development business, the Company competes with over 100 mobile consumer content providers. However, the Company believes that its primary competitors comprise the internal mobile consumer content development divisions of its own client Telcos and other companies such as Information Gateway, Inc., ABS-CBN Mobile, GMA New Media, Inc., G-Gateway, Zed, Wolfpac and Rising Tide. Chikka Philippines, Inc. is the mobile consumer content development division of Smart Communications and generates and provides the latter with mobile consumer content and services. On the other hand, ABS-CBN Mobile and GMA New Media, Inc. primarily provide access or subscription to licensed or unlicensed content such as music, videos and other content of similar nature associated with, produced or distributed by their affiliated mass media networks. 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, which now includes Seer and Yondu, 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. Primary competitors of Yondu's Information Technology (IT) staffing solutions business segment are 77 Global, K-Force, Tech Mahindra, Amdocs, Sysgen and other medium-scale IT companies.

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.

INTELLECTUAL PROPERTY

As the Company creates, develops and maintains substantially all of its mobile consumer content, the Company owns and holds exclusive rights to its entire product portfolio, excluding mobile consumer content in the form of licensed content such as music, videos and other content of a similar nature, which it licenses through third party licensors and which represent only 1% of its business.

Platforms

Key intellectual property of the Company includes the Griffin SMS Gateway program, which is a proprietary platform developed by the Company through which the Company deploys mobile applications through any telecommunications network protocol. The Griffin SMS Gateway program is built on a modular architecture and is written in Java, an industry standard programming language that allows the program to be deployed using most common operating systems, with the following key features:

- The Griffin SMS Gateway allows the Company to connect to any of its client Telco's SMS center, which represents the heart of any Telco's wireless network handling all SMS operations, such as routing, forwarding and storing SMS messages, using popular protocols.

- The Griffin SMS Gateway contains a "Multi-Function Middleware" feature that allows the Company to interface with its client Telco's "Intelligent Network", which is the network that allows a Telco to offer value-added services to its mobile subscribers on top of its standard services (voice and call services) through UCIP or Diameter, MMSCs via MM7, or billing systems via proprietary SOAP-XML or other proprietary HTTP-based protocols.

- The Java API of the Griffin SMS Gateway allows the Company's application developers to write code that can easily be integrated or deployed across multiple carriers that may have different systems.

Key Intellectual Property of Yondu includes Mobile360 SMS, which is a proprietary platform developed through which it delivers mobile services through various telecommunications connectivities. The Mobile360 SMS platform is built on a modular architecture and is written using industry standard programming languages with the following key features:

- The Mobile360 SMS platform allows the Company to create, process, and analyze SMS services through connectivities with partner Telcos' wireless network.

- The Mobile360 SMS platform allows the Company to provide SMS connectivity to third-party independent developers, software development houses, solutions integrators, and content providers through APIs that can be incorporated into their codes.

- The Do-It-Yourself feature of the Mobile360 SMS platform allows the Company to enable its clients to gain control over their SMS campaigns and services in terms of content, schedule and customer reach.

Trademarks

The Company likewise owns exclusive rights to its corporate name, as well as various brand names and marks that are used for its operations. Provided below is the summary of all marks registered in the name of the Company or any of its subsidiaries:

Holder	Mark	Registration Number	Date Filed	Date Registered
Xurpas Inc.	XUPERGAMES	42016004317	April 25, 2016	October 10, 2016
Xurpas Inc.	SELFIE.PH	42014009255	July 25, 2014	June 25, 2015
Xurpas Inc.	#HAPPYTUMMY	42014009263	July 25, 2014	May 28, 2015
Xurpas Inc.	#OOTD	42014014894	December 3, 2014	April 9, 2015
Xurpas Inc.	#NOMNOMNOM	42014009262	July 24, 2014	December 12,

				2015
Xurpas Inc.	#SWAG	42014009261	July 25, 2014	February 2, 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.	#TBT	42014009258	July 25, 2014	December 11, 2014
Xurpas Inc.	#FOODPORN	42014009256	July 25, 2014	December 11, 2014
Xurpas Inc.	#SELFIE	42014009257	July 25, 2014	December 11, 2014
Xurpas Inc.	CRAZYWIRELESS	42007004775	May 11, 2007	October 8, 2008
Xurpas Inc.	Xurpas	42007004775	May 11, 2007	October 8, 2007
Xurpas Inc.	Xurpas	42017003342	March 8, 2018	October 5, 2017
Xurpas Inc.	Xurpas	42017003343	March 8, 2017	June 29, 2017
Xurpas Inc.	Art of Click	42017003340	March 8, 2017	August 31, 2017
Xurpas Inc.	Seer	42017003341	March 8, 2017	August 31, 2017
Xurpas Inc.	XE	42017003346	March 8, 2017	August 31, 2017
Xurpas Inc.	AppXentral	42017003344	March 8, 2017	June 29, 2017
Xurpas Inc.	Xurpas Enterprise	42017003345	March 8, 2017	June 29, 2017
Xurpas Inc.	Xupergames	42016004317	April 25, 2016	October 20, 2016
Xeleb Technologies Inc.	Xeleb	42015005359	May 19, 2015	October 19, 2015
Xeleb Technologies Inc.	Trivia Time with Kuya Kim	42016004316	April 25, 2016	December 22, 2016
Xeleb Technologies Inc.	Xeleb Technologies	42017003700	March 14, 2017	August 31, 2017
Xeleb Technologies Inc.	Popster	42017003704	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jejemonster	42017003703	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jologs	42017003699	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jejemon	42017003702	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Super Belle	42017000346	January 11, 2017	May 4, 2017
Xeleb	Master Erwan's	42017000082	January 4, 2017	May 4, 2017

Technologies Inc.	Foodcart			
Xeleb Technologies Inc.	Empire of Pink	42017000345	January 11, 2017	May 4, 2017
Xeleb Technologies Inc.	Trivia Time with Kuya Kim	42016004316	April 25, 2016	December 22, 2016
Xeleb Inc.	Trip ni Belle	42016004318	April 25, 2016	October 20, 2016
Xeleb Inc.	Adventures of Kuya Kim	42015005361	May 19, 2015	February 25, 2016
Xeleb Inc.	Market Master	42015005362	May 19, 2015	November 19, 2015
Xeleb Inc.	Anne-Galing	42015005360	May 19, 2015	November 19, 2015
Yondu Inc.	Spinvia	42016003313	March 30, 2016	July 28, 2016
Yondu Inc.	Weplay	42016003312	March 30, 2016	July 28, 2016
Yondu Inc.	Asktracey	42016003310	March 30, 2016	July 28, 2016
Yondu Inc.	Daily Dose	42016003311	March 30, 2016	July 28, 2016

REGULATION AND KEY LICENSES

The Company's primary business, that is, the development and delivery of mobile consumer content to its client Telcos, is considered as a form of value-added services regulated by the NTC under the Public Telecommunications Policy Act and related implementing regulations issued by the NTC.

While a value-added services provider (unlike other entities regulated under the Public Telecommunications Policy Act) is not required to obtain a franchise to operate, the NTC requires that any such provider obtain and maintain a Value-Added Services (VAS) License, which shall expressly indicate the value-added services that such provider is authorized to provide. Under existing regulations, the following services may be rendered by a holder of a VAS License:

- SMS and MMS Content Provider (cute texts, news, jokes, forwardable quotes, horoscopes, tips, chat, trivia, twitter and stickers)
- Mobile Tones (true tones, ringback tones, and text tones)
- Games (Grab-a-Gold, Games with Friends, Let's Playsmart, Anne Galing, Market Master Erwan, Trip ni Belle, Sarah G Popsters, Adventure of Kuya Kim, Aldub You)
- Mobile Promotions and Services for Consumer Brands and Third Party Corporate Clients

The Company holds a VAS License issued by the NTC valid until January 3, 2021, pursuant to which the Company is authorized to engage in all of the foregoing value-added services.

The Company believes that its relationship with its employees is generally good and, since the start of its operations, the Company has not experienced a work stoppage as a result of any labor or labor-related disagreements. None of the Company's employees belong to a union.

The table below sets forth the breakdown of the Company's labor complement, grouped according to function, as of December 31, 2017:

Executives	7
Accounting, Finance, Human Resources and Administrative	16
Marketing	14
Technical Staff	86
Total	123

The Company has adopted a rewards and recognition policy that is competitive with industry standards in the Philippines. Salaries and benefits are reviewed periodically and adjusted to retain current employees and attract new talents. Tied to these is a performance management system that calls for the alignment of individual key results, competencies, and development plans with the Company's overall business targets and strategy. Performance is reviewed periodically and employees are rewarded based on the attainment of pre-defined objectives. The Company also maintains programs for its employees' professional, technical and personal development.

PLANS AND PROSPECTS

The Company intends to grow its overall business by:

1) Developing products and platforms to serve the emerging market mobile subscriber;
2) Improving the revenue mix of the Group's digital advertising segment;
3) Implementing aggressive sales strategies of the enterprise and HR technology segments to pursue a broader local captured market; and
4) Developing new types of consumer technologies not yet offered in the Philippine market.

Integrating content from investments to become platform-focused

The Company will continue to create its own mobile consumer products. The Company will also enhance its offerings for the mobile consumer segment by integrating them with products and services offered by its subsidiaries and affiliates. In addition to the regular creation of mobile consumer content, particularly casual games, the Company also plans to create content platforms and form partnerships with third party content providers.

The above-mentioned activities may require hiring more talent and developers who can ensure that these products and services are released on time.

Enhancement of content creation capabilities and enterprise solutions

Depending on the opportunities presented, the Company will continue to make meaningful investments and partnerships intended to create and provide proprietary technologies and content to improve its ability to create, develop and distribute content within the Philippines and the Asian Region and to expand its existing product and services portfolio. For this purpose, the Company aims to work with other local or international technology companies with content, capabilities, and technologies consistent with the Company's over-all market strategy.

As the Company's new HR technology and IT outsourcing businesses from acquired companies started contributing to total revenues, the Company plans to expand their ability to distribute their products and services to new customers in Southeast Asia and East Asia to reach new corporate customers. To do this, the Company intends to undertake operations within Southeast Asia and East Asia region. Through key partnerships with existing or new investments, the Company may reach new markets that operate in similar conditions to the Philippine HR and IT outsourcing market.

ITEM 2. Properties

The Company does not hold any real property of material value. As of December 31, 2017, the Company has transportation, office equipment, IT equipment, furniture and fixtures, leasehold improvements and leased assets with a net book value of ₱76.15 million.

The Company's offices are presently located at the 4th and 7th Floors, Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines, which is leased by the Company from Gervel, Inc.

<u>Operating Lease Commitments</u>

a. The Company entered into a lease contract with Gervel, Inc. for an office space (7th Floor Cambridge Centre Building) for a period of three years commencing on April 1, 2014 and expiring on March 31, 2017. The lease contract may be renewed in writing by mutual agreement of the parties.

   In 2017, the Company renewed its lease contract for a period of three (3) years commencing on April 1, 2017 and expiring on March 21, 220, The applicable rate per month is ₱0.27 million, with a corresponding annual increase of 4%.

b. The Company executed another agreement with Gervel, Inc. to lease the 4th Floor of Cambridge Centre Building commencing October 1, 2015 to March 31, 2017. The contract can be renewed in writing upon mutual agreement by the parties. In 2017, the Parent Company renewed its contract for a period of three (3) years commencing on April 1, 2017 and expiring on March 31, 2020. The applicable rate per month is ₱0.29 million and a corresponding annual increase of 4%.

c. In 2017, the Company entered into a non-cancellable lease contract with Gervel, Inc. for an office space for a period of two (2) years and four and a half (4.5) months which commenced on November 16, 2017 and will expire 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.

ITEM 3. Legal Proceedings

There are no material pending legal proceedings (including any bankruptcy, receivership or similar proceedings) to which the Company or any of its subsidiaries is a party or to which any of their material assets are subject.

ITEM 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the calendar year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters

Market Information

Principal market where the registrant's common equity is traded.

Xurpas' common shares were listed with the Philippine Stock Exchange, Inc. on December 2, 2014. The high and low stock prices for 2015, 2016, 2017 and the 1st quarter of 2018 are indicated below:

	High	Low
2018		
1st Quarter	5.93	3.10
2017		
4th Quarter	5.94	3.10
3rd Quarter	9.07	5.20
2nd Quarter	10.54	7.40
1st Quarter	10.50	7.09
2016		
4th Quarter	15.12	7.11
3rd Quarter	18.18	13.38
2nd Quarter	20.00	14.80
1st Quarter	18.90	11.40
2015		
4th Quarter	17.24	14.10
3rd Quarter	14.46	8.93
2nd Quarter	11.20	8.40
1st Quarter	12.60	9.30

The market capitalization of the Company's common shares as of end-2017, based on the closing price of ₱5.57/share, was approximately ₱10.05 billion versus ₱14.85 billion the previous year.[1]

The price information of Xurpas' common shares as of the close of the latest practicable trading date, April 13, 2018, is ₱3.41.

Holders

There are twenty-three registered holders of common shares, as of March 31, 2018 (based on number of accounts registered with the Stock Transfer Agent).[2]

Stockholder's Name	Number of shares	Percentage to total	Nationality
PCD Nominee Corp. (Filipino)[3]	1,362,597,830	70.42	Filipino

[1] *Xurpas has 1,870,940,210 outstanding common shares as of March 31, 2018.*
[2] *Based on the list of stockholders issued by BDO Unibank Inc. Stock and Investment Group, list includes PCD Nominees.*

PCD Nominee Corp. (Non-Filipino)	223,857,949	11.57	Others
Raymond Gerard S. Racaza	174,100,010	9.00	Filipino
Fernando Jude F. Garcia	174,100,010	9.00	Filipino
Emilie Grace S. Nolledo	251,889	0.01	Filipino
Rogina C. Guda	6,000	0	Filipino
Aquilina V. Redo	5,500	0	Filipino
Dahlia C. Aspillera	2,900	0	Filipino
Mercedita S. Nolledo	1,060	0	Filipino
Wilfredo O. Racaza	1,060	0	Filipino
Joselito C. Herrera	500	0	Filipino
Frederick D. Go	500	0	Filipino
Dondi Ron R. Limgenco	111	0	Filipino
Marietta V. Cabreza	100	0	Filipino
Milagros P. Villanueva	100	0	Filipino
Myra P. Villanueva	100	0	Filipino
Myrna P. Villanueva	100	0	Filipino
Philip &/or Elnora Turner	99	0	British-Indian
Nico Jose S. Nolledo	10	0	Filipino
Jonathan Gerard A. Gurango	10	0	Filipino
Alvin D. Lao	10	0	Filipino
Owen Nathaniel S. AUITF: Li Marcus Au	3	0	Filipino
Joselito T. Bautista	1	0	Filipino
Total	**1,934,925,852**	**100%**	**Filipino**

Dividends and Dividend Policy

Information on the Company's declaration of dividends follow:

Parent Company	Per Share	Total Amount	Record Date	Payable Date
Cash dividend declared on:				
May 8, 2017	0.05	92.85 million	May 23, 2017	June 15, 2017
May 10, 2016	0.048	86.27 million	May 31, 2016	June 23, 2016
April 29, 2015	0.40	68.80 million	May 14, 2015	June 2, 2015
September 20, 2014	0.56	36.00 million	June 30, 2014	September 30, 2014
June 5, 2014	0.47	30.25 million	December 31, 2013	June 30, 2014
November 18,	5.13	16.67 million	September 30,	November 29,

[3]*PCD Nominee Corp. (Filipino) includes shares of a) Mr. Nico Jose S. Nolledo (415,765,950); b) Raymond Gerard S. Racaza (241,665,950); and c) Fernando Jude F. Garcia (241,665,950); 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.*

2013			2013	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

The Company has adopted a dividend policy pursuant to which stockholders may be entitled to receive, upon declaration by the Company's Board of Directors and subject to the availability of the unrestricted retained earnings, dividends equivalent to at least 30% of the prior year's net income after tax based on the Company's audited consolidated financial statements as of such year, except when: (i) justified by definite corporate expansion projects or programs approved by the Board; or (ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserves for probable contingencies.

The Company cannot provide assurance that it will pay any dividends in the future. In making a decision to declare dividends, the Board may consider various factors including the Company's cash, gearing, return on equity and retained earnings, the results of its operations or the Company's financial condition at the end of the year and such other factors as the Board may deem appropriate. The Company's Board may, at any time, modify such dividend payout ratio depending upon the results of operations and future projects and plans of the Company.

Recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction

1. Overnight Top-up Placement – April 26, 2016

On April 26, 2016, the Board of Directors of Xurpas approved the holding of a Placing and Subscription Transaction ("the Overnight Top-up Placement") wherein Messrs. Nico Jose S. 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") and the Selling Shareholders subscribed to an aggregate of 77,700,000 common shares (the "Subscription Shares") or 4.32% of the new issued and outstanding capital shares of the Company ("Subscription tranche").

The first part of the Overnight Top-up Placement consists of the offer and sale of the Offer Shares by the Selling Shareholders to (i) Qualified institutional investors in the Philippines qualified as an exempt transaction in reliance on Section 10.1(c) and 10.1(l) of the Philippine Securities Regulation Code (the "SRC"); (ii) outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"); and (iii) within the United States to "qualified institutional buyers" as defined in, and in reliance on, Rule 144A under the Securities Act. SB Capital Investment Corporation and Decker & Co., LLC are the Joint Global Coordinators and led the selling syndicate in placing the Offer Shares with investors.

The second part of the Overnight Top-up Placement consists of the subscription by each Selling Shareholder to 1.4% of the Company's total issued and outstanding capital shares, in the form of new shares issued out of the authorized capital stock of the Company at a subscription price equivalent to the Offer Price. Xurpas claimed exemption from registration under Section 10.1(e) and (k) of the Securities and Regulation Code.

2. Acquisition of Art of Click Pte. Ltd ("AOC") – October 6, 2016

On October 6, 2016, Xurpas signed a Share Purchase Agreement with Emmanuel Michel Jean Allix and Wavemaker Labs Pte. Ltd. (the "Sellers") for the acquisition of 100% shares in AOC for an aggregate consideration of ₱1.40 billion in cash and in Xurpas shares. AOC is a Singaporean start-up firm established in 2011 that specializes on mobile marketing solutions for advertisers, publishers, app developers and other operators. Its key markets include Japan, Korea, Hong Kong, Taiwan, Southeast Asia, North America and Europe.

The cash consideration consists of (1) an Upfront Payment to the Sellers amounting to US$2,797,106 (135,379,930) and (2) cancellation of employee stockholder options through Xurpas' subscription to one ordinary share in the capital of AOC for US$2,202,894 (106,620,070). This was used to pay the AOC's Employee Stock Ownership Plan ("ESOP") shareholders.

The Xurpas shares to be issued to the Sellers consist of (1) an Upfront Payment amounting to US$19,451,739 payable in Xurpas shares to the Sellers on the acquisition date, (2) Installment Payment payable to the Sellers in Xurpas shares one year after the closing date and every year thereafter until three years after the closing date, and (3) a Deferred Purchase Consideration which shall be subject to a net income after tax floor per year that AOC has to meet as a condition precedent to the entitlement of the Sellers to the Deferred Purchase Consideration and payable in three (3) tranches. The aggregate amount of Deferred Payment Consideration for a three-year deferred payment period shall in no case be greater than US$13,962,725. In the finalization of the purchase price, the parties have clarified that the Deferred Purchase Consideration shall be fixed at US$13,962,725 and shall not be subject to the performance metrics of AOC, and such is intentionally part of the original consideration. Accordingly, the Deferred Purchase Consideration was considered as part of the acquisition cost in the final purchase price.

The number of Xurpas shares to be issued at each tranche shall be determined using the average market value of Xurpas common shares fifteen (15) days before and fifteen (15) days after the closing date or each commitment date, as applicable, agreed to by the parties.

Included in the Share Purchase Agreement is a call option granting the Sellers an option exercisable within fifty-one (51) months following the Closing Date and only upon the occurrence of a Call Option event to purchase from Xurpas their respective proportionate share in the Sale Shares. This was subsequently waived.

On June 2017, amendments were made to the share purchase agreement with one of the sellers, Emmanuel Michel Jean Allix ("Allix"), which (a) resulted in the payment of US$7.24 million or 358.50 million, (b) changed the manner of payment of the Installment Payment payable and Deferred Purchase Consideration from being partly in cash and Xurpas shares to solely in cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year.

On July 18, 2017, Xurpas reacquired 53,298,242 common shares Upfront Payment issued at acquisition date to Allix, a former shareholder of AOC, for a consideration of US$532,983 or 26.65 million.

On October 3, 2017, Xurpas entered into an agreement to amend the share purchase agreement with Wavemaker Labs Pte. Ltd. ("Wavemaker"), a former shareholder of AOC, which provides for (a) the adjusted purchase price, (b) the change in manner of payment for the Installment Payment and Deferred Consideration pertaining to Wavemaker from being payable in Xurpas shares to cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. To implement these amendments, there will be a placement and subscription transaction involving 67,285,706 Xurpas listed shares of existing shareholders by way of a block sale through the facilities of the PSE in 2018. Three shareholders of Xurpas sold their shares to Wavemaker, as an advance on behalf of Xurpas. The said shareholders, then subscribed to an aggregate of 67,285,706 Xurpas shares to replace the shares already advanced. Xurpas is claiming exemption from registration under Section 10.1(k) of the Securities and Regulation Code.

The 16,641,244 common shares initially issued to Wavemaker representing the Upfront Payment shall be placed by Wavemaker in an escrow agent who is authorized to sell these shares after these are listed. The allocation of the proceeds from the sale of these shares will be determined in the future subject to certain conditions.

On October 3, 2017, Allix and Wavemaker executed a waiver of the second and third tranches of the Deferred Purchase Consideration. The Sellers also waived their call option on the shares.

ITEM 6. Management's Discussion and Analysis or Plan of Operation.

Summary

PhP Millions	Years Ended December 31				Percentage Change		
	2017	2016	2015	2014	2017 vs 2016	2016 vs 2015	2015 vs 2014
Revenues	2,103.57	1,947.14	898.37	378.32	8%	117%	137%
Gross Profit	649.15	803.43	513.87	264.45	-19%	56%	94%
Income before Income Tax	122.04	379.10	331.10	239.14	-68%	14%	38%
Net Income	102.57	264.84	229.62	190.72	-61%	15%	20%

Revenues							
Mobile Consumer Services	1,438.12	1,239.92	576.06	309.37	16%	115%	86%
Enterprise Services	566.01	653.14	243.45	68.95	-13%	168%	253%
Other Services	99.44	54.07	78.87	-	84%	-31%	n.a.

The Company had its Initial Public Offering of its shares on December 2014 and embarked on its expansion in the years that followed. The Group's total revenues increased from ₱378.32 million in 2014 to ₱898.37 million in 2015, or a 137% increase. The revenue growth was sustained in 2016 at 117% (from ₱898.37 million in 2015 to ₱1,947.14 million in 2016), but tapered off in 2017 at 8%, increasing to ₱2,103.57 million. The profitability of the Group did not grow at the same rate as the revenues because of the planned expansion expenses in line with revenue growth; as shown in the 2014 to 2016 lower rates of increase of gross profit, Income before Income Tax, and Net Income. In 2017, the Group experienced a combination of drag in earnings and significant one-time expenses related to its acquisition of AOC, along with the continuous development of products, services, and platforms.

There has been a slowdown in the Company's growth in 2017 primarily due to the drop in revenues of AOC. A number of AOC's clients were venture-capital funded firms that did not have a regular full-year advertising campaign. The Company is implementing a recovery plan specifically to improve the client mix of AOC. The full effect of the consolidation of AOC's revenues, operational expenses, and net income was realized in the full twelve months of 2017. In 2017, there were revisions in the Share Purchase Agreement between Xurpas and the former shareholders of AOC, with regard to the payment structure and other related changes for the acquisition of shares of AOC. This resulted in non-recurring expenses amounting to ₱48.07 million. While the other revisions resulted in a net gain, the Group also recorded a one-time provision for impairment loss related to the certain receivable of AOC amounting to ₱121.69 million. Even if management is still engaged in discussions with the client for collection, it was deemed prudent to provide for such receivable, as it has passed AOC's standard collection period. Assuming the provision was not done, the net income of the Group would have been ₱203.58 million.

In October 2017, the valuation for the acquisition of 100% stake in AOC was completed and the acquisition date fair value of the total net assets acquired was determined. The 2016 comparative information was restated to reflect the adjustments to the following accounts in the Statement of Financial Position (incremental assets of ₱566.50 million, incremental liability of ₱606.56 million and reduction in retained earnings of ₱40.06 million) and Statement of Comprehensive Income (Cost of Services and other charges amounting to ₱47.81 million and reduction in provision for income tax of ₱7.76 million).

Other significant activities within the Group include development of new mobile consumer products and platforms and completion of employee certifications and skills trainings. These activities incurred incremental costs in the cost of services and general and administrative expenses of the Group, particularly for salaries, wages, and employee benefits, outsourced services, seminars and trainings, and marketing and promotions expenses.

In 2017, the Group has successfully launched new products and services under Mobile Consumer Services, specifically mobile casual games. Xurpas and its subsidiaries has also developed mobile platforms that were soft launched in the first twelve months of 2017. These are: the W00T AppStore and the Storm Squares employee communication platform. In the Enterprise segment, recruitment process outsourcing was introduced in the revenue stream. For Storm, new corporate clients have added to the total employee user base enrolled for Storm FlexBen and Storm Ace (formerly, Storm Kudos), the employee incentives platform.

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For the year ended December 31, 2017 compared with the year ended December 31, 2016

Key Financial Data In PhP Millions	For the 12 months ended December 31					
	2017		2016 (As restated)		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	1,438.12	68%	1,239.92	64%	198.20	16%
Enterprise services	566.01	27%	653.14	34%	(87.13)	-13%
Other services	99.44	5%	54.07	3%	45.36	84%
Total Revenues	**2,103.57**	**100%**	**1,947.14**	**100%**	**156.43**	**8%**
Cost of Services	1,373.41	65%	1,101.90	57%	271.52	25%
Cost of Goods Sold	81.01	4%	41.82	2%	39.19	94%
Gross Profit	**649.15**	**31%**	**803.42**	**41%**	**(154.27)**	**-19%**
General and Administrative Expenses	572.62	27%	354.73	18%	217.89	61%
Equity in Net Loss of Associate	36.72	2%	33.90	2%	2.82	8%
Other charges (income) - net	(82.23)	-4%	35.69	2%	(117.92)	-330%
Income Before Income Tax	**122.04**	**6%**	**379.10**	**19%**	**(257.06)**	**-68%**
Provision for Income Tax	19.47	1%	114.27	6%	(94.80)	-83%
Net Income	**102.57**	**5%**	**264.84**	**14%**	**(162.27)**	**-61%**
Other Comprehensive Income (Loss)	21.15	1%	17.48	1%	3.67	21%
Total Comprehensive Income	**123.72**	**6%**	**282.32**	**14%**	**(158.60)**	**-56%**

	Dec. 31, 2017 Amount	Dec. 31, 2016 Amount	Amount Change	% Increase
Total Assets	5,810.18	6,476.43	(666.25)	-10%
Total Liabilities	2,454.68	2,686.93	(232.25)	-9%
Total Equity	3,355.50	3,789.50	(434.00)	-11%

Financial Summary

Total revenues increased by ₱156.43 million or 8%, from ₱1, 947.14 million in 2016 to ₱2,103.57 million in 2017. The net income of the Group for the twelve-month period ended December 31, 2017, decreased by 61% (from ₱264.84 million (as restated) in the year ended 2016 to ₱102.57 million in 2017). Total comprehensive income over the same period decreased by 56% from ₱282.32 million as at December 31, 2016 to ₱123.72 million as at December 31, 2017. Group revenues were still mainly driven by mobile consumer services, comprising 68% of the total revenues.

The blended cost of services (aggregating the subsidiaries' costs) increased by 25% from ₱1,101.90 million for the year ended 2016 to ₱1,373.41 million for the comparable period in 2017. Cost of goods sold attributable to other services was ₱81.01 million for the year ended 2017 compared to ₱41.82 million in 2016, an increase of 94% or ₱39.19 million. Gross profit margins on total revenues, for the period ended December 31, 2017 was at 31%, a decrease from the same period last year at 41%. Gross profit decreased by 19% from ₱803.43 million for the full year of 2016 to ₱649.15 million for the same period in 2017.

General and administrative expenses increased by 61%, from ₱354.73 million in 2016 to ₱572.62 million for the same period in 2017. Overall, the increase was mainly due to the costs related to the Group's expansion: (i) absorption of operating expenses of acquired subsidiaries made in 2015 and 2016, (ii) increase in salaries and wages due to organizational build-up of the parent company and acquired subsidiaries, and (iii) investment and acquisition-related costs and legal fees, the latter being non-recurring, and (iv) one-time impairment losses. Included in the general and administrative expenses were increase in non-cash expenses such as depreciation and amortization related to capitalization costs, as well as non-cash interest expenses related to the recognition of liability for a written put option. The Company also shares in the recorded net loss of the associate companies it has invested in, which amounted to ₱36.72 million for the period ended December 31, 2017. Provision for taxes during 2017 was ₱19.47 million or 83% lower than the same period in 2016 at ₱114.27 million. Overall, the net income for the Group decreased from ₱264.84 million (as restated) in 2016 to ₱102.57 million over the same period in 2017; a decrease of 61%.

Consolidated total assets as of December 31, 2017 amounted to ₱5,810.18 million, a decrease of 10% from ₱6,476.43 million as of December 31, 2016. The net decrease of ₱666.25 million in total assets was mainly brought by the ₱335.92 million decrease in financial assets at FVPL. Consolidated total liabilities decreased by 9% from ₱2,686.93 million as of December 31, 2016 to ₱2,454.68 million in December 31, 2017, attributed mainly to the decrease in contingent liability. Consolidated total equity decreased by 11% over the same period, from ₱3,789.50 million to ₱3,355.50 million. This was a result of the increase in equity reserve.

Segment Financial Performance

As of December 31, 2017 In PhP Millions	**Mobile Consumer Services**	**Enterprise Services**	**Other Services**	**Intersegment Adjustments**	**Consolidated**
Revenue from services	1,599.60	721.36	5.67	(317.08)	2,009.55
Revenue from sale of goods	-	-	94.02	-	94.02
Total Service Revenues	**1,599.60**	**721.36**	**99.69**	**(317.08)**	**2,103.57**
Operating expenses	1,424.34	721.94	169.43	(288.68)	2,027.03
Equity in net loss of associates	-	-	-	36.72	36.72
Other charges (income) - net	(207.18)	(5.09)	1.31	128.73	(82.23)
Total Expenses	**1,217.16**	**716.85**	**170.74**	**(123.23)**	**1,981.52**
Operating profit	**382.44**	**4.51**	**(71.05)**	**(193.85)**	**122.05**
Provision for income tax	64.63	27.49	(7.22)	(65.43)	19.47
Net Income	**317.81**	**(22.98)**	**(63.82)**	**(128.42)**	**102.58**

As of December 31, 2017, mobile consumer services' revenues, operating profit and net income prior to eliminations were ₱1,599.60 million, ₱382.43 million and ₱317.80 million, respectively. These translated to 24% operating profit margin and 20% net income margin. Enterprise services had an operating profit of ₱4.51 million and net loss of ₱22.98 million (net loss margin of 3%) from revenues of ₱721.36 million. For 2017, although Yondu's enterprise business was profitable, this was not enough to offset the losses of the subsidiaries under this segment. The other services segment has yet to yield a positive contribution to the Group.

Profitability

For the twelve-month period ended December 31, 2017 compared with the twelve-month period ended December 31, 2016

Revenues

The consolidated service revenues of the Group for the period ended December 31, 2017 amounted to ₱2,103.57 million, an increase of 8% from ₱1,947.14 million the same period of the previous year.

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

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	• Xurpas Parent Company • Xeleb Technologies • Yondu • AOC
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 • Seer • Yondu • Xurpas Enterprise
Other services	Revenues derived from services related to the proprietary platform called "Flex Benefits System" and "Ace" (formerly "Storm Kudos") which allows employees to convert their employee benefits to other benefits which includes sale of goods	• Storm

In PhP Millions	For the 12 months ended December 31					
	2017		2016		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	1,438.12	68%	1,239.92	64%	198.20	16%
Enterprise services	566.01	27%	653.14	34%	(87.13)	-13%
Other services	99.44	5%	54.07	3%	45.36	84%
Total Revenues	**2,103.57**	**100%**	**1,947.14**	**100%**	**156.43**	**8%**

Revenues from the mobile consumer services segment for the twelve-month period ended December 31, 2017 amounted to ₱1,438.12 million, an increase of 16% from the previous year's same period level of ₱1,239.92 million. The increase was attributed to the growth from the mobile games business and the accretive value of the acquisition of AOC in 2017. This segment accounts for 68% of the total revenues. On the other hand, revenues from enterprise services (which accounts for 27% of total revenues) decreased by 13% in December 31, 2017, to ₱566.01 million from ₱653.14 million in December 31, 2016. Other services booked revenues of ₱99.44 million in the first twelve months of 2017, higher by 84% from the previous level at ₱54.07 million over the same period last year. The increase in the sales of Storm was attributed to the organic growth of its client base and active platform users.

Expenses

In PhP Millions	For the 12 months ended December 31					
	2017		2016		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	1,373.41	68%	1,101.90	74%	271.51	25%
Cost of Goods Sold	81.01	4%	41.82	3%	39.19	94%
General and Administrative Expenses	572.62	28%	354.73	24%	217.89	61%
Total Expenses	2,027.04	100%	1,498.45	100%	528.58	35%

As of the full year of 2016, Xurpas had the following subsidiaries: Xeleb Technologies (formerly Fluxion), Storm, Xeleb, Seer, and Yondu. In contrast, the full year of 2017 now also includes AOC. The Group's consolidated expenses during the period ended December 31, 2017 amounted to ₱2,027.04 million, a 35% increase from the same period of the previous year at ₱1,498.44 million. For the full year of 2017, cost of services accounted for the bulk of expenses, totaling ₱1,373.41 million or 68% of the Group's consolidated expenses. For the same period in 2016, cost of services amounted to ₱1,101.90 million or 74% of overall expenses of ₱1,498.44 million.

Cost of Services

In PhP Millions	For the 12 months ended December 31					
	2017		2016		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	639.94	47%	486.90	44%	153.04	31%
Outsourced services	463.38	34%	368.53	33%	94.85	26%
Royalty fees	81.31	6%	48.44	4%	32.87	68%
Others	188.78	14%	198.03	18%	(9.25)	-5%
Total Expenses	**1,373.41**	**100%**	**1,101.91**	**100%**	**271.51**	**25%**

Cost of services totaling ₱1,373.41 million as of December 31, 2017, was mainly driven by expenses relating to (1) Salaries, wages, and employee benefits, (2) Outsourced services, and (3) Royalty fees, which accounted for 47%, 34%, and 6%, respectively. These costs were directly borne from rendering mobile consumer services, enterprise services, and other services to the Group's clients for the twelve months of 2017. Of the total cost of services for the period, more than half is attributed to AOC and Yondu.

Cost of Goods Sold

For the period ended December 31, 2017, cost of goods sold took up 4% of the Group's consolidated expenses, amounting to ₱81.01 million. This figure was an increase of 94% from its level at ₱41.82 million in December 31, 2016. The increase in cost of goods sold was directly attributable to the increase in revenues of Storm. Costs related to the sale of goods from its flexible benefits and performance programs were appropriated as cost of goods sold.

General and Administrative Expenses

In PhP Millions	For the 12 months ended December 31					
	2017		2016		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	163.02	28%	126.49	36%	36.53	29%
Provision for impairment losses	106.54	19%	0.39	0%	106.15	27218%
Professional fees	48.03	8%	43.31	12%	4.72	11%
Taxes and licenses	43.66	8%	18.65	5%	25.01	134%
Others	211.37	37%	165.89	47%	45.48	27%
Total Expenses	**572.62**	**100%**	**354.72**	**100%**	**217.90**	**61%**

General and administrative expenses relating to the Group's operations, for twelve months of 2017 amounted to ₱572.62 million, higher by 61% compared to previous year's same period level of ₱354.73 million. The increase in the GAEX was primarily brought about by the consolidation of operational expenses from the latest acquired subsidiary, AOC, which contributed 26% of the total. Salaries, wages, and employee benefits was ₱163.02 million or 28% of the total general and administrative expenses (GAEX). The same expenses amounted to ₱126.49 million for the same period in 2016. The next biggest cost component in December 31, 2017 was Provision for impairment losses amounting to ₱106.54 million or 19% of total GAEX. This refers to the provision made for one of AOC's clients, net of amount that it actually was able to collect from its other clients. Likewise, in 2017, due to the change in the payment structure to the main seller of the shares of AOC, the Parent Company incurred ₱48.07 million for one-off expenses pertaining to donors/capital gains tax, professional fees, bank charges and foreign exchange loss.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the period ended December 31, 2017, amounted to ₱36.72 million. These companies are still in their testing phase or are in the process of ramping up or commercializing their operations. Despite the aggregate net loss of associates for 2017, the Group is now seeing profits from the associates companies - PT Sembilan Digital Investama (SDI), and MatchMe. Altitude Games and Micro Benefits are the associates that posted a net loss for 2017. Altitude Games business is expected to pick up, as it closed a partnership with a big US mobile games developer, to co-develop and introduce games to the US market. For Micro Benefits, it had as its main focus in the first half, product and user experience upgrade. This paved the way to landing more clients in 2017. Micro Benefits added eight additional brands, representing more than 100 factories in at least 20 factory family groups. It has expanded out of China to Vietnam, India, Bangladesh, and Guatemala.

Other Income – net

For the year 2017, the Group recognized other income amounting to ₱82.23 million. This account mainly pertains to net gain from income and charges subsequent to the business combination with AOC amounting to ₱90.91 million which is composed of the ₱364.01 million gain from waiver of deferred purchase consideration, ₱26.59 million foreign exchange loss, ₱30.92 million accretion of unamortized expense, ₱61.63 million interest expense on payable to former shareholders of AOC and ₱153.96 million loss from additional payments to former shareholder of AOC.

Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA)

In PhP Millions	For the 12 months ended December 31			
	2017	2016	Amount Change	% Increase
Income before tax	**122.04**	**379.10**	**(257.06)**	**-68%**
Depreciation and amortization	66.98	48.63	18.35	38%
Interest expense	67.54	34.98	32.56	93%
EBITDA	**256.56**	**462.71**	**(206.15)**	**-45%**

The Group's EBITDA decreased by 45% in December 31, 2017 to ₱256.56 million from ₱462.71 million the same period of the previous year. Depreciation and amortization of property and office equipment and intangible assets amounted to ₱66.98 million as at December 31, 2017 from ₱48.63 million as at December 31, 2016. Interest expense increased by 93% from ₱34.98 million as of December 31, 2016 to ₱67.54 million for the same period in 2017.

Income before Income Tax

The Group's net income before taxes for period ended December 31, 2017 was 6% of total revenues or a figure of ₱122.04 million. The net income before taxes for the Group declined by 68% or ₱257.06 million from the same period ended December 31, 2016, which posted a figure of ₱379.10 million.

Provision for Income Tax

Provision for income tax during the twelve-month period ended December 31, 2017 amounted to ₱19.47 million, compared to the same period in 2016, where provision for income tax was ₱114.27 million; an 83% decrease.

Net Income

The Group posted a consolidated net income of ₱102.57 million for the period ended December 31, 2017, a decrease of 61% from the previous year's same period at ₱264.84 million. Despite the Group's continuing organizational build-up, acquisition, investment-related expenses during this period versus that on December 31, 2016, the revenues generated a net income margin of 5% for the twelve months of 2017. Without the provision for impairment loss, the net income would have been ₱203.58 million.

Total Comprehensive Income

As of December 31, 2017, the Group's total comprehensive income amounted to ₱123.72 million, a decrease of 56% compared to ₱282.32 million as at December 31, 2016.

Financial Position

As of December 31, 2017 compared to December 31, 2016

Assets

Cash

The Group's consolidated cash amounted to ₱215.25 million for the twelve-month period ended December 31, 2017, a net decrease of 50% or ₱213.26 million from consolidated cash of ₱428.52 million as at December 31, 2016.

Financial Assets at Fair Value through Profit or Loss

The total Net Asset Value (NAV) and fair value of the Fund as of December 31, 2017 was nil, compared to ₱335.92 million in December 30, 2016. Part of the funds raised by the Parent Company after the April 29, 2016 overnight top-up placement was placed in the SB Money Market Fund while waiting for the appropriate use of the proceeds. The SB Money Market Fund was invested in a diversified portfolio of primarily short-term fixed income instruments. As at December 31, 2017, the funds were used for partial payment due to Emmanuel Allix for the purchase of AOC.

Accounts Receivable

The Group's consolidated accounts receivable amounted to ₱845.67 million and ₱956.90 million as at December 31, 2017 and December 31, 2016, respectively, representing a decrease of ₱111.23 million. In December 31, 2017, trade receivables were valued at ₱933.36 million, whereby Yondu and AOC account for ₱518.25 million (56% of the total) and ₱273.87 million (29% of the total), respectively.

Available for Sale Financial Assets

As of December 31, 2017, the Group's available for sale financial assets amounted to ₱159.05 million, which increased by 4% or ₱6.08 million from its previous level on December 31, 2016. These are investments in Pico Candy Pte. Ltd. (₱3.60 million), MatchMe Pte. Ltd. (₱52.50 million), Altitude Games Pte. Ltd. (₱28.86 million), Einsights Pte. Ltd. (₱23.48 million), Social Light Inc. (₱6.00 million), Club Punta Fuego (₱0.38 million), and Quick.Ly Inc. (₱44.24 million).

Other Current Assets
The Group's consolidated other current assets totaled ₱57.94 million, an increase of ₱5.31 million or 10% from its previous level on December 31, 2016 at ₱52.63 million. Prepaid expenses and creditable withholding taxes comprised majority of other current assets.

Investment in Associates

As of December 31, 2017, the Group's consolidated investment in associates amounted to ₱515.66 million, a 6% decrease from its figure of ₱549.86 million during December 31, 2016. The breakdown of the carrying amounts of these investments are: Altitude Games Pte. Ltd. (₱26.33 million), Altitude Games Inc. (₱0.09 million), MatchMe (₱51.67 million), SDI (₱10.51 million), and Micro Benefits (₱427.07 million).

Property and Equipment

The Group's consolidated property and equipment was ₱76.15 million in December 31, 2017 vis-à-vis ₱80.53 million in December 31, 2016, or a decrease of 5%. This was the net result of adding ₱27.50 million worth of said assets and the depreciation expense amounting to ₱31.59 million for the twelve-month period ended December 31, 2017. Property and equipment mainly consisted of leasehold improvements, leased assets, office, information technology equipment, furniture, and fixtures.

Intangible Assets

Intangible assets of ₱3,773.88 million as at December 31, 2017 were recognized in relation to the Group's acquisitions and investments. Movements in this account pertains to additions and amortization amounting to ₱10.57 million and ₱35.38 million, respectively, resulting to a net decrease amounting to ₱24.81 million or 1% of the December 31, 2016 figure at ₱3,798.69 million. The major components are goodwill, customer relationship, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As at December 31, 2017, goodwill is at ₱2,544.62 million.
- Customer relationship pertains to Yondu's noncontractual and contractual agreements with Globe Telecoms, its major customer which are expected to generate revenues for the Group in subsequent periods. As of December 31, 2017, customer relationship is valued at ₱1,077.81 million.
- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As at December 31, 2017, developed software net book value is at ₱140.18 million. Amortization of developed software for the twelve-month period ended December 31, 2017 amounted to ₱32.90 million.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2017, leasehold rights net book value is at ₱11.27 million. Amortization of leasehold rights for the twelve-month period ended December 31, 2017 amounted to ₱2.48 million.

Pension Asset

The Group's recorded pension asset as of December 31, 2017 and December 31, 2016 was at ₱0.31 million and ₱2.39 million, respectively, a decrease of ₱2.08 million or 87%.

Deferred Tax Assets – Net

The Group's consolidated net deferred tax assets level amounted to ₱115.53 million as at December 31, 2017, higher by 86% or ₱53.25 million vis-à-vis its December 31, 2016 level at ₱62.28 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱50.74 million as of December 31, 2017. This figure is 9% lower than the value posted as of December 31, 2016 at ₱55.76 million. These are primarily rental and other deposits amounting to ₱24.85 million and ₱25.89 million, respectively.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱493.11 million as at December 31, 2017 was a 19% or ₱79.38 million increase from its December 31, 2016 figure of ₱413.73 million.

The Group's accounts and other payables consisted mainly of trade payables at ₱218.58 million **(**₱104.55 million from AOC and ₱81.43 million from Yondu), payable to related parties at ₱102.53 million (₱97.15 million from Xurpas, as advances from stockholders), deferred output VAT at ₱62.55 million (₱56.90 million from Yondu), accrued expenses at ₱60.60 million (₱56.99 million from Yondu), taxes payable at ₱29.00 million, and other payables at ₱19.84 million

Loans Payable

The Group recorded ₱377.42 million in current loans in December 31, 2017 and ₱3.00 million in December 31, 2016. This is mainly attributable to the loans of the Parent Company which are interest-bearing and short-term.

Income Tax Payable

The Group's consolidated income tax payable as at December 31, 2017 amounted to ₱10.08 million, a decrease of 84% from the December 31, 2016 figure of ₱64.44 million.

Liability for Written Put Option

Based on PAS **32, *Financial Instruments: Presentation***, "…a contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount." As such, a liability for the written put option is recognized which is equal to the present value of the amount payable upon exercise of the option is to be recognized. This amounts to ₱864.71 million, unchanged as of December 31, 2017 and December 31, 2016.

Payable to Former Shareholders of a Subsidiary

The Group recorded ₱244.43 million in Payable to former shareholders of a subsidiary as at December 31, 2017 and ₱314.13 million as at December 31, 2016, a decrease of ₱69.70 million or 22%.

Other Current Liabilities
The Group's other current liabilities amounted to ₱77.17 million in December 31, 2017 compared to ₱127.72 million in 2016, a decrease of 40%.

Loans Payable – non-current portion
The Group recorded nil in non-current loans in December 31, 2017 and ₱14.00 million in December 31, 2016.

Finance Lease- net of current portion
Seer entered into a lease agreement with BPI Leasing Corporation for the use of IT and transportation equipment with a lease term three (3) and five (5) years, respectively. Effective monthly interest rates range from 0.83% to 1.12%. Seer's finance lease net of current portion is ₱0.61 million in December 31, 2017 and ₱1.16 million December 31, 2016.

Payable to Former Shareholders of a Subsidiary – net of current portion

The Group recorded nil and ₱491.29 million in payable to former shareholders of a subsidiary (net of current portion) as of December 31, 2017 and December 31, 2016, respectively.

Deferred Tax Liability

As of December 31, 2017, the deferred tax liability (net) was at ₱355.86 million, a decrease of 2% or ₱7.99 million from ₱363.85 million as of December 31, 2016. This is primarily the deferred tax liability on fair value adjustment on intangible assets.

Pension Liability
The accrued pension of the Group is at ₱31.30 million in December 31, 2017 compared to ₱28.91 million in December 31, 2016 or an increase of 8%.

Equity

Total Equity

The Group's total equity as of December 31, 2017 was at ₱3,355.50 million, an 11% decrease from its December 31, 2016 level at ₱3,789.50 million. The net decrease in total equity was a result of increase in equity reserve from ₱892.22 million as of December 31, 2016 to ₱1,250.72 million as of December 31, 2017. Retained earnings decreased by ₱57.08 million or 15% from ₱379.81 million as at December 31, 2016 to ₱322.73 million in December 31, 2017.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has some bank debt through the Parent Company and Seer. which are short term in nature. The Group does not anticipate having any cash flow or liquidity problems over the next 12 months. The Group is not in breach or default on any loan or other form of indebtedness.

Cash Flows

In PhP	For the 12 months ended December 31	
	2017	2016
	Amount	Amount
Net cash provided by Operating Activities	248,521,283	17,890,169
Net cash used in Investing Activities	(169,890,399)	(887,031,702)
Net cash provided by (used in) Financing Activities	(274,972,523)	1,009,409,733
Effect of foreign currency exchange changes in cash	(16,921,504)	(17,635,549)
Net increase (decrease) in cash	(213,263,143)	122,632,651
Cash at beginning of period	428,517,653	305,885,002
Cash at end of period	**215,254,510**	**428,517,653**

Cash Flows Provided by Operating Activities

For the first twelve months of 2017, operating income of ₱137.42 million was coupled with the corresponding decrease in account receivables and account payables for a resulting ₱387.72 million net cash generated from operations. Together with interest received and income taxes paid, this resulted in a net cash provided by operating activities of ₱248.52 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows used in investing activities for subsidiaries and associates for the twelve months of 2017 was ₱169.89 million compared to ₱887.03 million used in the same period of 2016. The net cash used in investing activities was mainly attributable to the earn-out payment to AOC.

Cash Flows Provided by (Used in) Financing Activities

The Group's consolidated net cash flow used in financing activities for the period ended December 31, 2017 was ₱274.97 million; compared to ₱1,009.41 million provided as of December 31, 2016. The cash flow used in financing activities were mainly from payment of payable to a former shareholder of a subsidiary.

Capital Expenditure

The Group's capital expenditures for the period ended December 31, 2017 and the year ended December 31, 2016 amounted to ₱27.50 million and ₱50.93 million, respectively. Note that in 2016, additions through business combination were ₱0.63 million.

Key Financial Data In PhP Millions	December 31, 2017 Additions	December 31, 2016 Additions	
	(Regular)	(Business Combination)	(Regular)
Office Equipment	3.08	0.06	2.34
IT Equipment	18.03	0.51	15.06
Furniture and Fixtures	0.95	0.07	7.12
Leasehold Improvements	4.33	-	23.98
Leased Asset	1.11	-	1.81
Transportation Equipment	-	-	-
Total	**27.50**	**0.63**	**50.30**

Commitments and Contingent Liabilities

The Group recorded payable to former shareholders of a subsidiary at ₱244.43 million (current portion) as at December 31, 2017 and ₱314.13 million (current portion) and ₱491.29 million (non-current portion) for December 31, 2016. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized.

Key Performance Indicators

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

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

	For the years ended December 31		
In Percentage	**2017**	2016	2015
Liquidity Ratios			
Current Ratio	54%	105%	84%
Quick Ratio	51%	102%	81%
Asset-to-Equity Ratio	231%	219%	428%
Profitability Ratios			
Net Income Margin	2%	11%	25%
Gross Margin	31%	41%	57%
Operating Margin	12%	24%	39%
Return on Total Assets	1%	7%	9%
Return on Equity	1%	14%	19%
Debt Ratios			
Debt-to-Equity Ratio	0.97x	0.91x	2.31x
Interest Coverage Ratio	2.81x	11.84x	60.00x

Current Ratios

Current Ratio and Quick Ratios in the twelve-month period at December 31, 2017 were 54% and 51%, respectively, a decrease from their respective 105% and 102% figures during the full year of 2016. The decrease in both ratios was primarily from the significant increase in current liabilities and decrease of current assets of the Group for that period.

Asset-to-Equity Ratio

The increase in the asset-to-equity ratio from 219% in December 31, 2016 to 231% in December 31, 2017 resulted from the decrease in equity, particularly equity reserve, and decrease in total assets, particularly from financial assets as FVPL.

Profitability Ratios

Profitability margins decreased from December 31, 2016, as a result of business combination and expenses related to the Group's investments and acquisitions. The decrease in Gross Profit Margin (31%), Net Income Margin (2%), Operating Margin (12%), Return on Total Assets (1%) and Return on Equity (1%) was a result of the increase in overall expenses as a direct result of the Parent Company's expansion and acquisitions: the absorption of operational expenses of the acquired subsidiaries, expansion of operations offshore, salaries and wages paid to the Group's new employees for its organizational build-up program; and payment of professional and legal fees incurred from investments and acquisitions.

Debt Ratios

Debt to Equity in December 31, 2017 was at 0.97x compared to 0.91x as at December 31, 2016. The increase in the gearing ratio was attributed to the lower total equity value in December 31, 2017 compare to the previous year. Interest coverage ratio in December 31, 2017 was at 2.81x compared to 11.84x the previous year. The decrease in this ratio is because of the lower recorded earnings before interest and tax expense and higher interest expense in 2017 compared to 2016.

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

Current Ratios	
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	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$

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.

For the year ended December 31, 2016 compared with the year ended December 31, 2015

Summary

PhP Millions	Years Ended December 31			Percentage Change	
	2016	2015	2014	2016 vs 2015	2015 vs 2014
Revenues	1,947.14	898.37	378.32	117%	137%
Gross Profit	803.43	513.87	264.45	56%	94%
Income before Income Tax	379.10	331.10	239.14	14%	38%
Net Income	264.84	229.62	190.72	15%	20%

Revenues					
Mobile Consumer Services	1,239.92	576.05	309.37	115%	86%
Enterprise Services	653.14	243.46	68.95	168%	253%
Other Services	54.07	78.87	-	-31%	n.a.

Service revenues of the Group increased from ₱378.32 million in 2014 to ₱898.37 million in 2015, or a 137% increase. The revenue growth was sustained in 2016 at 117% (from ₱898.37 million in 2015 to ₱1,947.14 million in 2016). Mobile consumer services grew 86% from ₱309.37 million in 2014 to ₱576.05 million in 2015; and a further 115% increase in 2016, when revenues in this segment reached ₱1,239.92 million. On the other hand, enterprise services grew 253% from ₱68.95 million in 2014 to ₱243.46 million in 2015; and a further 168% increase in 2016, when revenues in this segment reached ₱653.14 million. The profitability of the Group did not grow at the same rate as the revenues because of the planned expansion expenses in line with revenue growth; as shown in the 2014 to 2016 lower rates of increase of gross profit, Income before Income Tax, and Net Income.

	For the 12 months ended December 31					
Key Financial Data	**2016 (As restated)**		**2015**		**Amount Change**	**% Increase**
In PhP Millions	**Amount**	**Percentage**	**Amount**	**Percentage**		
Revenues						
Mobile consumer services	1,239.92	64%	576.05	64%	663.87	115%
Enterprise services	653.14	34%	243.46	27%	409.69	168%
Other services	54.07	3%	78.86	9%	(24.79)	-31%
Total Revenues	**1,947.14**	**100%**	**898.37**	**100%**	**1,048.77**	**117%**
Cost of Services	1,101.90	57%	314.69	35%	787.21	250%
Cost of Goods Sold	41.82	2%	69.81	8%	(27.99)	-40%
Gross Profit	**803.42**	**41%**	**513.87**	**57%**	**289.55**	**56%**
General and Administrative Expenses	354.73	18%	190.52	21%	164.21	86%
Equity in Net Loss of Associate	33.90	2%	9.48	1%	24.42	258%
Other charges (income) - net	35.69	2%	(17.23)	-2%	52.92	-307%
Income Before Income Tax	**379.10**	**19%**	**331.10**	**37%**	**48.00**	**14%**
Provision for Income Tax	114.27	6%	101.48	11%	12.79	13%
Net Income	**264.84**	**14%**	**229.62**	**26%**	**35.22**	**15%**
Other Comprehensive Income (Loss)	17.48	1%	10.15	1%	7.33	72%
Total Comprehensive Income	**282.32**	**14%**	**239.76**	**27%**	**42.56**	**18%**
EBITDA	**462.71**	**24%**	**351.05**	**39%**	**111.67**	**32%**

	Dec. 31, 2016	**Dec. 31, 2015**	**Amount Change**	**% Increase**
	Amount	**Amount**		
Total Assets	6,476.43	3,394.37	3,082.06	91%
Total Liabilities	2,686.93	1,830.62	856.31	47%
Total Equity	3,789.50	1,563.75	2,225.75	142%

The net income of the Group for the twelve-month period ended December 31, 2016, increased by 15% (from ₱229.62 million in year ended 2015 to ₱264.84 million in 2016). EBITDA increased by 32% to ₱462.71 million in 2016 from ₱351.05 million the previous year. The Group's revenues were mainly driven by mobile consumer services, comprising 64% of 2016 revenues.

In 2015, the Group acquired and invested in a number of companies at different periods of the year. Its largest acquisition in 2015 was Yondu at ₱900.00 million, which was completed on September 15, 2015. In October 6, 2016, Xurpas disclosed that it acquired 100% of AOC at an aggregate consideration of approximately US$45.00 million. The ramp-up of expenses during the full year of 2016 was due to the Group's various investments, acquisitions, and on-going product and platform development. While the Group's business increased as of December 31, 2016, the full accretive value of its investments in 2015 and 2016 have not yet materialized in that year, thus its net income did not grow at the same pace as service revenue.

Total revenues increased by ₱1,048.76 million or 117% for the comparable period, from ₱898.37 million in 2015 to ₱1,947.14 million in 2016. Partial effects of new revenue segments from investments and acquisitions in 2015 were realized in 2016. These new revenue segments refer to enterprise solutions and services from Yondu and Seer, and to the HR technologies services of Storm.

The Group's total cost of services increased by 250% from ₱314.69 million for year ended 2015 to ₱1, 101.90 million for the comparable period in 2016. Cost of goods sold attributable to other services was

₱41.82 million for year ended December 31, 2016 compared to ₱69.81 million in 2015, a decrease of 40% or ₱27.99 million. Gross profit margins on total revenues, for the twelve-month period ended December 31, 2016 was at 41%, a decrease from the same period last year at 57%. However, in absolute amount, gross profit increased by 56% from ₱513.87 million for the year ended 2015 to ₱803.42million for the same period in the year ended 2016.

General and administrative expenses increased by 86%, from ₱190.52 million for the year ended 2015 to ₱354.73 million for the same period in 2016. Overall, the increase was mainly due to the costs related to the Group's expansion: (i) absorption of operating expenses of acquired subsidiaries made in 2015 and 2016, (ii) increase in salaries and wages due to organizational build-up of the parent company and acquired subsidiaries, and (iii) investment and acquisition-related costs and legal fees, the latter being non-recurring. Included in the general and administrative expenses were increase in non-cash expenses such as depreciation and amortization related to capitalization costs, as well as non-cash interest expenses related to the recognition of liability for a written put option. The Company also shares in the recorded net loss of the associate companies it has invested in, which amounted to ₱33.90 million for the period ended December 31, 2016. Provision for taxes during the year ended 2016 was ₱114.27 million or 13% higher than the same period in 2015 at ₱101.48 million; due which is attributed to the higher income before tax.

Overall, the net income for the Group increased from ₱229.62 million for the year ended 2015 to ₱264.84 million over the same period in 2016 reflecting an increase of 15%. Core net income which excludes the non-recurring expenses amounting to ₱73.56 million, was at ₱327.69 million or an increase of 43% over the previous period.

Consolidated total assets as of December 31, 2016 amounted to ₱6,476.43 million, an increase of 91% from ₱3,394.37 million as of December 31, 2015 which is attributed to the overnight top-up placement of the Parent Company's common shares in April 26, 2016. The net increase of ₱3,082.06 million in total assets was mainly brought by the ₱1,910.41 million increase in intangible assets, ₱447.05 million increase in investment in associates, ₱255.60 million increase in financial assets at FVPL and ₱222.58 million in Accounts and other receivables. Consolidated total liabilities increased by 47% from ₱1,830.62 million as of December 31, 2015 to ₱2,686.93 million in December 31, 2016, due mainly to the recognition of written put option contingent liability in 2016. Consolidated total equity increased by 142% over the same period, from ₱1,563.75 million to ₱3,789.50 million, which was mainly a result of the additional paid-in capital from the overnight top-up placement.

Segment Financial Performance

As of December 31, 2016 In PhP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	1,324.58	660.59	3.39	(92.11)	1,896.46
Revenue from sale of goods	–	–	50.68	–	50.68
Total Service Revenues	**1,324.58**	**660.59**	**54.07**	**(92.11)**	**1,947.14**
Operating expenses	909.88	564.01	102.50	(77.94)	1,498.44
Equity in net loss of associates	–	–	–	33.90	33.90
Other charges (income) - net	19.20	(6.22)	(0.05)	22.75	35.69
Total Expenses	**929.08**	**557.79**	**102.45**	**(21.29)**	**1,568.03**
Operating profit	**395.50**	**102.80**	**(48.38)**	**(70.82)**	**379.10**
Provision for income tax	107.02	26.86	(11.89)	(7.72)	114.27
Net Income	**288.48**	**75.94**	**(36.49)**	**(63.09)**	**264.84**

As of December 31, 2016 prior to intersegment adjustments, mobile consumer services' revenues, operating profit and net income prior to eliminations were ₱1,324.58 million, ₱395.50 million and

₱288.48 million, respectively. These translated to 30% operating profit margin and 22% net income margin. Enterprise services had operating profit of ₱102.80 million (operating profit margin of 16%) and net income of ₱75.94 million (net income margin of 11%) from revenues of ₱660.59 million. The other services segment has yet to yield a positive contribution to the Group.

Profitability

For the year ended December 31, 2016 compared with the year ended December 31, 2015

Revenues

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 • Yondu • AOC
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 • Seer • Yondu
Other services	Revenues derived from services related to the proprietary platform called "Flex Benefits System" and "Storm Kudos" which allows employees to convert their employee benefits to other benefits which includes sale of goods	• Storm

In PhP Millions	For the 12 months ended December 31					
	2016 (As restated)		2015		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	1,239.92	64%	576.05	64%	663.87	115%
Enterprise services	653.14	34%	243.46	27%	409.69	168%
Other services	54.07	3%	78.86	9%	(24.79)	-31%
Total Revenues	**1,947.14**	**100%**	**898.37**	**100%**	**1,048.77**	**117%**

Revenues from the mobile consumer services segment for the year ended December 31, 2016 amounted to ₱1,239.92 million, an increase of 115% from the previous year's same period level of ₱576.05 million. This segment accounts for 64% of the total revenues. On the other hand, revenues from enterprise services (which accounts for 34% of total revenues) increased by 168% in December 31, 2016, to ₱653.14 million from ₱243.46 million in December 31, 2015. Other services booked revenues of ₱54.07 million in December 31, 2016, lower by 31% from the previous level at ₱78.87 million over the same period last year. The decrease in revenues from Storm was due to the longer-than-expected sales cycle, which has resulted in delayed implementation and revenue generation.

Expenses

In PhP Millions	For the 12 months ended December 31					
	2016 (As restated)		2015		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	1,101.90	74%	314.69	55%	787.21	250%
Cost of Goods Sold	41.82	3%	69.81	12%	(27.99)	-40%
General and Administrative Expenses	354.73	24%	190.52	33%	164.21	86%
Total Expenses	**1,498.45**	**100%**	**575.02**	**100%**	**923.43**	**161%**

As of the full year of 2015, Xurpas had the following subsidiaries: Fluxion, Inc. (now registered with SEC as Xeleb Technologies Inc.), Storm (formerly Storm Flex Systems, Inc.), Xeleb, Seer and Yondu. In contrast, the full year of 2016 now also includes AOC. The Group's consolidated expenses during the period ended December 31, 2016 amounted to ₱1,498.45 million, a 161% increase from the same period of the previous year at ₱575.02 million. For the full year of 2016, cost of services accounted for the bulk of expenses, totaling ₱1,101.90 million or 74% of the Group's consolidated expenses. For the same period in 2015, cost of services amounted to ₱314.69 million or 55% of overall expenses of ₱575.02 million.

Cost of Services

In PhP Millions	For the 12 months ended December 31					
	2016 (As restated)		2015		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Cost of Services						
Salaries, wages and employee benefits	486.90	44%	164.99	52%	321.91	195%
Outsourced services	368.53	33%	36.54	12%	332.00	909%
Segment fee and network costs	97.07	9%	55.10	18%	41.97	76%
Others	149.40	14%	58.07	18%	91.33	157%
Total Cost of Services	**1,101.90**	**100%**	**314.69**	**100%**	**787.21**	**250%**

Cost of services totaling ₱1,101.90 million for the full year of 2016, was mainly driven by expenses relating to (1) Salaries, wages, and employee benefits, (2) Outsourced services, and (3) Segment fee and network costs, which accounted for 44%, 33%, and 9%, respectively. These costs were directly borne from rendering mobile consumer services, enterprise services, and other services to the Group's clients for the full year of 2016. Of the total cost of services for the period, 77% is attributable to new subsidiaries. Of the outsourced services in 2016, 84% was attributable to AOC. In comparison, as at the full year of 2015 cost of services (₱314.69 million) was broken down into 52% salaries, wages, and employee benefits, 12% outsourced services, and 18% segment fee and network costs.

Cost of Goods Sold

For the period ended December 31, 2016, cost of goods sold comprise 3% of the Group's consolidated expenses, amounting to ₱41.82 million. This figure was a decrease of 40% from its level at ₱69.81 million in December 31, 2015. The decrease in cost of goods sold was directly attributable to the decrease in revenues of Storm. Costs related to the sale of goods from its flexible benefits and performance programs were appropriated as cost of goods sold.

General and Administrative Expenses

In PhP Millions	For the 12 months ended December 31					
	2016 (As restated)		2015		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	126.49	36%	66.93	35%	59.56	89%
Professional fees	43.31	12%	19.25	10%	24.06	125%
Repairs and maintenance	6.93	2%	9.20	5%	(2.27)	-25%
Rent	30.63	9%	10.74	6%	19.89	185%
Others	147.37	42%	84.39	44%	62.97	75%
Total general and administrative expense	**354.73**	**100%**	**190.52**	**100%**	**164.21**	**86%**

General and administrative expenses relating to the Group's operations, for full year ended December 31, 2016 amounted to ₱354.73 million, higher by 86% compared to previous year's same period level of ₱190.52 million. Salaries, wages, and employee benefits was ₱126.49 million or 36% of the total general and administrative expenses (GAEX). The same expenses amounted to ₱66.93 million for the same period in 2015. The next biggest cost component in December 31, 2016 was professional fees amounting to ₱43.31 million or 12% of total GAEX. The increase in the GAEX was primarily brought about by the consolidation of operational expenses from newly acquired subsidiaries, which contributed 52% of the total.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the full year ended December 31, 2016, amounted to ₱33.90 million. These companies are still in their testing phase or are in the process of ramping up or commercializing their operations.

Other charges - net

For the year 2016, the Group recognized other charges amounting to ₱35.69 million. This account mainly pertains to charges incurred subsequent to business combination with AOC amounting to ₱44.74 million which is comprised of foreign exchange loss of ₱22.78 and interest expense on payable to former shareholder of AOC amounting to ₱21.96 million

Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA)

In PhP Millions	For the 12 months ended December 31			
	2016	2015	Amount Change	% Increase
Income before tax	379.10	331.10	48.00	14%
Depreciation and amortization	48.63	14.33	34.30	239%
Interest expense	34.98	5.61	29.37	524%
EBITDA	**462.71**	**351.04**	**111.68**	**32%**

The Group's EBITDA increased by 32% in December 31, 2016 to ₱462.71 million from ₱351.04 million the same period of the previous year. Depreciation and amortization of property and office equipment and intangible assets amounted to ₱48.63 million as at December 31, 2016 from ₱14.33 million as at December 31, 2015. Of the net increase of ₱34.30 million, ₱32.29 million was from the depreciation of IT equipment and amortization of developed software. Interest expense increased by 523% from ₱5.61 million for the full year of 2015 to ₱34.98 million for the full year of 2016. Of this amount, ₱33.48 million was non-cash interest expense from the liability for a written put option and contingent liability.

Income before Income Tax

The Group's net income before taxes for year ended December 31, 2016 was 19% of total revenues or a figure of ₱379.10 million. The net income before taxes for the Group grew 14% from the same period ended December 31, 2015, which posted a figure of ₱331.10 million.

Provision for Income Tax

Provision for income tax during the year ended December 31, 2016 amounted to ₱114.27 million, compared to the same period in 2015, where provision for income tax was ₱101.48 million; a 13% increase.

Net Income

The Group posted a consolidated net income of ₱264.84 million for the full year of 2016, an increase of 15% from the previous year's same period at ₱229.62 million. Despite the Group's continuing organizational build-up, acquisition, investment-related expenses during this period versus that on December 31, 2015 the robust revenues generated a net income margin of 14% for the full year of 2016.

Financial Position

As of December 31, 2016 compared to December 31, 2015

Assets

Cash and Cash Equivalents

The Group's consolidated cash and cash equivalents amounted to ₱428.52 million for the year ended December 31, 2016, a net increase of 40% or ₱122.63 million from consolidated cash and cash equivalents of ₱305.89 million as at December 31, 2015. On April 2016, the Parent Company's overnight top-up placement raised ₱1,243.20 million in equity funds.

Accounts Receivable

The Group's consolidated accounts receivable amounted to ₱956.90 million and ₱734.32 million as at December 31, 2016 and December 31, 2015, respectively, representing an increase of 30% or ₱222.58 million. In December 31, 2016, trade receivables were valued at ₱933.66 million, whereby Yondu and AOC accounted for ₱419.60 million (45% of the total) and ₱330.62 million (35% of the total), respectively.

Financial Assets at Fair Value through Profit or Loss

The total Net Asset Value (NAV) and fair value of the Fund as at December 31, 2016 and December 31, 2015 was ₱335.92 million and ₱80.32 million, respectively. Part of the funds raised by the Parent Company after the overnight top-up placement was placed in the SB Money Market Fund while waiting for the appropriate use of the proceeds. The SB Money Market Fund was invested in a diversified portfolio of primarily short-term fixed income instruments.

Other Current Assets

The Group's consolidated other current assets totaled ₱52.63 million, an increase of ₱8.33 million or 19% from its previous level on December 31, 2015 at ₱44.30 million. Prepaid expenses and Input VAT comprised majority of other current assets.

Available for Sale Financial Assets

As of December 31, 2016, the Group's available for sale financial assets amounted to ₱152.97 million, which increased by ₱67.36 million from its previous level on December 31, 2015. These are investments in Pico Candy Pte. Ltd. (₱3.60 million), MatchMe Pte. Ltd. (₱52.50 million), Altitude Games Pte. Ltd. (₱28.86 million), Einsights Pte. Ltd. (₱23.48 million), Club Punta Fuego (₱0.30 million), and Quick.Ly Inc. (₱44.24 million).

Investment in Associates

As of December 31, 2016, the Group's consolidated Investment in Associates amounted to ₱549.86 million, a 435% increase from its figure of ₱102.81 million in December 31, 2015. The breakdown of the carrying amounts of these investments are: Altitude Games Pte. Ltd. (₱27.84 million), Altitude Games Inc. (₱0.35 million), MatchMe Pte. Ltd. (₱56.19 million), SDI (₱8.20 million), and Micro Benefits (₱457.27 million).

Property and Equipment

The Group's consolidated Property and Equipment was ₱80.53 million in December 31, 2016 vis-à-vis ₱58.18 million in December 31, 2015, or an increase of 38%. This was a result of adding ₱50.30 million worth of said assets in the period ended December 31, 2016. Depreciation expense amounted to ₱26.28 million in the full year ended December 31, 2016. Property and Equipment mainly consisted of leasehold improvements, information technology equipment, furniture and fixtures, and leased assets.

Intangible Assets

Intangible assets of ₱3,798.70 million as at December 31, 2016 were recognized in relation to the Group's acquisitions and investments. The amortized amount was ₱22.35 million or 1.18% of the December 31, 2015 figure at ₱1,888.28 million. The major components are customer relationship, goodwill, 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 December 31, 2016, goodwill is at ₱2,544.62 million.
- Customer relationship pertains to Yondu's non-contractual and contractual agreements with Globe Telecom, Inc., its major customer which are expected to generate revenues for the Group in subsequent periods. As of December 31, 2016, 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 of December 31, 2016, developed software net book value is at ₱162.51 million. Amortization of developed software for the year ended December 31, 2016 amounted to ₱19.87 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, 2016, leasehold rights net book value is at ₱13.75 million. Amortization of Leasehold rights for the year ended December 31, 2016 amounted to ₱2.48 million.

Pension Asset

The Group's recorded pension asset as of December 31, 2016 was at ₱2.39 million, compared to the previous year at nil.

Deferred Tax Assets – Net

The Group's consolidated net deferred tax assets level amounted to ₱62.28 million as at December 31, 2016, higher by 46% vis-à-vis its December 31, 2015 level at ₱42.52 million.

Other Noncurrent Assets

Other Noncurrent Assets amounted to ₱55.76 million As of December 31, 2016. This figure is 7% higher than the value posted as of December 31, 2015 at ₱52.13 million. This is advances to affiliates and primarily rental deposits amounting to ₱22.08 million and ₱20.04 million, respectively.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱413.73 million as of December 31, 2016 was a 77% increase from its December 31, 2015 figure of ₱233.50 million.

The Group's accounts and other payables consisted mainly of trade payables at ₱257.61 million (₱189.02 million from AOC), deferred trade output VAT at ₱55.60 million (₱45.05 million from Yondu Inc.), and accrued expenses at ₱37.79 million (₱35.15 million from Yondu).

Loans Payable – current portion

The Group's loans payable is attributable to the Group's local bank loans amounting to ₱3.00 million as of December 31, 2016 compared to ₱14.00 million in 2015. These interest-bearing, short-term loans are payable in 60 days.

Income Tax Payable

The Group's consolidated income tax payable as of December 31, 2016 amounted to ₱64.44 million, an increase of 64% from the December 31, 2015 figure of ₱39.24 million.

Liability for Written Put Option

Based on PAS **32,** ***Financial Instruments: Presentation***, "…a contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount." As such, a liability for the written put option is recognized which is equal to the present value of the amount payable upon exercise of the option is to be recognized. This amounts to ₱864.71 million and ₱853.18 million, as of December 31, 2016 and December 31, 2015, respectively.

Payable to former shareholders of a subsidiary

The Group recorded ₱314.13 million in contingent liability as at December 31, 2016 compared to nil the previous year.

Other Current Liabilities

The Group's other current liabilities amounted to ₱127.72 million in December 31, 2016 compared to ₱289.24 million in 2015, a decrease of 56%. The decrease of ₱161.52 million was mostly from the decrease in dividends payable (₱69.00 million from Yondu from a carrying amount of ₱116.49 million in 2016).

Loans Payable – non-current portion

The Group recorded ₱14.00 million and nil in non-current loans in December 31, 2016 and 2015, respectively. This is attributable to the loans of Seer which are interest-bearing, long-term (more than 360-days), and collateralized against Seer's trade receivables.

Deferred Tax Liability

As of December 31, 2016, the deferred tax liability (net) was at ₱363.85 million, an increase of 1% or ₱3.26 million from ₱360.59 million as of December 31, 2015. This is primarily the deferred tax liability on fair value adjustment on intangible assets.

Finance Lease- net of current portion

The Group 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%. The Group's finance lease net of current portion is ₱1.16 million in December 31, 2016 compared to nil in 2015.

Pension Liability

The accrued pension of the Group is at ₱28.91 million, which was a 29% or ₱11.96 million decrease from December 31, 2015 levels at ₱40.87 million. The decrease in pension liability was a result of Yondu's pension contribution to its retirement plan fund during the month of April 2016 and from organizational restructuring that Xeleb Technologies (formerly Fluxion, Inc.) undertook, which lessened the amount of pension accrued.

Equity

Total Equity

The Group's total equity As of December 31, 2016 was at ₱3,789.50 million, a 142% increase from its December 31, 2015 level at ₱1,563.75 million. On April 29, 2016, the Parent Company issued and subscribed 77.70 million shares with par value of ₱0.10 for a total consideration of ₱1,243.20 million or ₱16.00 per share. The excess of subscription price over paid-up capital was recognized as additional paid-in capital. The net increase in total equity was a result of additional paid-in capital of ₱2,123.40 million, increase of ₱129.01 million in retained earnings, and increase of ₱14.76 million in capital stock as of December 31, 2016. Likewise, As of December 31, 2016, equity reserve of ₱892.22 million was recorded pertaining to the liability for written option. On November 14, 2016, the Parent Company commenced its share buyback program following its Board approval for the allotment of ₱170.00 million on November 9, 2016. As at December 31, 2016, treasury stocks acquired totaled to

8,532,900 shares which amounted to ₱71.51 million. Non-controlling interests were at ₱830.17 million in December 31, 2016, an 8% increase from its figure in December 31, 2015 at ₱771.52 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 of its accounts. The Group has minimal bank debt through Seer which is 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.

<u>Cash Flows</u>

In ₱	**For the 12 months ended December 31**	
Key Financial Data	**2016**	**2015**
Net cash provided by (used in) Operating Activities	17,890,169	(7,933,530)
Net cash used in Investing Activities	(887,031,702)	(559,675,619)
Net cash provided by (used in) Financing Activities	1,009,409,733	(84,178,026)
Effect of foreign currency exchange rate changes	(17,635,549)	(245,051)
Net increase in cash	122,632,651	(652,032,226)
Cash at beginning of period	305,885,002	957,917,228
Cash at end of period	**428,517,653**	**305,885,002**

Cash Flows Provided by Operating Activities

For the full year of 2016, operating income of ₱522.27 million was coupled with the corresponding increase in account receivables and the decrease in account payables for a resulting ₱176.09 million net cash generated from operations. Together with interest received and income taxes paid, this resulted in a net cash provided by operating activities of ₱17.89 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows used in investing activities for subsidiaries and associates for the full year of 2016 was ₱887.03 million compared to ₱559.68 million in the same period of 2015. The cash used in investing activities were mostly from the purchase of investment in associate, specifically Micro Benefits in 2016. The investment in Micro Benefits together with its other fees amounted to ₱469.78 million.

Cash Flows Provided by (Used in) Financing Activities

The Group's consolidated net cash flow provided by financing activities for the full year ended December 31, 2016 was ₱1,009.41 million, compared to ₱84.18 million net cash flow used as of December 31, 2015. For the year 2016, consolidated net cash flow provided by financing activities was attributable mainly to the issuance of new common shares worth ₱1,243.20 million, net loan availment amounting to ₱3.00 million, and dividends paid amounting to ₱86.78 million.

Capital Expenditure

The Group's capital expenditures through business combinations and regular means, for the year ended December 31, 2016 and the year ended December 31, 2015 amounted to ₱50.93 million and ₱57.77 million, respectively.

Key Financial Data **(In ₱ million)**	**December 31, 2016 Additions**		**December 31, 2015 Additions**	
	Business Combination	Regular	Business Combination	Regular
Office Equipment	0.06	2.34	0.53	1.63
IT Equipment	0.51	15.06	16.05	6.51
Furniture and Fixtures	0.07	7.12	1.00	1.74
Leasehold Improvements	-	23.98	23.94	3.43
Leased Asset	-	1.81	2.86	-
Transportation Equipment	-	-	0.08	-
Total	**0.63**	**50.30**	**44.46**	**13.31**

Commitments and Contingent Liabilities

The Group recorded payable to former shareholders of a subsidiary at ₱805.43 million as at December 31, 2016 and nil for the previous year. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized.

Key Performance Indicators

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

In Percentage	For the years ended December 31		
	2016	2015	2014
Liquidity Ratios			
Current Ratio	105%	83%	1242%
Quick Ratio	102%	80%	1238%
Asset-to-Equity Ratio	219%	428%	112%
Profitability Ratios			
Net Income Margin	11%	25%	48%
Gross Margin	41%	57%	70%
Operating Margin	24%	39%	64%
Return on Total Assets	7%	9%	20%
Return on Equity	14%	19%	23%

Current Ratios

Current Ratio and Quick Ratios in December 31, 2016 were 105% and 102%, respectively, an increase from their respective 83% and 80% figures during the full year of 2015. The increase in both ratios was primarily from the significant increase in current assets of the Group for that period vis-à-vis the increase in current liabilities.

Asset-to-Equity Ratio

The decrease in the asset-to-equity ratio from 428% in December 31, 2015 to 219% in December 31, 2016 resulted from the large increase in equity, particularly additional paid-in capital and retained earnings. The increase in additional paid-in capital was a result of the April 2016 issuance and subscription of shares.

Profitability Ratios

Profitability margins decreased from December 31, 2015, as a result of business combination and expenses related to the Group's investments and acquisitions. The decrease in Gross Profit Margin (41%), Net Income Margin (11%), Operating Margin (24%), Return on Total Assets (7%) and Return on Equity (14%) was a result of the increase in overall expenses as a direct result of the Parent Company's expansion and acquisitions: the absorption of operational expenses of the acquired subsidiaries, expansion of operations offshore, salaries and wages paid to the Group's new employees for its organizational build-up program; and payment of professional and legal fees incurred from investments and acquisitions.

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

Other Disclosures:

i. Liquidity. There are no known trends, events, or uncertainties that will result in the Group's liquidity increasing or decreased in a material way.

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 non-material.

ITEM 7. Financial Statements

Please see the attached consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules.

ITEM 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in and disagreements with accountants on accounting and financial disclosure.

Independent Public Accountants, External Audit Fees and Services

The consolidated financial statements of the Group as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 were audited by SGV & Co., independent auditors, in accordance with Philippine Standards on Auditing (PSA).

SGV & Co. has acted as the Group's independent auditors since 2008. Jessie D. Cabaluna was the audit partner for the Group for calendar years 2013 until 2017. For calendar year 2017, the audit partner for the Group is Dolmar C. Montañez. The Company has not had any material disagreement on accounting and financial disclosure with SGV & Co. for the periods stated above or during interim periods. SGV & Co. has neither shareholding in the Group nor any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Group. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

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

The aggregate fees billed for each of the last two calendar years for professional services rendered by the external auditor were ₱1,056,000 and ₱880,000 for 2017 and 2016, respectively. The audit fees for 2018 are estimated to be at ₱1,161,600. Services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, tax consultancy and assistance in the preparation of annual income tax returns.

The Audit Committee recommends to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors and stockholders approve the Audit Committee's recommendation.

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PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. Directors and Executive Officers of the Issuer

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

The overall management and supervision of the Company is undertaken by the Board. The Board is composed of seven members, two of whom are independent directors. The term of a director is one year from date of election and until their successors are elected and qualified.

As of December 31, 2017, the composition of the Company's Board is as follows:

Name	Age	Citizenship	Position	Year Position was Assumed
Nico Jose S. Nolledo	41	Filipino	Chairman and Chief Executive Officer	2001
Raymond Gerard S. Racaza	40	Filipino	Director, President and Chief Operating Officer	2001
Fernando Jude F. Garcia	44	Filipino	Director and Chief Technology Officer	2001
Mercedita S. Nolledo	76	Filipino	Director	2001
Wilfredo Oposa Racaza	69	Filipino	Director	2001
Jonathan Gerard A. Gurango	60	Filipino	Independent Director	2014
Alvin D. Lao	46	Filipino	Independent Director	2014

Each of the Company's directors was elected to the Board during the Company's annual stockholders' meeting held on May 10, 2017. Each director shall remain in office until the next annual meeting of the stockholders of the Company or his or her removal or resignation as may be allowed under law.

The table below sets forth the Company's executive officers in addition to its executive directors listed above as of December 31, 2017:

Name	Age	Citizenship	Position
Jose Vicente T. Colayco	48	Filipino	Treasurer and Chief Business Development Officer
Alfonso A. Tagaysay	44	Filipino	Chief Marketing Officer
Alexander D. Corpuz	51	Filipino	Chief Finance Officer and Chief Compliance Officer
Mark S. Gorriceta	39	Filipino	Corporate Secretary, Chief Legal Officer and Assistant Chief Information Officer

The following discussion presents a brief description of the business experience of each of the Company's directors and executive officers.

Nico Jose S. Nolledo, Filipino, 41, director of the Company since 2001.

Mr. Nolledo is the Chairman and Chief Executive Officer of Xurpas Inc. He is the first Filipino Entrepreneur chosen by the Endeavour network. He is also 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.

Raymond Gerard S. Racaza, Filipino, 40, director of the Company since 2001.

Mr. Racaza is a co-founder and currently the President and Chief Operating Officer of the Company. He is also the Chairman, President and Chief Executive Officer of Xeleb Technologies. Before founding the Company, he was a Senior Solutions Consultant of Wireless Internet Solutions, Inc. and was part of the original development team of iAyala that built the first Wireless Application Protocol (WAP) site in the Philippines. In 2016, Mr. Racaza was recognized as Executive of the Year in the consumer non-durables category of the International Business Awards. Mr. Racaza holds a Bachelor of Science degree in Computer Science, Major in Information Technology from De La Salle University.

Fernando Jude F. Garcia, Filipino, 44, director of the Company since 2001.

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

Wilfredo O. Racaza, Filipino, 69, director of the Company since 2001.

Mr. Racaza has 48 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 is currently an insurance executive in Manulife Financial Philippines for the last 33 years up to present. 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, 76, Filipino, director of the Company since 2001.

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

Jonathan Gerard A. Gurango, 60, Filipino, independent director of the Company since 2014.

Mr. Gurango has a solid track record in forming and running successful software companies. He founded Match Data Systems (MDS) in Seattle, USA in 1987, MDS Philippines in 1991, and MDS Australia in 1996. In 1999, he sold MDS to Great Plains Software, which was acquired by Microsoft in 2001. Mr. Gurango served as the Asia Pacific Regional Director for Microsoft Business Solutions, before he left in 2003 to form Gurango Software. In 2007, he was inducted into the Hall of Fame for Microsoft's Most Valuable Professionals, in recognition of his mastery of software technology and business. In 2006, the Philippine Center for Entrepreneurship acknowledged him as one of the country's Ten Most Inspiring Technopreneurs. In addition to leading Gurango Software as the most successful Microsoft Dynamics partner in the Philippines, he has co-founded several other software start-ups such as SPRING.ph, and was the President of the Philippine Software Industry Association from 2013 to 2014. Mr. Gurango studied Industrial Engineering at the University of the Philippines, Diliman, Quezon City. He also studied Electrical Engineering at the University of Washington, Seattle, Washington, USA.

Alvin D. Lao, 46, Filipino, independent director of the Company since 2014.

Mr. Lao is the President and the Chief Executive Officer of D&L Industries, Inc. He serves as Director of Axis REIT, a real estate investment trust listed in Malaysia and as a Vice President of the Technology Club of the Philippines (Philippine alumni of the Massachusetts Institute of Technology), and is a past president and current member of the Entrepreneurs Organization (EO, Philippine Chapter). He is also a member of the Financial Executives Institute of the Philippines (FINEX) and the Wallace Business Forum. He is a director of Gurango Software Corporation, First in Colours, Incorporated, D&L Polymer and Colours, Incorporated, FIC Tankers Corporation, Ecozone Properties, Inc., Anonas LRT Property and Dev't Corp., and Hotel Acropolis, Inc. He graduated from the University of Western Australia with a Bachelor of Science degree in Information Technology (Honours) and Statistics. He also holds a Masters degree in Business Administration from the MIT Sloan School of Management.

Jose Vicente T. Colayco, 48, Filipino, Chief Business Development Officer of the Company since 2014 and Treasurer of the Company since 2016.

Mr. Colayco is currently the Chief Operating Officer of Xeleb Technologies. Before joining the Company, Mr. Colayco was the co-founder and co-managing director of Digital Storm, Inc., a developer of online casual game platforms. He was the President of 888 Creative Studios (a subsidiary of Information Gateway, Inc.) from 2004 to 2010, during which time he led the management of relationships with foreign and local licensors from the music, motion picture and game industries. He also served as Managing Director for EMI Music Philippines and Marketing Director for Sony Music Philippines. He holds a Bachelor of Arts degree in Philosophy and Religious Studies from Brown University, Magna Cum Laude. He obtained his Masters in Business Administration from Harvard Business School in Boston, Massachusetts.

Alfonso A. Tagaysay, 44, Filipino, Chief Marketing Officer of the Company since 2014.

Mr. Tagaysay has 16 years of experience in the mobile consumer content industry, managing mobile companies operating in various South East Asian markets: Philippines, Indonesia, Malaysia and Bangladesh. Before joining the Corporation, he was the co-founder and co-managing director of Digital Storm, Inc. From 2004 to 2010, he was a Managing Director of Information Gateway, Inc. From 2000-2004, he was with Globe Telecom as a Director. Prior to mobile, he worked in advertising with McCann Erickson from 1997 to 2000. Mr. Tagaysay holds a Bachelor of Arts, Management Economics degree from Ateneo de Manila University.

Mark S. Gorriceta, 39, Filipino, Corporate Secretary, Chief Legal Officer and Assistant Chief Information Officer of the Company since 2014.

Atty. Gorriceta has been in the practice of law for fourteen years. He acts as legal counsel to several other listed companies, its subsidiaries or affiliates. Atty. Gorriceta also serves as Chief Legal Counsel and/or Corporate Secretary to several leading tech companies in the Philippines such as Betur, Inc. (coins.ph), Xeleb Technologies, Storm, Seer, Yondu, Altitude Games Inc., Xeleb and Xurpas Enterprise. He heads the Corporate Department of Gorriceta Africa Cauton & Saavedra. He was formerly connected with the Law Firm of Quiason Makalintal Barot Torres & Ibarra. He is also a member of the IT and Business Process Association of the Philippines (IBPAP), Tax Management Association of the Philippines (TMAP), Financial Executives Institute of the Philippines (FINEX) and International Project Finance Association (IPFA). A member of the Philippine Bar since 2005, he holds a Bachelor of Arts, Political Science degree from the Ateneo de Manila University. He also attended certificate courses in Finance at the Asian Institute of Management in Makati City. Atty. Gorriceta is currently enrolled in Harvard University's certificate program in Corporate Finance.

Alexander D. Corpuz, 51, Filipino, Chief Finance Officer and Chief Compliance Officer of the Company since 2014.

Mr. Corpuz has 27 years of experience in the field of finance, ten years of which was in investment and commercial banking. He is currently the Chief Finance Officer of Xeleb Technologies. He is also a Director in Yondu, Seer and Pawnhero Pawnshop Philippines Inc. 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).

Significant Employees

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

Family Relationships

Mr. Nico Jose S. Nolledo, Chairman, and Chief Executive Officer, is the son of Atty. Mercedita S. Nolledo, a director. Mr. Raymond Gerard S. Racaza, President and Chief Operating Officer, is the son of Mr. Wilfredo O. Racaza, also a director of the Company.

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 Company 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 Company 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 Company or on the results of its operations. No litigation or claim of material importance is known to be pending or threated against the Company or any of its properties.

ITEM 10. Executive Compensation

Since its incorporation in 2001, the Company's directors (other than reasonable per diem for nonexecutive directors as discussed below) have not received any salary or compensation for their services as directors.

The following table summarizes the aggregate compensation received by the top five executive officers of the Company for the past five (5) years:

Name	Position	Salary	Estimated Bonus	Other	Total
Nico Jose S. Nolledo	Chairman & Chief Executive Officer				
Fernando Jude F. Garcia	Chief Technology Officer				
Raymond Gerard S. Racaza	President & Chief Operating Officer				
Jose Vicente T. Colayco	Treasurer & Chief Business Development Officer				
Alfonso A. Tagaysay	Chief Marketing Officer				
Total	2018 (Projected)	₱19,375,000.00	N/A	N/A	₱19,375,000.00
	2017	18,993,973.75	N/A	N/A	18,993,973.75
	2016	19,878,809.86	N/A	N/A	19,878,809.86
	2015	29,390,786.72	N/A	N/A	29,390,786.72
	2014	10,351,294.00	N/A	N/A	10,351,294.00

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

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

Compensation of Directors

Standard Arrangements

The directors receive a standard per diem of ₱20,000.00 for every meeting attended, which may be adjusted, as decided by the Personnel and Compensation Committee. Non-executive directors have no compensation aside from their per diem, while directors who hold executive positions receive compensation discussed in Item 6, in addition to their per diem.

Other Arrangements

The Company has no other existing arrangements such as bonus, profit sharing, stock options, warrants, rights, or other compensation plans or arrangements with its directors except for the Employee Stock Option Plan, approval of which is currently pending with the Securities and Exchange Commission and the listing of such shares is pending with the Philippine Stock Exchange.

Employment Contracts with Executive Officers

The Company does not have any compensatory plan or arrangements such as bonus, profit sharing, stock options, warrants, rights or other compensation plans or arrangements that results from the resignation, retirement of employment, or any other termination of an executive officer's employment with the Company, or from a change in control of the Company.

Warrants and Options Held by the Executive Officers and Directors

As of date, the Company does not have any stock options, warrants or similar plans for any of its directors or officers except the Employee Stock Option Plan, approval of which is currently pending with the Securities and Exchange Commission and the Philippine Stock Exchange.

ITEM 11. Security Ownership of Certain Beneficial Owners and Management

Security ownership of certain record and beneficial owners

As of March 31, 2018, the Company is not aware of any person who is directly or indirectly the record or beneficial owner of more than 5% of the Company's capital stock except as set forth below:

Title of Class	Name and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class
Common	**Nico Jose S. Nolledo** Chairman and Chief Executive Officer	Nico Jose S. Nolledo	Filipino	415,765,960 (Direct)	22.22%
Common	**Raymond Gerard S. Racaza** President and Chief Operating Officer	Raymond Gerard S. Racaza	Filipino	415,765,960 (Direct)	22.22%
Common	**Fernando Jude F. Garcia** Chief Technology Officer	Fernando Jude F. Garcia	Filipino	415,765,960 (Direct)	22.22%
Common	**PCD Nominee Corp.**	PCD participants acting for themselves and for their	Filipino	395,883,671 (Direct)	21.16

		customers[4]			
Common	**PCD Nominee Corp.**	PCD participants acting for themselves and for their customers[5]	Non-Filipino	223,857,949 (Direct)	11.96

As of March 31, 2018, 11.96% of the outstanding shares of the Company are held by non-Filipino.

Security ownership of directors and management as of March 31, 2018

As of March 31, 2018, the Company's directors and executive officers own the following number of shares:

Title of Class	Name of Owner and Position	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class
Common	**Nico Jose S. Nolledo** Chairman and Chief Executive Officer	Filipino	415,765,960 (Direct)	22.22%
Common	**Raymond Gerard S. Racaza** Director, President and Chief Operating Officer	Filipino	415,765,960 (Direct)	22.22%
Common	**Fernando Jude F. Garcia** Director and Chief Technology Officer	Filipino	415,765,960 (Direct)	22.22%
Common	**Mercedita S. Nolledo** Director	Filipino	2,378,338 (Direct)	0.13%
Common	**Wilfredo O. Racaza** Director	Filipino	1,060 (Direct)	Nil
Common	**Alvin D. Lao** Independent Director	Filipino	1,084,010 (Direct)	0.06%
Common	**Jonathan Gerard A. Gurango** Independent Director	Filipino	169,399 (Direct)	0.01%
Common	**Jose Vicente T. Colayco** Treasurer and Chief Business Development Officer	Filipino	14,450,320 (Direct)	0.77%
Common	**Alfonso A. Tagaysay** Chief Marketing Officer	Filipino	14,450,320 (Direct)	0.77%
Total (Directors and Officers as a Group)			1,279,831,327	68.41%

Voting Trust Holders of 5% or More

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

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

Changes in Control

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

ITEM 12. Certain Relationships and Related Transactions

The Company has regularly disclosed its related party transactions such as acquisition of shares in corporations in which the Company has interlocking directors or common stockholders, with the Securities and Exchange Commission and the Philippine Stock Exchange. In the conduct of its day-to-day business, the Company engages in related party transactions such as service and licensing agreements, always at arms-length and taking into consideration the best interest of the Company.

PART IV – CORPORATE GOVERNANCE

ITEM 13. Corporate Governance. Pursuant to SEC Memorandum Circular No. 20 (Series of 2016), the Annual Corporate Governance Report (ACGR) for 2016 is no longer required to be attached herein. Further, pursuant to SEC Memorandum Circular No. 15 (Series of 2017), companies listed in the Philippine Stock Exchange by 31 December of a given year shall submit a fully accomplished I-ACGR on May 30 of the following year. Accordingly, the Company will submit its I-ACGR on or before May 30, 2018.

PART V - EXHIBITS AND SCHEDULES

ITEM 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits – See accompanying Index to Exhibits

The other exhibits as indicated in the Exhibit Table of Revised Securities Act Forms are either not applicable to the Company or require o answer.

(b) Reports on SEC Form 17-C

The following reports on SEC Form 17-C were filed in 2017 and 1st quarter of 2018:

Date Filed	Items Reported
January 3, 2017	Share Buy-Back Transactions: On December 28, 2016, the Company acquired 622,000 common shares.
January 3, 2017	Share Buy-Back Transactions: On December 29, 2016, the Company acquired 1,880,100 common shares.
January 5, 2017	List of Top 100 Stockholders of Xurpas Inc.
January 11, 2017	Annual reporting on attendance of the members of the Board of Directors in meetings.
January 11, 2017	Certification on the Company's compliance with the Manual on Corporate Governance.
January 17, 2017	The Company furnished the Commission a copy of the certificate of attendance of Mr. Alvin D. Lao as proof of his attendance in a corporate governance seminar for the year 2016.
January 17, 2017	Public Ownership Report as of December 31, 2016
January 18, 2017	Share Buy-Back Transactions: On January 17, 2017, the Company acquired 150,000 common shares.
January 19, 2017	Share Buy-Back Transactions: On January 18, 2017, the Company acquired 200,000 common shares.
January 20, 2017	Share Buy-Back Transactions: On January 19, 2017, the Company acquired 220,000 common shares.
January 27, 2017	Annual Report on the Disbursement of Proceeds of the IPO
February 2, 2017	Share Buy-Back Transactions: On January 31, 2017, the Company acquired 245,500 common shares.
February 6, 2017	Share Buy-Back Transactions: On February 3, 2017, the Company acquired 440,000 common shares.
February 9, 2017	Share Buy-Back Transactions: On February 6, 2017, the Company acquired 320,000 common shares.
February 9, 2017	Share Buy-Back Transactions: On February 7, 2017, the Company acquired 304,000 common shares.
February 9, 2017	Share Buy-Back Transactions: On February 8, 2017, the Company acquired 155,000 common shares.
February 10, 2017	Press Release: Xurpas' platform businesses drive tech firm's evolution
February 14, 2017	Share Buy-Back Transactions: On February 13, 2017, the Company acquired 120,000 common shares.
February 14, 2017	Details of the 2017 Annual Stockholders' Meeting.
February 24, 2017	The Company was directed by the Philippine Stock Exchange to pay ₱750,000

	for failure to promptly disclose the changes in the shareholdings of Mr. Alvin D. Lao in one of his joint accounts and his transactions involving Xurpas shares within the black-out period.
March 9, 2017	Attendance of the Company's directors and officers in the corporate governance training conducted by SyCip Gorres Velayo & Co. on March 7, 2017.
March 9, 2017	List of Stockholders entitled to Notice for the 2017 Annual Stockholders' Meeting.
March 13, 2017	Resubmission of the List of Stockholders entitled to Notice of the 2017 Annual Stockholders Meeting.
March 31, 2017	Results of Board Meeting held on March 27, 2017: a. Approval of the 2016 consolidated audited financial statements; b. Appointment of SyCip Gorres Velayo & Co. as the Company's external auditor; c. Termination of the Buy-back Program adopted by the Board on November 9, 2016; d. Approval of the amendment of the Articles of Incorporation; and e. Approval of the amendment of the By-Laws.
March 31, 2017	Press Release: Xurpas ends FY2016 with strong record income and revenue
April 19, 2017	a. Top 100 Stockholders as of March 31, 2017; and b. Public Ownership Report as of March 31, 2017.
May 12, 2017	Results of the Annual Stockholders' Meeting held on May 10, 2017: a. Approval of the minutes of the Previous Meeting dated May 11, 2016; b. Approval of the Annual Report of the President and the Chief Operating Officer; c. Approval of the amendment of the Sixth Article of the Articles of Incorporation; d. Approval of the amendment of Section 2, Article III of the By-Laws specifying the increase in the number of independent directors from 2 to 3; e. Delegation of the power of the Board to repeal the Company's By-Laws or Adopt new By-Laws; f. Ratification of all acts of the Board of Directors, Officers and Management adopted during the Preceding Year; and g. Appointment of Sycip Gorres Velayo & Co. as the Company's External Auditor. The Company likewise reported the amendment to the disclosures on the Amendment to the Articles of Incorporation, and the Amendment to the By-Laws of the Company to reflect the date of approval of such amendments by the stockholders.
May 12, 2017	Results of the Board of Directors' Meeting held on May 8, 2017: a. Approval of the consolidated unaudited financial statements of the Company for the first quarter of 2017; and b. Declaration of cash dividends of PHP0.05 per share to all stockholders of the Company, with record date of May 23, 2017 and payment date on June 15, 2017
May 16, 2017	Press Release: Xurpas' net income up 51% in 1Q2017

May 24, 2017	Amended PSE Disclosure Form 5-1 on Substantial Acquisitions to reflect the amendment to the Share Purchase Agreement signed on May 19, 2017
June 9, 2017	Material Information Transactions in which the Company entered into an agreement with one of the Sellers in a Share Purchase Agreement for the acquisition of AOC on June 7, 2017
July 17, 2017	a. Top 100 Stockholders Report as of June 30, 2017 b. Public Ownership Report as of June 30, 2017
July 21, 2017	Approval of the Share Buy-Back from Mr. Emmanuel Jean Allix pursuant to the agreement executed on June 7, 2017.
August 10, 2017	Schedule of Investor Briefing to be held on August 11, 2017 via teleconference for the First Half of 2017 Earnings Results.
August 14, 2017	Results of the Board Meeting on August 9, 2017: a. Consolidated Unaudited Financial Statements for the first half of 2017; and b. Amendment of Article II Section 1, Article III Section 2, Article V Sections 1 and 3, and Article VI of the By-Laws
August 23, 2017	Clarification of a News Report which appeared on the Philippine Star on August 21, 2017, entitled "Xurpas to transform into platform company"
August 29, 2017	Details of the amended share buy-back approved by the Company's Board of Directors on July 18, 2017 as disclosed via PSE disclosure Form Nos. 4-30 and 9-1
October 9, 2017	Public Ownership Report as of September 30, 2017
October 11, 2017	a. List of Top 100 Stockholders as of period ended September 30, 2017; and b. Amended PSE Disclosure on the Share Buy-Back transaction of Mr. Allix's shares
November 8, 2017	Reporting of an investor briefing to be held at 9:00 a.m. on November 13, 2017 via teleconference for the Q3 2017 Results.
November 16, 2017	Results of the Board meeting on November 10, 2017: a. The Consolidated Unaudited Financial Statements of the Company for Q3 2017; and b. The creation of the Personnel and Compensation Committee The Company issued a press release on November 10, 2017.
November 20, 2017	Results of the Board meeting on November 10, 2017: c. The Consolidated Unaudited Financial Statements of the Company for Q3 2017; and d. The creation of the Personnel and Compensation Committee On November 17, 2017, the Company amended its PSE Disclosure Form 4-30 to reflect the members of the committee as follows: a. Mr. Raymond Gerard S. Racaza – Chairman b. Mr. Alvin D. Lao – Member c. Mrs. Mercedita S. Nolledo
January 5, 2018	Annual reporting of the attendance of Board of Directors' Meetings
January 8, 2018	Further amendment of Article II, Section 1 of the By-Laws to specify that the Annual Stockholders' Meeting shall be held every 2nd Monday of May of each year.

January 9, 2018	The Company furnished the Commission with a copy of the certificate of attendance of Mr. Alvin D. Lao as proof of his attendance in a corporate governance seminar for the year 2017.
January 16, 2018	Certification of adoption of good corporate governance practices
January 17, 2018	a. Top 100 Stockholders as of December 31, 2017; and b. Public Ownership Report as of December 31, 2017.
February 5, 2018	a. Amended Disclosure on the Amendments to Articles of Incorporation which amends previous disclosures posted on March 28, 2017 and May 11, 2017; b. Amended Disclosure on the Amendments to By-Laws which amends previous disclosures posted on August 10, 2017 and January 4, 2018; and c. Amended Disclosure on Amendments to By-Laws attached.
February 13, 2018	The Company furnished the Commission with the Statement of Changes in Beneficial Ownership of Ms. Mercedita S. Nolledo.
February 15, 2018	a. Amended Disclosure on the Amendments to the Articles of Incorporation posted on February 13, 2018, which amends previous disclosures circulated by the Exchange on March 28, 2017, May 11, 2017, and February 1, 2018 to reflect the approval of the amendment of the Company's Articles of Incorporation on February 5, 2018; and b. Notice of Annual Stockholders' Meeting, together with the attachment, the Notice and Agenda of the 2018 Annual Stockholders' Meeting.
February 26, 2018	Approval by the Board of Directors of the amended terms of the acquisition of AOC.
February 28, 2018	The Exchange required the Company to submit the details on the acquisition of AOC. The Company furnished the Commission with its Reply to the Exchange's Query on the details of the Acquisition of AOC.
March 12, 2018	a. The Company furnished the Commission with its Reply to the Exchange's query on the delayed disclosure of the approval of the amended articles of incorporation, including the letter-reply and medical certificate, which provide the information requested by the Exchange; b. Change in the Number of Issued and Outstanding Shares following the Company's issuance of shares to Messrs. Nico Jose S. Nolledo, Raymond Gerard S. Racaza, and Fernando Jude F. Garcia in connection to their sale of shares on February 22, 2018; and c. List of Stockholders as of Record Date.
March 14, 2018	a. Amended Disclosure on the Amendments to By-Laws which reflects the approval of the Amended By-Laws by the Commission, amending Article II Section 1 of the By-Laws as approved by the Board on January 4, 2018; and b. Amended Disclosure on the Amendments to By-Laws which reflects the approval of the Amended By-Laws by the Commission, amending Article III Section 2, Article V Sections 1 and 3, and Article VI as approved by the Board on March 27, 2017 and August 9, 2017.
March 26, 2018	a. Results of the Board Meeting held on March 23, 2018: • Postponement of the ASM to July 17, 2018; and • Amendment of the Share Purchase Agreement which was executed by the Company and AOC on October 6, 2016 b. Notice of Annual or Special Stockholders' Meeting giving notice to

	the new date of the 2018 ASM; and c. Amended Notice of Annual or Special Stockholders' Meeting which was previously disclosed on February 14, 2018.

INDEX TO EXHIBITS

Form 17-A

No.		Page No.
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	*
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	*
(8)	Voting Trust Agreement	*
(9)	Material Contracts	*
(10)	Annual Report to Security Holders, Form 11-Q or Quarterly Report to Security Holders	*
(13)	Letter re Change in Certifying Accountant	*
(16)	Report Furnished to Security Holders	*
(18)	Subsidiaries of the Registrant	**
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	*
(20)	Consent of Experts and Independent Counsel	*
(21)	Power of Attorney	*
(29)	Additional Exhibits	*

*These Exhibits are either not applicable to the Company or require no answer.
**Please refer to *Note 2* of the accompanying Notes to the Consolidated Financial Statements for details.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of PASIG CITY on APR 1 6 2018.

By:

NICO JOSE S. NOLLEDO
Chairman of the Board and
Chief Executive Officer

RAYMOND GERARD S. RACAZA
President and Chief Operating Officer

ALEXANDER D. CORPUZ
Chief Finance Officer

MARK S. GORRICETA
Corporate Secretary

ESTRELITA B. LABAN
Finance Controller

Republic of the Philippines)
PASIG CITY) S.S.

SUBSCRIBED AND SWORN to before me this APR 1 6 2018 day of ________ 2018 affiant(s) exhibiting to me his/their Competent Evidence of Identity, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUANCE	PLACE OF ISSUANCE
NICO JOSE S. NOLLEDO	P3513313A	June 28, 2017	DFA Manila
RAYMOND GERARD S. RACAZA	EC2509470	October 23, 2014	DFA Manila
ALEXANDER D. CORPUZ	P5670777A	January 18, 2018	DFA NCR East
MARK S. GORRICETA	EC5401039	September 19, 2015	DFA Manila
ESTRELITA B. LABAN	EC8421222	July 28, 2016	DFA NCR South

Doc. No. 183;
Page No. 78;
Book No. I;
Series of 2018.

ATTY. JEMIMAH ESTELLE R. BARTOLOME
Notary Public
PTR No. 3862288/01.10.18/Pasig City
IBP No. 024673/01.09.18/Makati City
Roll No. 62902
MCLE Compliance Cert. No. V-0020498/04.20.16
Address: 15th Floor Strata 2000 F. Ortigas Jr.
Ortigas Center, Pasig City
Appointment No. 145 (2017- 2018) Pasig City
Expiring on 31 December 2018